

**State of New Mexico  
Arch Hurley Conservancy District  
Audited Financial Statement  
December 31, 2018**

**Dan Austin CPA, PC  
700 Mechem Drive  
Suite 15  
Ruidoso, New Mexico 88345**

**State of New Mexico  
Arch Hurley Conservancy District  
Official Roster**

**Board of Directors:**

Robert Lopez.....	President
Larry Perkins.....	Vice President
U. V. Henson.....	Secretary/Treasurer
Debra Mitchell.....	Director
John Griffiths.....	Director

**ADMINISTRATION**

Franklin McCasland.....	District Manager
Donna Lafferty.....	Office Manager

**State of New Mexico  
Arch Hurley Conservancy District  
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December 31, 2018**

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## Financial Section

## Independent Auditors' Report

Brian S. Colon, New Mexico State Auditor  
Board Members of Arch Hurley Conservancy District

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of Arch Hurley Conservancy District (the District), as of and for the year ended December 31, 2018, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the financial statements of the District's fiduciary fund and the budgetary comparisons for the major debt service fund, presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended December 31, 2018, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of December 31, 2018, and the respective changes in financial position and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the fiduciary fund of the District as of December 31, 2018, and the respective changes in financial position and the respective budgetary comparisons for the major debt service fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

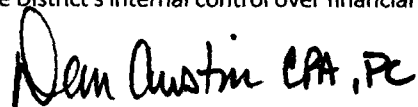
Accounting principles generally accepted in the United States of America require that Schedule of the Proportionate Share of Net Pension Liability on Page 32 and the Schedule of Contributions on page 33 and the notes to the Required Supplementary Information on pages 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during my audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the District's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Supporting Schedule of Deposits and Security Requirements and Schedule of Memorandum of Understanding on pages 41 and 42 required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements and are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supporting Schedule of Deposits and Security Requirements and Schedule of Memorandum of Understanding on page 41 and 42, required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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* in considering the District's internal control over financial reporting and compliance.



Dan Austin CPA PC  
Ruidoso, New Mexico  
May 21, 2019

**Basic Financial Statements**



State of New Mexico  
Arch Hurley Conservancy District  
Statement of Net Position  
December 31, 2018

	Governmental Activities
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Equivalents	\$ 498,191
Investments	800,000
Receivables-Assessments	98,752
Receivables-Advolorem Tax	224,778
Receivables-Capital Outlay Grant	50,000
Inventories	9,798
Employee Receivables	100
Total Current Assets	<u>1,681,619</u>
<b>Noncurrent Assets</b>	
Net Capital Assets	<u>484,921</u>
Total Noncurrent Assets	<u>484,921</u>
<b>Deferred Outflows of Resources</b>	
Related to Pensions	<u>149,434</u>
Total Deferred Outflows of resources	<u>149,434</u>
<b>Total Assets and Deferred Outflows</b>	<b>\$ 2,315,974</b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 6,202
Payroll Tax Payable	17,930
Accrued Wages payable	7,801
Water Credit Prior Years Refundable	29,755
Deposits - Security and Uniforms	3,400
Employee Flower Payable	200
Accrued Compensated Absences	23,382
Note Payable - Current Portion	<u>27,968</u>
Total Current Liabilities	<u>116,638</u>
<b>Noncurrent Liabilities</b>	
Incremental land value credits	197,445
Note Payable - Due more than one year	981,624
Net Pension Payable	<u>611,468</u>
Total Noncurrent Liabilities	<u>1,790,537</u>
Total Liabilities	<u>1,907,175</u>
<b>Deferred Inflows of Resources</b>	
Unavailable Revenues - Advance Collections Assessments	3,418
Deferred Revenue Property Taxes	224,778
Related to Pensions	<u>43,515</u>
Total Deferred Inflows	<u>271,711</u>
<b>Net Position</b>	
Net Investment in Capital Assets	484,921
Restricted For:	
Debt Service	21,246
Unrestricted	<u>(369,079)</u>
Total Net Position	<u>137,088</u>
<b>Total Liabilities, Net Position and Deferred Inflows</b>	<b>\$ 2,315,974</b>

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

State of New Mexico  
Arch Hurley Conservancy District  
Statement of Activities  
For The Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues		Revenue And	
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Changes In Net Position
				Governmental Activities	
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General Government	\$ 10,356	\$ -	\$ -	\$ -	\$ (10,356)
Operational Expenses	1,176,029	418,168	-	50,000	(707,861)
Debt Service Interest	31,123	-	-	-	(31,123)
Depreciation	72,678	-	-	-	(72,678)
Total Governmental Activities	<u>1,290,186</u>	<u>418,168</u>	<u>-</u>	<u>50,000</u>	<u>(822,018)</u>
<b>General Revenues:</b>					
Property Taxes, Levied for General Purposes					466,582
Land Assessments					578,464
Interest					<u>17,407</u>
Total General Revenues					<u>1,062,453</u>
Change In Net Position					240,435
Net Position - Beginning					(98,299)
Restatement					<u>(5,048)</u>
Net Position - Beginning Restated					<u>(103,347)</u>
Net Position - Ending					<u>\$ 137,088</u>

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

State of New Mexico  
Arch Hurley Conservancy District  
Balance Sheet - Government Funds  
December 31, 2018

	General Fund	Debt Service Funds	Totals Governmental Funds
<b>Assets</b>			
Cash	\$ 473,282	\$ 24,909	\$ 498,191
Investments	605,000	195,000	800,000
Receivable-Assessments/Other	92,168	6,584	98,752
Receivable-Ad Valorem	213,540	11,238	224,778
Receivable-Capital Outlay Grant	50,000	-	50,000
Employee Receivables	100	-	100
Inventory	9,798	-	9,798
<b>Total Assets</b>	<b><u>\$ 1,443,888</u></b>	<b><u>\$ 237,731</u></b>	<b><u>\$ 1,681,619</u></b>
<b>Liabilities</b>			
Accounts Payable	\$ 6,202	\$ -	\$ 6,202
Payroll Tax Payable	17,930	-	17,930
Accrued Wages payable	7,801	-	7,801
Water Credit Prior Years Refundable	29,755	-	29,755
Distributed Incremental Land Value Credits	-	197,445	197,445
Deposits - Security and Uniforms	3,400	-	3,400
Employee Flower Payable	200	-	200
<b>Total Liabilities</b>	<b><u>65,288</u></b>	<b><u>197,445</u></b>	<b><u>262,733</u></b>
<b>Deferred Inflows of Resources</b>			
Deferred Inflows - Ad Valorem Tax	213,540	11,238	224,778
Unavailable Revenues - Advanced Collections	3,200	218	3,418
<b>Total Deferred Inflows of Resources</b>	<b><u>216,740</u></b>	<b><u>11,456</u></b>	<b><u>228,196</u></b>
<b>Fund Balances</b>			
<b>Nonspendable</b>			
Inventory	9,798	-	9,798
<b>Restricted For:</b>			
Debt Service	-	28,830	28,830
<b>Unassigned For:</b>			
General Fund	1,152,062	-	1,152,062
<b>Total Fund Balances</b>	<b><u>1,161,860</u></b>	<b><u>28,830</u></b>	<b><u>1,190,690</u></b>
<b>Total Liabilities deferred inflows of Resources and Fund Balances</b>	<b><u>\$ 1,443,888</u></b>	<b><u>\$ 237,731</u></b>	<b><u>\$ 1,681,619</u></b>

