

STATE OF NEW MEXICO
VALENCIA
SOIL AND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2006

(With Independent Auditor's Report Thereon)

STATE OF NEW MEXICO
VALENCIA SOIL AND WATER CONSERVATION DISTRICT

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JUNE 30, 2006

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STATE OF NEW MEXICO
VALENCIA SOIL AND WATER CONSERVATION DISTRICT

OFFICIAL ROSTER
JUNE 30, 2006

<u>Board of Supervisors</u>	<u>Position</u>
Charlie Sanchez Jr	Chairperson
Marcel Reynolds	Vice-Chairperson
Vacant	Secretary/Treasurer
Jose Ramon Baca	Supervisor
Carl Hullinger	Supervisor
Joseph Moya	Supervisor
Richard Becker	Supervisor
<u>District Personnel</u>	<u>Title</u>
Madeline Miller	Administrative Assistant



OFFICE OF THE STATE AUDITOR

Hector H. Balderas

INDEPENDENT AUDITOR'S REPORT

Mr. Charlie Sanchez Jr, 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, 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 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 6, 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 6, 2007

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

Exhibit 1

	Governmental Activities	
Assets		
Cash and cash equivalents	\$ 469,121	
Accounts receivable	2,239	
Capital assets, Net	589,027	
Total assets	<u>1,060,387</u>	
Liabilities		
Accounts payable	774	
Accrued payroll	915	
Total liabilities	<u>1,689</u>	
Net Assets		
Invested in capital assets	589,027	
Unrestricted	469,671	
Total net assets	<u>\$ 1,058,698</u>	

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, 2006

Exhibit 2

		Governmental Activities
Program Expenses:		
Conservation:		
Administrative Assistant salary	\$ 21,580	
District portion of health insurance	2,393	
Taxes - SS, Medicare	1,584	
Department of Labor taxes	121	
Office expenses and supplies	972	
Telephone	937	
Postage	221	
Special meetings and conference	75	
Annual meeting	451	
Legal notices	75	
Dues	550	
Insurance Bond	1,184	
Travel reimbursements	785	
NM Game and Fish partners project costs	28,318	
Noxious weed control project costs - BLM	1,688	
Whitfield utilities and maintenance	4,711	
CFRP-USFS project costs	180,943	
USFWS BIG - Bosque improvement costs	6,196	
USFWS NAWCA - Ditch and well restoration costs	36,475	
Whitfield Building start-up costs	176	
Total program expenses	289,435	
Program Revenues:		
Federal operating grants and contracts	212,822	
State operating grants and contracts	1,000	
County operating grants and contracts	10,000	
Charges for Services - Rental income	4,470	
Total program revenues	228,292	
Net program (expense) revenue	(61,143)	
General Revenues:		
NMDA Allotment	9,944	
Interest	2,057	
Total general revenues	12,001	
Change in net assets	(49,142)	
Net assets at beginning of year	1,107,840	
Net assets at end of year	\$ 1,058,698	

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, 2006

	General Fund
Assets	
Cash and cash equivalents	\$ 469,121
Accounts receivable	2,239
Total assets	\$ 471,360
Liabilities and fund balance	
Liabilities:	
Accounts payable	\$ 774
Accrued payroll	915
Total liabilities	1,689
Fund balance:	
Unreserved, undesignated	469,671
Total fund balance	469,671
Total liabilities and fund balance	\$ 471,360

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

STATE OF NEW MEXICO
 VALENCIA 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
 are different from the way they are reported in the Balance Sheet - Governmental Funds
 as follows:

Fund Balance - Balance Sheet (Exhibit 3)	\$ 469,671
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital Assets net of accumulated depreciation	<u>589,027</u>
Net Assets - Statement of Net Assets (Exhibit 1)	<u><u>\$ 1,058,698</u></u>