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

**State of New Mexico**  
**Arch Hurley Conservancy District**  
**Reconciliation of Total Governmental Fund Balance**  
**To Net Position of Governmental Activities**  
**December 31, 2018**

Total Governmental Fund Balance	\$ 1,190,690
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	484,921
Deferred Inflows Related To Pensions:	(43,515)
Deferred Outflows Related To Pensions:	149,434
Compensated absences payable not reported as liabilities on the governmental fund statements	(23,382)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Construction Obligation to United States Government	(1,009,592)
Net Pensions Payable	<u>(611,468)</u>
Net Position of Governmental Activities	<u>\$ 137,088</u>

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

State of New Mexico  
Arch Hurley Conservancy District  
Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
For The Year Ended December 31, 2018

	General Fund	Debt Service Fund	Totals Governmental Funds
<b>Revenues</b>			
Property Taxes, Levied for General Purpose	\$ 431,787	\$ 34,795	\$ 466,582
Land Assessments	538,798	39,666	578,464
Big Mesa and NM Parks Water Charge	4,059	-	4,059
Water Delivery Charges	387,487	-	387,487
Interest	14,151	3,256	17,407
Big Mesa Administration	1,122	-	1,122
Grant Revenues-State Sources	50,000	-	50,000
Custom Work	24,094	-	24,094
Loan Administration	-	-	-
Miscellaneous	1,406	-	1,406
<b>Total Revenues</b>	<u>1,452,904</u>	<u>77,717</u>	<u>1,530,621</u>
<b>Expenditures</b>			
General Government	10,356	-	10,356
Irrigation Water Distribution	1,171,576	-	1,171,576
Capital Outlay	51,532	-	51,532
Debt Service-Principal	-	27,132	27,132
Debt Service-Interest	-	31,123	31,123
<b>Total Expenditures</b>	<u>1,233,464</u>	<u>58,255</u>	<u>1,291,719</u>
<b>Excess (Deficiency) Of Revenues Over Expenditures</b>	<u>219,440</u>	<u>19,462</u>	<u>238,902</u>
<b>Other Financing Sources (Uses):</b>			
Operating Transfers, Net	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<b>219,440</b>	<b>19,462</b>	<b>238,902</b>
<b>Beginning Fund Balance</b>	<b>947,468</b>	<b>9,368</b>	<b>956,836</b>
<b>Fund Balance Adjustment</b>	<b>(5,048)</b>	<b>-</b>	<b>(5,048)</b>
<b>Beginning Fund Balance Restated</b>	<u>942,420</u>	<u>9,368</u>	<u>951,788</u>
<b>Fund Balance (Deficit) At End Of Year</b>	<u>\$ 1,161,860</u>	<u>\$ 28,830</u>	<u>\$ 1,190,690</u>

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

**State of New Mexico**  
**Arch Hurley Conservancy District**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balance of Governmental Funds to**  
**the Statement of Activities**  
**December 31, 2018**

Net Change in Fund Balances - Total Governmental Funds \$ 238,902

Amounts reported for governmental activities 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 their estimated useful lives as depreciation expense. This is the amount by which depreciation expense was more than capital outlays in the current period.

Depreciation Expense	(72,678)
Capital Outlay	84,468

Net change in compensated absences payable for governmental funds 61

Net change in pension contributions and pension expense (37,450)

Principal payments on Long-term Debt reported as expenditure in the Government Funds 27,132

Change in Net Position of Governmental Activities \$ 240,435

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

**State of New Mexico**  
**Arch Hurley Conservancy District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Budgeted to Actual (Non-GAAP Budgetary Basis) - General Fund**  
**For The Year Ended December 31, 2018**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>				
Taxes Ad Valorem	\$ 377,925	\$ 377,925	\$ 387,906	\$ 9,981
Land Assessments	538,840	538,840	538,798	(42)
Big Mesa Permits	6,000	6,000	4,059	(1,941)
Full Cost Water	-	-	1,943	1,943
Water Delivery Charges	266,910	266,910	401,783	134,873
Legislative Capital Outlay	-	-	-	-
Custom Work	25,000	25,000	24,094	(906)
Miscellaneous	60,000	60,000	7,985	(52,015)
Interest	4,100	4,100	13,030	8,930
Grants	400,000	400,000	-	(400,000)
	-	-	-	-
Total Revenue	1,678,775	1,678,775	1,379,598	\$ (299,177)
Budgeted Cash Balance	957,818	957,818		
Total Revenue And Cash	\$ 2,636,593	\$ 2,636,593		
<b>EXPENDITURES:</b>				
<b>General Government:</b>				
Office Supplies	\$ 7,400	\$ 7,400	5,943	1,457
Office Equipment	1,800	1,800	420	1,380
Board of Directors Fees	2,400	2,400	2,400	-
Other	4,400	4,400	2,370	2,030
<b>Irrigation Water Distribution:</b>				
Salaries	525,000	525,000	528,462	(3,462)
Professional Services	55,000	55,000	25,385	29,615
Shop Supplies	18,000	18,000	18,876	(876)
Building Repairs	30,000	30,000	30,239	(239)
Vehicle Operation/Repair	95,000	95,000	97,019	(2,019)
Irrigation Operations/Maintenance	42,000	42,000	43,710	(1,710)
Heavy Equipment Operation/Maintenance	133,335	133,335	142,318	(8,983)
Strategic Plan	15,000	15,000	12,848	2,152
Utilities	60,000	60,000	50,605	9,395
PERA	49,660	49,660	39,562	10,098
FICA Tax	39,780	39,780	7,060	32,720
Health Insurance	57,500	57,500	44,248	13,252
Liability Insurance	60,000	60,000	65,803	(5,803)
Work Comp Insurance	20,000	20,000	16,176	3,824
Legislative Capital Outlay	200,000	200,000	51,532	148,468
Custom Work	5,000	5,000	8,588	(3,588)
Safety Equipment	6,000	6,000	6,430	(430)
Chemical Control	20,000	20,000	27,124	(7,124)
Compliance	20,000	20,000	3,737	16,263
Full Cost Water Due BOR	6,000	6,000	4,234	1,766
BOR Inspections	5,000	5,000	5,000	-
Miscellaneous	500	500	16	484
Capital Outlay >\$5000	200,000	200,000	-	200,000
Total Expenditures	1,678,775	1,678,775	1,240,105	438,670
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers (Net)	-	-	-	-
Total Expenditures And Other Financing Sources	\$ 1,678,775	\$ 1,678,775	1,240,105	\$ 438,670
Total Revenues (Expenditures and Other Financing Sources and Uses)			139,493	
Reconciliation to GAAP Basis				
Changes in Receivables			73,306	
Changes in Accounts Payable			6,641	
Excess (Deficiency) of Revenues over expenditures			\$ 219,440	

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

**State of New Mexico  
Arch Hurley Conservancy District  
Statement of Fiduciary Assets and Liabilities  
Private Purpose Trust  
For The Year Ended December 31, 2018**

**ASSETS**

Cash	\$	49,818
Interstate Stream Commission - Loans Receivable		<u>24,000</u>
Total Assets	\$	<u><u>73,818</u></u>

**Net Position**

Net Position	\$	<u>73,818</u>
Total Net Position	\$	<u><u>73,818</u></u>

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



**State of New Mexico**  
**Arch Hurley Conservancy District**  
**Schedule of Changes in Fiduciary Net Position**  
**Private Purpose Trust**  
**December 31, 2018**

	<u>Totals</u>
<b>Additions:</b>	
Interest Income	<u>\$ 1,403</u>
Total Additions	1,403
<b>Deductions:</b>	
Administration Fees	-
Miscellaneous	<u>-</u>
Total Deductions	<u>-</u>
Change in Net Position	1,403
Net Position - Beginning of Year	<u>72,415</u>
Net Position - End of Year	<u>\$ 73,818</u>

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

**Note 1. Summary of Significant Accounting Policies**

Arch Hurley Conservancy District (the "District") was established on July 28, 1937, as provided by law. The District maintains irrigation canals, ditches and laterals for the purpose of providing irrigation water to landowners in the District. The District is organized and acting under the laws of the State of New Mexico and in cooperation with the United States Government for the care, operation and maintenance of all irrigation and drainage works of the project. The District's governing body operates with a five-member board of directors elected from the landholders and water users within the boundaries of the District.

The summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of the District's management who is responsible for their integrity and objectivity. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

During the year ended December 31, 2015, the District adopted GASB Statements No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* ("GASB 68"), and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* ("GASB 71"). These two Statements are required to be implemented at the same time. GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governments through pension plans that are administered through trusts that have the following characteristics:

Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit plan, plan assets are also legally protected from creditors of the plan members.

GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. As a result of the implementation of GASB 68, the government would recognize a net pension liability ("NPL") measured as of a date no later than the end of its prior fiscal year. If the government employer makes a contribution to the pension plan subsequent to the measurement date but prior to the end of the current fiscal year, GASB 68 requires the government to recognize that contribution as a deferred outflow of resources. In addition, GASB 68 requires the recognition of deferred outflows of resources and deferred inflows of resources for changes in the NPL that arise from other types of events, but does not require the government to recognize beginning deferred outflows of resources or deferred inflows of resources if the amounts are not practical to estimate. At transition to Statement 68, Statement 71 requires the employer or non-employer contributing entity to recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year, thus avoiding possible understatement of an employer or non-employer contributing entity's beginning net position and expense in the initial period of implementation. This pronouncement has materially impacted the financial statements and additional disclosures are included in the notes to the financial statements to highlight the effects.

**A. Financial Reporting Entity**

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No.'s 14, 34 and 61.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic

boundaries of the District and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the District has no component units, and is not a component unit of another governmental agency.

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#### New Accounting Pronouncements

During the year ended December 31, 2018, the District implemented the following new accounting pronouncements which did not have a material effect on the District's financial statements:

- GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions
- GASB Statement No. 85, Omnibus 2017
- GASB Statement No. 86, Certain Debt Extinguishment Issues

The following pronouncements have been issued, but are not yet effective for the year ended October 31, 2018:

- GASB Statement No. 83, Certain Asset Retirement Obligations
- GASB Statement No. 84, Fiduciary Activities
- GASB Statement No. 87, Leases
- GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- GASB Statement No. 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61

The District is evaluating the effect that these statements will have in upcoming years.

#### **B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *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.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions* and Statement No. 65, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position*.

In the government-wide Statement of Net Position, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognized all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts - investment in capital assets, restricted net position; and unrestricted net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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*.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

### **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*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Water assessment taxes are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue 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 both 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 generally are 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, are recorded only when payment is due. Property taxes, franchise taxes, licenses 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, subject to the availability criterion. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, subject to the availability criterion. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the District's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of District facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues rather* than as program revenues. Likewise, general revenues include all taxes.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The District does not currently employ indirect cost allocation systems. Depreciation expense is not specifically identified by function and is reported separately on the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Governmental funds are used to account for the District's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets and the servicing of general long-term debt.

Under the requirements of GASB No. 34, the District is required to present certain of its governmental funds as major based upon specific criteria.

The District reports the following governmental funds:

#### **General Fund**

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

#### **Debt Service Fund**

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of general long-term principal, interest, and related costs.

#### **Fiduciary Funds**

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the District.

Private Purpose Trust Fund - Trust arrangement under which principal and income benefits individuals, private organizations, or other governments, and accounts for assets held by the District as an agent for the Interstate Stream Commission (ISC). The accounting reflects the District's agency relationship with the ISC.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, because elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **D. Assets, Liabilities and Net position or Equity**

**Deposits and Investments:** The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the District to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the District are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

**Receivables and Payables:** Inter-fund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers between governmental are netted as part of the reconciliation to the government-wide financial statements.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable cash governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Delinquent ad valorem taxes are accrued in the fund financial statements. If they are not received by year-end they are also recorded as deferred revenue in the fund financial statements.

**Inventory:** The District's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed. Inventory is valued at cost and consists of supplies and materials. The cost of purchased supplies and materials is recorded as an expenditure at the time individual inventory items are consumed.

**Restricted Assets:** Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

**Capital Assets:** Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The District does not develop software.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The District was a phase I government for purposes of implementing GASB Statement No. 34. However, the District does not have any infrastructure assets to report.

The District does not capitalize interest in regards to any of its capital assets. Depreciation on all non-infrastructure depreciable assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The District has no infrastructure assets; all canals are owned by the Federal Government. The following estimated useful lives are based upon management's estimates:

Equipment	8 to 25 years
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**Accrued Expenses:** Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through December 31, 2018.

**Unavailable Revenue:** Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unavailable revenues. Amounts receivable from the property taxes levied for the current year that are not considered to be "available" under the current financial resources measurement focus are reported as unavailable revenues in the governmental fund financial statements. GASB 63 amended previous guidance on deferred revenues in the Government-Wide Financial Statements to include deferred outflow of resources, which is the consumption of net assets by the government that is applicable to a future reporting period and deferred inflow of resources, which is acquisition of nets assets by the government that is applicable to a future reporting period.

**Deferred Outflows of Resources:** In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The District has one type of item that qualifies for reporting in this category. Accordingly, the item, employer contributions subsequent to measurement date, is reported in the Statement of Net Position. This amount is deferred and recognized as an outflow of resources in the period the amount becomes available. The District has recorded \$53,525 related to employer contributions subsequent to measurement date.

**Deferred Inflows of Resources:** In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a

corresponding liability for deferred inflows of resources.

In addition, the District has two types of items present on the Statement of Net Position which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the items, changes in proportion and differences between District contributions and proportionate share of contributions and net difference between projected and actual earnings, are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Compensated Absences:** Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net assets.

The General Fund has been used to liquidate the liability for compensated absences in the past, and it is expected to continue to do so in the future.

Accrued sick leave is not paid upon resignation or termination of an employee; however, at the end of each calendar year an employee can sell back to the District any hours in excess of ninety-six hours, up to a maximum of ninety-six hours at one-half the hourly rate.

In the event that available vacation is not used by the end of the benefit year, employees may carry unused time forward to the next benefit year. If the total amount of unused vacation time reaches a "cap" equal to two times the annual vacation amount, further vacation accrual will stop. When the employee uses paid vacation time and brings the available amount below the cap, vacation accrual will begin again.