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

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, 2006

	General Fund
Revenues	
Valencia County allotments	\$ 10,000
NMDA Allotment	9,944
Interest	2,057
CFRP Grant	131,022
NMACD Upper Rio Grande Salt Cedar Project	1,000
BLM Noxious weed grant	3,825
USFWS BIG grant - Bosque improvement	2,975
USFWS NAWCA grant - Ditch and well restoration	75,000
Rio Abajo rental income	4,470
Total revenues	240,293
Expenditures	
Conservation:	
Current:	
Administrative Assistant salary	21,580
District portion of health insurance	2,393
Taxes SS, Medicare	1,584
Department of Labor taxes	121
Office supplies and expenses	972
Telephone	937
Postage	221
Special meetings and conference	75
Annual meeting	451
Legal notices	75
Dues	550
Insurance Bond	1,184
Travel reimbursements	785
Whitfield utilities and maintenance	4,711
CFRP-USFS project costs	180,943
NM Game and Fish partners project costs	28,318
Whitfield Building start-up costs	176
USFWS BIG - Bosque improvement costs	6,196
Noxious weed control project costs - BLM	1,688
USFWS NAWCA - Ditch and well restoration costs	36,475
Total expenditures	289,435
Excess (deficiency) of revenues over expenditures	(49,142)
Special item	
Proceeds from sale of easement on land	416,973
Net change in fund balance	367,831
Fund balance beginning of year	101,840
Fund balance end of year	\$ 469,671

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, 2006

Exhibit 5

	General Fund			Variance
	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
Revenues				
Valencia County allotment	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
NMDA Allotment	9,775	9,775	9,944	169
NMDA (Match for CFRP grant)	10,400	10,400	-	(10,400)
Rio Abajo rental income	-	4,470	2,235	(2,235)
Interest	1,200	1,200	2,052	852
NMACD grant	-	-	1,000	1,000
BLM/Noxious weed grant	-	-	3,825	3,825
NMDA (Match for CFRP grant)	19,600	19,600	-	(19,600)
USFS CFRP Grant	120,000	120,000	156,934	36,934
NM Game and Fish partners grant	52,700	52,700	-	(52,700)
Whitfield Building grant	100,000	100,000	-	(100,000)
State Upland Conservation Area grant	100,000	100,000	-	(100,000)
Los Chavez maintenance grant	147	147	-	(147)
USFWS BIG grant - Bosque improvement	1,325	1,325	-	(1,325)
USFWS NAWCA grant - Ditch and well restoration	75,000	75,000	2,975	(72,025)
Donations - SB Foundation	2,500	2,500	75,000	72,500
Proceeds from sale of easement on land	-	-	416,973	416,973
Total revenues	<u>\$ 502,647</u>	<u>\$ 507,117</u>	<u>\$ 680,938</u>	<u>\$ 173,821</u>
Expenditures				
Administrative Assistant salary	\$ 20,800	\$ 21,400	\$ 21,450	\$ (50)
District portion of health insurance	2,393	2,395	2,393	2
Taxes - SS, Medicare	1,600	1,800	1,477	323
Department of Labor taxes	100	150	106	44
Office supplies and expenses	232	700	972	(272)
Telephone	1,000	1,000	937	63
Postage	200	300	220	80
Annual meeting	-	650	451	199
Legal notices	400	200	75	125
Dues	550	550	550	-
Insurance Bond	500	500	1,184	(684)
Special meetings and conference	-	1,000	75	(75)
Travel reimbursements	-	1,000	785	215
Awards	1,000	1,600	-	1,000
Miscellaneous maintenance and operations	-	1,600	-	1,600
Whitfield utilities and maintenance	2,600	2,600	4,711	(2,111)
NMDA (Match for CFRP grant)	19,600	19,600	-	19,600
CFRP-USFS project costs	120,000	120,000	180,951	(60,951)
NM Game and Fish partners project costs	52,700	52,700	28,318	24,382
Whitfield Building start-up costs	100,000	100,000	176	99,824
State Upland Conservation Area grant	100,000	100,000	-	100,000
Los Chavez maintenance	147	147	-	147
Wildlife study (SB Foundation)	2,500	2,500	-	2,500
USFWS BIG - Bosque improvement costs	1,325	1,325	6,197	(4,872)
Noxious weed control project costs - BLM	-	-	1,688	(1,688)
USFWS NAWCA - Ditch and well restoration costs	75,000	75,000	36,475	38,525
Total expenditures	<u>\$ 502,647</u>	<u>\$ 507,117</u>	<u>\$ 289,191</u>	<u>\$ 217,926</u>