The amount of paid vacation time employees receive each year increases with the length of their employment as shown in the following schedule.

1. Following the "Introductory Period", the employee is entitled to 10 vacation days each year, accrued biweekly at the rate of 0.385 days.
2. After 7 years of eligible service, the employee is entitled to 15 vacation days each year, accrued biweekly at the rate of 0.577 days.
3. After 14 years of eligible service, the employee is entitled to 20 vacation days each year, accrued biweekly at the rate of 0.769 days.
4. After 21 years of eligible service, the employee is entitled to 25 vacation days each year, accrued biweekly at the rate of 0.962 days.

**Long-term Obligations:** In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

Restricted fund balance represents amounts that are constrained either by: 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance represents amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority.

Assigned fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body or a subordinate high-level body or official whom the governing body has delegated.

Unassigned fund balance is the residual classification for the general fund and represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes.

The District's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

#### *Government-wide Statements*

Equity is classified as net position and displayed in three components:

Investment in capital assets:

Net position invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position:

Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position:

All other net position that do not meet the definition of "restricted" or "invested in capital assets."

**Inter-fund Transactions:** Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

**Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the District's financial statements include management's estimate of depreciation on assets over their estimated useful lives, accrued compensated absences, and the allowance for uncollectible accounts.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Act (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payment (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Note 2. Stewardship, Compliance and Accountability**

**Budgetary Information**

Formal budgetary integration is employed as a management control device during the year.

Budgets for the General and Debt Service funds are adopted on a basis inconsistent with generally accepted accounting principles (GAAP). The budgets are prepared using the cash basis of accounting. Budgetary comparisons for the various funds in this report are on the non-GAAP budgetary basis. The District follows the following procedures in establishing data reflected in the financial statements:

1. The District Manager submits to the District's Board of Directors, in May, a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Board of Directors tentatively approves the proposed budget during the June meeting.
3. The budget is then submitted to the New Mexico Department of Finance and Administration (DFA) for approval.
4. The District's Board of Directors formally adopts the budget during the September meeting.
5. The budget may be amended by line item (object) transfers within a series (activity) by action of the Board. Transfers between funds require approval by DFA.
6. Formal budgetary integration is employed as a management control device during the year for the General Funds and Debt Service Fund.
7. Budget appropriations lapse at the end of the fiscal year unless encumbered.
8. Expenditures of the statutory funds (e.g., general and operation and maintenance) may not legally exceed appropriations for each budget. The level of budgetary control is by fund total.

The original budget, approved by the District's Board and the Local Government Division, may be subsequently amended if approved by the District's Board and the Local Government Division. Actual expenditures for each budget may not legally exceed the appropriations in total, including budgeted beginning cash balances. The District's budget for the fiscal year ended December 31, 2018, was properly approved by the District's Board and by the Local Government Division. It was subsequently properly amended.

**Note 3. Deposits and Investments**

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of December 31, 2018 amounted to \$1,348,010 as noted on page 42 of this report.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or are collateralized as required by statute. The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit. Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

The collateral pledged is listed on page 41 of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. According to the Federal Deposit

Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing negotiable order of withdrawal (NOW) accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

*Custodial Credit Risk* - 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's policy regarding custodial credit risk is to comply with its Resolution and with Section 6-10-17,

NMSA (1978 Comp). As of December 31, 2018, all of the District's deposits were either insured or fully collateralized with collateral not held in the District's name.

*Investments* - All of the District's investments at December 31, 2018 were bank certificates of deposit.

*Interest Rate Risk - Investments.* The District's policy related to interest rate risk with investments is to comply with the state as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

#### Note 4. Receivables Operations

The District's receivables as of December 31, 2018 are as follows:

	General	Debt Service	Total
Reivables:			
Assessments	\$ 93,623	\$ 6,616	\$ 100,239
Allowance for Uncollectible	<u>(1,455)</u>	<u>(32)</u>	<u>(1,487)</u>
Total Assessments	92,168	6,584	98,752
Ad Valorem Tax	<u>213,540</u>	<u>11,238</u>	<u>224,778</u>
Total Receivables	<u>\$ 305,708</u>	<u>\$ 17,822</u>	<u>\$ 323,530</u>

#### Note 5. Capital Assets

A summary of capital assets and changes occurring during the year ended December 31, 2018:

	Beginning Balance	Additions	(Reductions)	Ending Balance
<b>Government Activities:</b>				
<b>Capital Assets Not Being Depreciated</b>				
Tucumcari Lake	\$ 15,004	\$ -	\$ -	\$ 15,004
Dry Lake	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Total Capital Assets Not Being Depreciated	<u>35,004</u>	<u>-</u>	<u>-</u>	<u>35,004</u>
<b>Other Capital Assets</b>				
Equipment	<u>1,599,997</u>	<u>84,468</u>	<u>-</u>	<u>1,684,465</u>
Total Capital Assets Being Depreciated	<u>1,599,997</u>	<u>84,468</u>	<u>-</u>	<u>1,684,465</u>
<b>Less Accumulated Depreciaiton</b>				
Equipment	<u>(1,161,870)</u>	<u>(72,678)</u>	<u>-</u>	<u>(1,234,548)</u>
Capital Assets, Net	<u>\$ 473,131</u>	<u>\$ 11,790</u>	<u>\$ -</u>	<u>\$ 484,921</u>

Capital assets net of accumulated depreciation, at December 31, 2018 appears in the Statement of Net Position. Depreciation expense was unallocated.

#### Note 6. Assessments and Ad Valorem Taxes

##### Assessments

Lands within the Conservancy District boundaries are statutorily classified into irrigated lands (Class "A" property) and all other lands (Class "B" property). These lands are assessed annually as provided by law to provide the District with funds for operation and maintenance of the irrigation and drainage system, administrative expenses, and the requirements for debt reduction as determined by the Board. The assessment in the Operations and Maintenance Fund may not be less than one-fourth or more than three-fourths of the operating and maintenance costs. The balance of the costs may come from tolls and charges for the use of water or from other sources. Assessments levied on Class A lands attach as an enforceable lien on the property and must be paid in accordance with the Board's policy. The assessment for 2018



was \$14.00 per acre, levied on 41,344.74 acres. The District collects assessments.

The allocation or apportionment of the assessment between Class "A" and "B" lands are provided by statute. The Conservancy Board of Directors, subject to the approval of the Secretary of the Interior and confirmation by the Conservancy Court, adopts a resolution establishing the apportionment between the classes "A" and "B" lands. The apportionment may be modified in a like manner, but not more often than once every five years.

Pursuant to Board Policy, after each landowner of Class "A" property pays the assessment, the landowner is allowed to purchase the amount of water per acre allocated by the Board, as water is available from the District. Proceeds from water tolls and charges are used to operate and maintain the District's irrigation system.

#### Ad Valorem Taxes

Ad valorem taxes are levied on all Class "B" lands within the District and attach as an enforceable lien as of January 1; however, the taxes may be paid in two installments (1/2 of total each) prior to December 10 and May 10 of the following year. For 2018, the levy amounted to 5.082 mils. These taxes are collected by the County Treasurer and remitted to the district.

#### Note 7. Advance Collections of Assessments, Ad Valorem Tax and Water Charges

The District collects water charges in advance, and then recognizes the revenue when the water is delivered. The District collects assessments in advance of the due date and defers these until recognized. The county treasurer collects ad valorem taxes prior to the beginning of the year, the revenue is deferred until recognized.

The balances in are as follows:

	General	Debt Service	Total
Advance Collection of Assessments	\$ 3,200	\$ 218	\$ 3,418
Total	\$ 3,200	\$ 218	\$ 3,418

#### Note 8. Incremental Land Value Credits

Prior to repeal by the U.S. Congress in 1955, the U.S. Bureau of Reclamation collected certain amounts upon the sale of irrigated lands located in the District, pursuant to certain contracts executed with the landowners and the District. The amounts are held by the U.S. Bureau of Reclamation and applied against the construction obligation in inverse order of the due date of the annual installments on the obligation.

The District recognized credit applied on the construction obligations by the Bureau from the advance collections as a reduction in the annual assessment, to the extent of the assessment assessed by the Board of Directors for the year. Credits applied to the construction obligation in excess of the annual assessment to the property owner are recorded in an account entitled "Distributed incremental land value credits - unapplied on assessment rolls". Credit Outstanding were \$197,455 as of December 31, 2018.

#### Note 9. Long-term Debt

During the year ended December 31, 2018, the following changes occurred in the liabilities reported in the government-wide statement of net position:

Long-term debt transactions are as follows:

	Balance	Additions	(Reductions)	Ending Balance	Current Portion
Construction Obligation	\$ 1,036,724	\$ -	\$ (27,132)	\$ 1,009,592	\$ 27,968
Compensated Absence	23,443	18,751	(18,812)	23,382	23,382
	<u>\$ 1,060,167</u>	<u>\$ 18,751</u>	<u>\$ (45,944)</u>	<u>\$ 1,032,974</u>	<u>\$ 51,350</u>

#### Note 10. Construction Obligation

The original Construction Obligation is contained in Contract No. 14-06-500-359 between the United States of America and Arch Hurley Conservancy District, dated December 27, 1938, and amended August 20, 1953 and September 30, 1958.

The repayment terms of the original construction obligation are determined by an annual variable repayment formula. The formula relates to the national agricultural parity ratio and the value of the District's gross crop income of the preceding year to determine the annual installment.

The debt bears no rate of interest. Because of the variable nature of the repayment terms mentioned above, there appeared to be no definitive way to compute the net present value of the note in prior years. However, by letter dated March 28, 2006, the Bureau of Reclamation acknowledged the existence of a minimum payment provision which had previously been ignored. The minimum payment amount is \$58,255 per year, beginning in calendar year 2007. The payment amount for calendar year 2018 which was paid in 2018 was \$58,255. Of the \$58,225, \$27,132 was the principal payment.

An interest rate of 3.0% has been imputed to this note. The debt service requirements are as follows:

	Principal	Interest	Total
2019	\$ 27,968	\$ 30,287	\$ 58,255
2020	28,806	29,449	58,255
2021	29,670	28,585	58,255
2022	30,560	27,695	58,255
2023	31,477	26,778	58,255
2023-2027	172,130	119,144	291,274
2028-2032	199,548	91,727	291,275
2033-2037	231,330	59,943	291,273
2038-2042	258,103	27,767	285,870
	<u>\$ 1,009,592</u>	<u>\$ 441,375</u>	<u>\$ 1,450,967</u>

An act of Congress permits deferral of the annual installment of the construction obligation if the Secretary of the Interior determines that payment would place an undue burden on the water users.

The construction obligation is a general obligation of the District as a whole and is secured by an annual assessment of all taxable property of the District.

**Note 11. Public Employees Retirement Association (PERA) Plan**

General Information about the Pension Plan

**Plan description.** The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org> using the Audit Report Search function for agency 366.

**Benefits provided.** For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2017 available at <http://www.nmpera.org>.

**Contributions.** The contribution requirements of defined benefit plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 48 of the PERA FY17 annual audit report at [http://osanm.org/media/audits/366 Public Employees Retirement Association 2017.pdf](http://osanm.org/media/audits/366%20Public%20Employees%20Retirement%20Association%202017.pdf). The PERA coverage options that apply to the District is the: Municipal General Division. Statutorily required contributions to the pension plan from the District were \$39,563 and there was no employer paid member benefits that were "picked up" by the employer for the year ended June 30, 2018.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2017. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members;

municipal police members; municipal fire members; state general members; state police members and legislative members. The District's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2017. Only employer contributions for the pay period end dates that fell within the period of July 1, 2016 to June 30, 2017 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2017 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

**For PERA Fund Division Municipal General**, at June 30, 2018, the District reported a liability of \$611,468 for its proportionate share of the net pension liability. At June 30, 2018, the District's proportion was 0.0445 percent, which was unchanged from its proportion measured as of June 30, 2016, due to the insignificance of the difference.

For the year ended June 30, 2018, the District recognized PERA Fund - General, pension expense of \$63,353. At June 30, 2018, the District reported PERA Fund Division - General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 24,027	\$ 31,317
Change of assumptions	28,198	6,319
Changes in Proportionionate Share of Contributions	7,479	5,879
Net Difference between projected and actual earnings on pension investments	50,167	-
District contributions subsequent to the measurement date	<u>39,563</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 149,434</u></b>	<b><u>\$ 43,515</u></b>

\$39,563 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30

2019	\$ 20,276
2020	52,529
2021	8,211
2022	(14,660)
2023	-
There After	-

**Actuarial assumptions.** As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2016 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2017 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2016 actuarial valuation.

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal, Level percentage of pa
Amortization period	Solved for based on statutory rates
Asset valuation method	4 year Smoothed Market Value
Actuarial assumptions:	
• Investment of rate of return	7.51% annual rate, net of investment expense
• Payroll growth	2.75% annual rate

• Projected benefit payment	100 Years
• Projected salary increases	2.75% to 14.00% annual rate
• Includes inflation at	2.25% annual rate
• Mortality Assumption	RP-2000 Mortality Tables (Combined table for Healthy post retirements, Employee table for active members, and disabled table of disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience Study Dates	7-1-2008 to 6-30-13 Demographic

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS - Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global	43.5%	7.39%
Risk Reduction & Mitigation	21.50	1.79
Credit Oriented Fixed Income	15.0	5.77
Real Assets	20.0	7.35
Total	100.0%	

**Discount rate:** The discount rate used to measure the total pension liability was 7.25 percent for ten years and 7.75% thereafter.. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.48% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate:**

The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the District's net pension liability in each PERA Fund Division that the District participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

PERA Fund Division - General	1 % Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
District's proportionate share of the net pension liability	\$ 958,372	\$611,468	\$322,969

**Pension plan fiduciary net position.**

Detailed information about the pension plan's fiduciary net position is available in the separately issued FY16 Restated PERA financial report. The report is available at: <http://www.nmpera.org/publications.html>.

**Payables to the pension plan.** As of June 30, 2018 the District had an outstanding payable to PERA of \$3,765.

**Note 12. Post-Employment Benefits - State Retiree Health Care Plan**

The Retiree Health Care Act, Chapter IV, Article 7C, NMSA 1978 provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The District has elected not to participate in the post-employment health insurance plan.