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

STATE OF NEW MEXICO
VALENCIA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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 has 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, 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 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, 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.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally designated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

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 consists of demand deposits and short term investments (a certificate of deposit) with an original maturity of twelve 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

The receivables consist of \$2,239 for rental income. The entire amount is considered to be fully collectible.

STATE OF NEW MEXICO
VALENCIA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

3. Accounts Payable

The District's accounts payable consist primarily of payroll taxes due for the current period, and payroll expense owed at the end of the year of the year that had not yet been paid.

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 \$5,000 and an estimated useful life of more than one year. The total amounts spent for construction, if any, are capitalized and reported in the government-wide financial statements. For donations, the government values these capital assets at the estimated fair value of the item at the date of acquisition. The cost of normal maintenance and repairs that do not add to the value or extend the life of the asset are not capitalized.

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

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

5. Compensated Absences

As of June 30, 2006, the District employee does not earn any annual vacation or sick leave.

6. Net Assets and Fund Balance

The difference between the District's assets and liabilities is its net assets. The District's net assets consist of three components – invested in capital assets, which is the cost of capital assets, net of accumulated depreciation, restricted net assets which are liquid assets and have third-party (statutory, bond covenant or granting agency) limitations on their use and unrestricted net assets which represent unrestricted liquid assets. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific

STATE OF NEW MEXICO
VALENCIA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

purpose. The District currently has no restricted net assets or reservations of fund balance at fiscal year-end.

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, 2006

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

	General Fund
Non-GAAP revenues (Exhibit 5)	\$ 680,938
Prior year receivables	(25,911)
Current year receivables	2,239
GAAP revenues (Exhibit 4)	<u>\$ 657,266</u>
Non-GAAP expenditures (Exhibit 5)	\$ 289,191
Prior year accounts receivable	(1,444)
Current year accounts payable	1,688
GAAP expenditures (Exhibit 4)	<u>\$ 289,435</u>

III. Detailed Notes on all Funds

A. Cash and Cash Equivalents

As of June 30, 2006, the District had a carrying amount of deposits of \$469,121. The bank balances for deposits were \$469,580. The differences between the carrying amount and the bank balance of deposits are due to outstanding checks of \$459. The total bank balance of \$469,580 consisted of the following:

<u>Wells Fargo Bank</u>	
Demand deposits	\$ 2,906
Less: FDIC coverage	<u>(2,906)</u>
Uninsured bank balance	<u>\$ -0-</u>
<u>The Bank of Belen</u>	
Money Market Deposit Account	\$ 5,051
Demand deposits	3,691
Certificate of deposits	15,010
Less: FDIC coverage	<u>(23,752)</u>
Uninsured bank balance	<u>\$ -0-</u>
<u>The UBS Financial Services</u>	
Certificate of deposit – Hapotalim Bank	\$ 82,738
Certificate of deposit – K Bank	82,183
Certificate of deposit – Lehman Bro Commercial	81,629

STATE OF NEW MEXICO
 VALENCIA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2006

Certificate of deposit -- Bank of Shorewood	80,974
Certificate of deposit -- Capital One Bank	80,602
Certificate of deposit -- UBS Bank	9,835
Certificate of deposit -- FirstBank PR PR	24,961
Less: FDIC coverage	<u>(442,922)</u>
Amount uninsured	<u>\$ -0-</u>

Custodial Credit Risk – Deposits. Custodial Credit Risk is the risk that in the event of bank failure certain cash balances which are uninsured could be lost. The District does not have a deposit policy for custodial credit risk. None of the District's deposits are subject to custodial credit risk since all of the District's deposits were covered by FDIC insurance.