**Note 13. Significant Estimates**

The District records ad valorem taxes receivable based on information provided by the Quay County Treasurer's Office. An estimated receivable of \$224,778 at December 31, 2018 was recorded by the District based on the applicable assessed valuation, the related mill levy rates and other information provided.

**Note 14. Agreement with Interstate Stream Commission**

Pursuant to an agreement with the Interstate Stream Commission, the District has agreed to act as a conduit for loans to individuals for the specific purposes of improving water distribution and promoting water conservation. The terms of the loan to the District provide for repayment over a period of 20 years at an interest rate of 2.5%. The District loans these funds in turn to property owners at available rates of between 3% and 4%. The agreement permits the District to charge the funds for reasonable and documented administrative costs.

This activity is reported in the Private Purpose Trust Fund. Loans outstanding at 12-1-18 was \$24,000.

Pursuant to the agreement with the Interstate Streams Commission concerning the loans to landowners, the District has guaranteed the repayment of such loans. Although property mortgages secure the loans, the District remains contingently liable for such loans. A provision for contingencies related to Interstate Streams Commission has not been provided for, as the District does not expect any losses on these loans. As of December 31, 2018 the liability was paid off.

**Note 15. Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state and federal governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

**Note 16. Concentrations**

Approximately 93% of the District's revenues are derived from assessments and ad valorem taxes. Reduction or interruption of these revenue sources is not expected; however, if reduction or interruption occurred, it would have a material impact on the operations of the District. The District also depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the District is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and federal and State appropriations.

**Note 17. Related Party Transactions**

Directors on the Board of the District are recipients of water delivery charges and services. These transactions are correctly considered arm's length transactions since these related parties are subject to the same installation, invoicing, payment expectations, and late payment procedures as all the District customers.

**Note 18. Subsequent Events Review**

Arch Hurley Conservancy District has evaluated subsequent events through May 21, 2019, which is the date the financial statements were dated.

**Note 19. Risk Management**

The District is exposed to various risk of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the District carries insurance with commercial carriers. The insurance coverage is for general and auto liability, workmen's compensation, employee liability, and property.

A surety bond as required by Section 12-6-7 NMSA 1978 Compilation and the New Mexico State Auditor Rule NMAC 2.2.2 covers the officials and certain employees of the District.

The following is a description of the surety bond coverage: A. Name and address of insurance company:

A. Name of Company	The Ohio Casualty Insurance Co. 136 No. Third Street Hamilton, Ohio 45025
B. Bond number	1-850-435
C. Expiration date:	4-15-19
D. Individual Bonded and Amount of Coverage per Employee	\$300,000
E. Coverage	Employee Dishonesty

**Note 20. Capital Appropriations**

The District received a New Mexico Capital Outlay Grant per Laws of 2018 Chapter 80, Section 26 Paragraph 131 in the amount of \$50,000 to purchase equipment for improving canal delivery efficiency in the counties of Quay and San Miguel within the Arch Hurley Conservancy District. All funds were expended prior to the reversion date of June 30, 2020 for said equipment.

**Note 21. Restatements**

Beginning Fund Balances were restated in the General Fund to correct beginning balances in the amount of \$ 5,048 due to correction of error.

**Note 22. GASB 77 Tax Abatements**

NMAC 2.2.210 (BB) (3) requires government to disclose any Tax Abatements granted. The District had none for the current fiscal year.

**Supplementary Information Related To**  
**Major Governmental Funds**

**State of New Mexico**  
**Arch Hurley Conservancy District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Budgeted to Actual (Non-GAAP Budgetary Basis)**  
**Debt Service Fund**  
**For The Year Ended December 31, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUE</b>				
Taxes-Ad Valorem	\$ 17,825	\$ 17,825	\$ 28,482	\$ (10,657)
Assessments	41,475	41,475	39,666	1,809
Interest	700	700	2,617	(1,917)
Miscellaneous	-	-	-	-
 Total Revenue	 60,000	 60,000	 <u>70,765</u>	 <u>\$ (10,765)</u>
 Budgeted Cash Balance fund	 <u>211,116</u>	 <u>211,116</u>		
Total Revenue And Cash	<u>\$ 271,116</u>	<u>\$ 271,116</u>		
<b>EXPENDITURES</b>				
Debts Service - Principal	\$ 27,153	\$ 28,898	27,153	1,745
Debt Service - Interest	<u>31,102</u>	<u>31,102</u>	<u>31,102</u>	<u>-</u>
 Total Expenditures	 58,255	 60,000	 58,255	 1,745
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	-	-	-	-
 Total Expenditures And Other Financing Sources	 <u>\$ 58,255</u>	 <u>\$ 60,000</u>	 <u>58,255</u>	 <u>\$ 1,745</u>
 Total Revenues (Expenditures and Other Financing Sources and Uses)			 12,510	
 Reconciliation to GAAP Basis				
Changes in Receivables			<u>6,952</u>	
Excess (Deficiency) of Revenues over expenditures			<u>\$ 19,462</u>	

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

## Required Supplementary Information



**Arch Hurley Conservancy District**  
**Schedule of the Proportionate Share of Net Pension Liability-General**  
**Pension Plan-Last 10 Fiscal Years**  
**December 31, 2018**

	<u>2015</u>		<u>2016</u>		<u>2017</u>		<u>2018</u>
District portion of net pension liability (asset)	0.04340%		0.04340%		0.04440%		0.04450%
District proportionate share of the net pension liability (asset)	\$ 338,567	\$	463,912	\$	709,362	\$	611,468
District covered-employee payroll	\$ 365,836	\$	401,054	\$	370,952	\$	402,105
District proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	93%		116%		191%		152%
Plan fiduciary net position as a percentage of total pension liability	81.29%		76.99%		69.18%		73.74%

\*\* The amounts presented were determined as of June 30, 2018. The Schedule is presented to illustrate the requirement to show information for 10 years. However, until all full 10 trend is compiled the Arch Hurley Conservancy District will present information for those years for information which is available.

**Arch Hurley Conservancy District**  
 Schedule of Employer Contributions-PERA Fund Division-General  
 PERA Pension Plan-Last 10 Fiscal Years  
 December 31, 2018

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually Required Contributions	\$ 38,250	\$ 38,200	\$ 37,235	\$ 39,563
Contributions in Relation to the Contractually Required Contribution	<u>(38,250)</u>	<u>(38,200)</u>	<u>(37,235)</u>	<u>(39,563)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District Covered-Employee Payroll	 <u>\$ 365,836</u>	 <u>\$ 401,054</u>	 <u>\$ 370,952</u>	 <u>\$ 402,105</u>
Contributions as a Percentage of Covered-Employee Payroll	10.46%	9.52%	10.04%	9.84%

\*\* The amounts presented were determined as of June 30, 2018. The Schedule is presented to illustrate the requirement to show information for 10 years. However, until all full 10 years trend is compiled the District will present information for those years for information which is available.

**State of New Mexico  
Arch Hurley Conservancy District  
Notes to Required Supplemental Information  
December 31, 2018**

**Changes in benefit terms.** The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY 18 audit available at:

[http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2018.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2018.pdf).

**Changes in assumptions.**

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation s June 30 2015 report is available at:

[http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2018%20PERA%20Valuation%20Report\\_FINAL.pdf](http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2018%20PERA%20Valuation%20Report_FINAL.pdf)

## Supplementary Information

State of New Mexico  
Arch Hurley Conservancy District  
Combining Balance Sheet - General Fund  
December 31, 2018

	General General	Operation/ Maintenance	Totals
<b>Assets</b>			
Cash	\$ 34,908	\$ 438,374	\$ 473,282
Investments	-	605,000	605,000
Receivable-Assessments	1,517	90,651	92,168
Receivable-Ad Valorem	1,161	212,379	213,540
Receivable-Capital Outlay	-	50,000	50,000
Inventory	-	9,798	9,798
Employee Receivables	-	100	100
<b>Total Assets</b>	<b><u>\$ 37,586</u></b>	<b><u>\$ 1,406,302</u></b>	<b><u>\$ 1,443,888</u></b>
<b>Liabilities</b>			
Accounts Payable	\$ -	\$ 6,202	\$ 6,202
Payroll Liabilities Payable	-	17,930	17,930
Accrued Wages payable	-	7,801	7,801
Water Credit Prior Years Refundable	2	29,753	29,755
Deferred Inflows - Ad Valorem Tax	1,161	212,379	213,540
Unavailable Revenue- Advanced Collections	61	3,139	3,200
Deposits - Security and Uniforms	-	3,400	3,400
Employee Flower Fund Payable	-	200	200
<b>Total Liabilities</b>	<b><u>1,224</u></b>	<b><u>280,804</u></b>	<b><u>282,028</u></b>
<b>Fund Balances</b>			
<b>Nonspendable</b>			
Inventory	-	9,798	9,798
<b>Restricted For:</b>			
General Fund	-	-	-
<b>Unassigned For:</b>			
General Fund	<u>36,362</u>	<u>1,115,700</u>	<u>1,152,062</u>
<b>Total Fund Balances</b>	<b><u>36,362</u></b>	<b><u>1,125,498</u></b>	<b><u>1,161,860</u></b>
<b>Total Liabilities deferred inflows of Resources and Fund Balances</b>	<b><u>\$ 37,586</u></b>	<b><u>\$ 1,406,302</u></b>	<b><u>\$ 1,443,888</u></b>

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

State of New Mexico  
Arch Hurley Conservancy District  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
General Fund  
For The Year Ended December 31, 2018

	General	Operation/ Maintenance	Totals
<b>Revenues</b>			
Property Taxes, Levied for General Purposes	\$ 7,239	\$ 424,548	\$ 431,787
Assessments	11,156	527,642	538,798
Big Mesa and NM Parks Water Charge	-	4,059	4,059
Water Delivery Charges	-	387,487	387,487
Interest	183	13,968	14,151
Big Mesa Administration	-	1,122	1,122
Grant Revenues-Capital Outlay	-	50,000	50,000
Custom Work	-	24,094	24,094
Loan Administration	-	-	-
Miscellaneous	-	1,406	1,406
<b>Total Revenues</b>	<b><u>18,578</u></b>	<b><u>1,434,326</u></b>	<b><u>1,452,904</u></b>
<b>Expenditures</b>			
General Government	10,356	-	10,356
Irrigation Water Distribution	-	1,171,576	1,171,576
Capital Outlay	-	51,532	51,532
<b>Total Expenditures</b>	<b><u>10,356</u></b>	<b><u>1,223,108</u></b>	<b><u>1,233,464</u></b>
<b>Excess (Deficiency) Of Revenues Over Expenditures</b>	<b><u>8,222</u></b>	<b><u>211,218</u></b>	<b><u>219,440</u></b>
<b>Other Financing Sources (Uses):</b>			
Operating Transfers, Net	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Net Change in Fund Balances</b>	<b>8,222</b>	<b>211,218</b>	<b>219,440</b>
<b>Beginning Fund Balance</b>	<b>29,229</b>	<b>918,239</b>	<b>947,468</b>
<b>Fund Balance Restatement</b>	<b><u>(1,089)</u></b>	<b><u>(3,959)</u></b>	<b><u>(5,048)</u></b>
<b>Beginning Fund Balance as Restated</b>	<b>28,140</b>	<b>914,280</b>	<b>942,420</b>
<b>Fund Balance (Deficit) At End Of Year</b>	<b><u>\$ 36,362</u></b>	<b><u>\$ 1,125,498</u></b>	<b><u>\$ 1,161,860</u></b>

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

**State of New Mexico**  
**Arch Hurley Conservancy District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Budgeted to Actual (Non-GAAP Budgetary Basis) - General Office**  
**For The Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>				
Taxes-Ad Valorem	\$ 4,800	\$ 4,800	\$ 4,888	\$ 88
Assessments	11,200	11,200	11,155	(45)
Miscellaneous	-	-	183	183
	-	-	-	-
Total Revenue	<u>16,000</u>	<u>16,000</u>	<u>16,226</u>	<u>\$ 226</u>
Budgeted Cash Balance	<u>30,700</u>	<u>30,700</u>		
Total Revenue And Cash	<u>\$ 46,700</u>	<u>\$ 46,700</u>		
<b>EXPENDITURES</b>				
<b>General Government:</b>				
Office Supplies	\$ 7,400	\$ 7,400	5,943	1,457
Office Equipment	1,800	1,800	420	1,380
Election Costs	-	-	-	-
Board of Directors Fees	2,400	2,400	2,400	-
Other	<u>4,400</u>	<u>4,400</u>	<u>2,370</u>	<u>2,030</u>
	-	-	-	-
Total Expenditures	<u>16,000</u>	<u>16,000</u>	<u>11,133</u>	<u>4,867</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers (Net)	-	-	-	-
Total Expenditures And Other Financing Sources	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>11,133</u>	<u>\$ 4,867</u>
Total Revenues (Expenditures and Other Financing Sources and Uses)			5,093	
Reconciliation to GAAP Basis				
Changes in Receivables			2,352	
Changes in Accounts Payable			<u>777</u>	
Excess (Deficiency) of Revenues over expenditures			<u>\$ 8,222</u>	