B. Capital Assets

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

Description	6/30/2005	Additions	Deletions	06/30/06
Non-Depreciable Assets				
Land 97.4 acres	\$ 1,006,000	\$ -	\$ 416,973	\$ 589,027
Total capital assets	<u>\$ 1,006,000</u>	\$ -	\$ 416,973	<u>\$ 589,027</u>

C. Long-Term Debt

The District has no long-term debt as of June 30, 2006.

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.

STATE OF NEW MEXICO
VALENCIA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

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 \$1,050,000 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 \$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. Related Party Transactions

A brother of the Chairman of the District's Board of the Supervisors was paid \$3,673 from the District for reimbursements of purchasing cottonwood poles, digging holes for planting trees, and cutting, raking and clearing milo crops. The contractual service for maintaining Whitfield land was approved by the Board of the Supervisors in the same manner as other businesses are.

F. Subsequent Event

In February 2007, the Claunch-Pinto Soil and Water Conservation District assumed the trusteeship of the Upper Rio Grande Salt Cedar Control project from the New Mexico Association of Conservation Districts (NMCD). The following Soil and Water Conservation Districts (SWCD) entered into a Joint Powers Agreement with Claunch-Pinto SWCD for removal of salt cedar from the Upper Rio Grande Basin: East Rio Arriba, Ciudad, Coronado, Valencia, Santa Fe Pojaque and East Torrance. As of April 6, 2007 Valencia SWCD had not received any appropriations under the Joint Powers Agreement and the amount, if any, they would receive had not yet been determined.

STATE OF NEW MEXICO
VALENCIA SOIL AND WATER CONSERVATION DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

G. 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:	Original agreement: July 1, 2002 to June 30, 2004 Extension of original agreement (with some revision): July 1, 2004 until the funding or resources cease.
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*

Ms. Charlie Sanchez Jr., 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, 2006 and have issued our report dated April 6, 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 over financial reporting 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 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and responses as item 06-01.

This report is intended solely for the information and use of management, the New Mexico Office of the State Auditor, the New Mexico Department of Finance and Administration, 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

April 6, 2007

STATE OF NEW MEXICO
VALENCIA SOIL AND WATER CONSERVATION DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2006

STATUS OF PRIOR YEAR AUDIT FINDINGS

None.

CURRENT YEAR AUDIT FINDINGS

06-01. Noncompliance with the New Mexico State Public Money Law Requirements

Condition

The District did not timely deposit in the District's bank account the proceeds of \$416,973 from the sale of easement on 92 acres of land. The District sold the easement to the United States of America, Department of Agriculture, Natural Resource Conservation Services. Instead of depositing the proceeds to the District's bank, The District decided to invest the money with UBS Financial Services. Without recording the receipt on the District's books, the proceeds of \$416,972 was delivered to UBS Financial Services by the District on October 17, 2006. The settlement date of the land sale was September 21, 2006 and the check was issued on October 14, 2006.

Criteria

Section 6-10-3 NMSA 1978 requires all public money to be deposited before the close of the next succeeding business day after the receipt of the money. Also, good accounting practices require accuracy in recording all receipts on the District's books.

Cause

It appears that the District was not aware of the Law.

Effect

The District is not complying with the State's Public Money Law. Receipts that are recorded or deposited in a timely manner are subject to fraud misuse.

Recommendation

The District should deposit all receipts of the money to the District's bank before the close of the next succeeding business day after the receipt of the money.

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

Management's Response

The District concurs with the State Auditor's Office finding and it will be rectified.

STATE OF NEW MEXICO
VALENCIA 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 6, 2007, an exit conference was held at the District Office with Mr. James S. Davis, Secretary/Treasurer 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. The contents of this audit report were discussed.