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

**State of New Mexico**  
**Arch Hurley Conservancy District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance -**  
**Budgeted to Actual (Non-GAAP Budgetary Basis) - Operations and Maintenance**  
**For The Year Ended December 31, 2018**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>				
Taxes Ad Valorem	\$ 373,125	\$ 373,125	\$ 383,018	\$ 9,893
Assessments	527,640	527,640	527,643	3
Big Mesa Permits	6,000	6,000	4,059	(1,941)
Full Cost Water	-	-	1,943	1,943
Water Delivery Charges	266,910	266,910	401,783	134,873
Custom Work	25,000	25,000	24,094	(906)
Miscellaneous	60,000	60,000	7,802	(52,198)
Interest	4,100	4,100	13,030	8,930
Grants	400,000	400,000	-	(400,000)
Loan Administration	-	-	-	-
Total Revenue	1,662,775	1,662,775	1,363,372	\$ (299,403)
Budgeted Cash Balance	927,118	927,118		
Total Revenue And Cash	\$ 2,589,893	\$ 2,589,893		
<b>EXPENDITURES</b>				
<b>General Government:</b>				
<b>Irrigation Water Distribution:</b>				
Salaries	\$ 525,000	\$ 525,000	\$ 528,462	(3,462)
Professional Services	55,000	55,000	25,385	29,615
Shop Supplies	18,000	18,000	18,876	(876)
Building Repairs	30,000	30,000	30,239	(239)
Vehicle Operation/Repair	95,000	95,000	97,019	(2,019)
Irrigation Operations/Maintenance	42,000	42,000	43,710	(1,710)
Heavy Equipment Operation/Maintenance	133,335	133,335	142,318	(8,983)
Strategic Plan	15,000	15,000	12,848	2,152
Utilities	60,000	60,000	50,605	9,395
PERA	49,660	49,660	39,562	10,098
FICA Tax	39,780	39,780	7,060	32,720
Health Insurance	57,500	57,500	44,248	13,252
Liability Insurance	60,000	60,000	65,803	(5,803)
Work Comp Insurance	20,000	20,000	16,176	3,824
Legislative Capital Outlay	200,000	200,000	51,532	148,468
Custom Work	5,000	5,000	8,588	(3,588)
Safety Equipment	6,000	6,000	6,430	(430)
Chemical Control	20,000	20,000	27,124	(7,124)
Compliance	20,000	20,000	3,737	16,263
Full Cost Water Due BOR	6,000	6,000	4,234	1,766
BOR Inspections	5,000	5,000	5,000	-
Miscellaneous	500	500	16	484
Capital Outlay	-	200,000	-	200,000
Total Expenditures	1,462,775	1,662,775	1,228,972	433,803
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers (Net)	-	-	-	-
Total Expenditures And Other Financing Sources	\$ 1,462,775	\$ 1,662,775	1,228,972	\$ 433,803
Total Revenues (Expenditures and Other Financing Sources and Uses)			134,400	
Reconciliation to GAAP Basis				
Changes in Receivable:			70,954	
Changes in Accounts Payable			5,864	
Excess (Deficiency) of Revenues over expenditures			\$ 211,218	

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



## Other Supplemental Information

State of New Mexico  
 Arch Hurley Conservancy District  
 Schedule of Deposits and Security Requirements  
 December 31, 2018

Financial Institution	Account Name	Account Type	Reconciled Balance	O/S Deposits Balance	O/S Checks Balance	Balance On Deposit 12/31/2018	Depository Total	Depository Insurance	Not Insured By FDIC	Required Collateral	FMV of Collateral	Pledged Over(Short)
FNB New Mexico	Operations Checking	Non Int Checking	\$ 497,992	\$ -	\$ 211	\$ 498,203		\$ -				
FNB New Mexico	Trust	Non Int Checking	49,818	-	-	49,818		-				
FNB New Mexico	Debt Service CD	CD	145,000	-	-	145,000						
<b>Total FNB New Mexico</b>							<b>693,021</b>	250,000	443,021	443,021	503,053	60,032
Tucumcari FSL	Operations CD	CD	200,000	-	-	200,000						
Tucumcari FSL	Operations CD	CD	10,000	-	-	10,000						
Tucumcari FSL	Operations CD	CD	15,000	-	-	15,000						
<b>Total Tucumcari FSL</b>							<b>225,000</b>	225,000	-	-	-	-
Everyone FCU	Operations CD	CD	100,000	-	-	100,000						
Everyone FCU	Operations CD	CD	100,000	-	-	100,000						
<b>Total Everyone FCU</b>							<b>200,000</b>	200,000	-	-	-	-
Quay Schools FCU	Operations CD	CD	50,000	-	-	50,000						
Quay Schools FCU	Operations CD	CD	50,000	-	-	50,000						
Quay Schools FCU	Operations CD	CD	50,000	-	-	50,000						
<b>Total Quay Schools FCU</b>							<b>150,000</b>	150,000	-	-	-	-
Citizens Bank	Debt Service CD	CD	80,000	-	-	80,000						
<b>Total Citizen's Bank</b>							<b>80,000</b>	80,000	-	-	-	-
<b>Total</b>			<b>1,347,810</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,348,021</b>	<b>\$ 1,348,021</b>	<b>\$ 905,000</b>	<b>\$ 443,021</b>	<b>\$ 221,511</b>	<b>\$ 503,053</b>	<b>\$ 60,032</b>
Petty Cash and Returned Checks			200									
<b>Total</b>			<b>\$ 1,348,010</b>									

Deposit Security

Description	ID #	Par	Amount	Maturity Date
First National Bank-New Mexico				
FHLB SBIC 2016-10A1	831641FF7	\$ 815,601	\$ 785,868	3/10/2026
<b>Total</b>			<b>\$ 785,868</b>	

The District requires 100% collateral per its own policy in excess of the Statutory requirement of 50% collateralization.

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

**STATE OF NEW MEXICO  
ARCH HURLEY CONSERVANCY DISTRICT**

Schedule of Memorandum of Understanding as of  
December 31, 2018

Description: Quay County New Mexico Cooperative Weed Management Area

Purpose: To control weeds in Quay County

Authority: This Cooperative Agreement is made and entered into by and between the listed below Federal Agencies, State Agencies and the counties. It is made under the authority of the Federal Noxious Weed Act of 1974 (PL 93-629) (7USC 2801 et seq.) as amended by the Food, Agriculture, Conservation and Trade Act of 1990, section 1453 (Section 15, "Management of Undesirable Plants on Federal Lands"), The New Mexico Noxious Weed Control Act (76-7-1 to 76-7-22 NMSA 1978), New Mexico Harmful Plant Act (76-7A-1 to 76-7A-11 NMSA 1978), New Mexico Noxious Weed Act of 1963 (76-7-23 to 76-7-30 NMSA 1978), New Mexico Rangeland Protection Act (76-7B-1 to 76-7D-6 NMSA 1978), New Mexico Noxious Weed Management Act (76-7D-1 to 76-7D-6 NMSA 1978) and the Noxious Weed Executive Order of June 8, 2000, Executive Order 13112 of February 3, 1999 Invasive Species.

Participants:

Tucumcari Public Schools  
Llano Estacado RC&D  
Bureau of Reclamation  
Bureau of Land Management  
Canadian River and Soil and Water Conservation District  
Quay County Roads  
Quay County, New Mexico  
Southwest Quay Soil and Water Conservation District  
Logan Public Schools  
San Jon Public Schools  
Natural Resources Conservation Service, Tucumcari Field Office  
New Mexico Department of Transportation, District 4  
New Mexico Environment Department  
New Mexico Game & Fish  
New Mexico State Land Office  
New Mexico State University Cooperative Extension, Quay County  
New Mexico Department of Agriculture  
US Dept. of Homeland Security  
US Forest Service  
US Fish and Wildlife Service  
Arch Hurley Conservancy District  
City of Tucumcari  
Agricultural Extension Research Center, Tucumcari  
House ISD

Beginning date of agreement: 7/14/2009

Ending date: Ongoing

Total estimated cost of project: Unknown at this time

Amount District contributed in current year: -0-

Audit responsibility: Each entity is a fiscal agent for its activity.

Name of government where revenues and expenditures and reported: Each entity reports its own.

## Compliance Section

**Dan Austin CPA, PC**  
**700 Mechem Drive Suite 15**  
**Ruidoso, New Mexico 88345**

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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

Independent Auditor's Report

Mr. Brian S. Colon  
State Auditor of the State of New Mexico  
Board Members of Arch Hurley Conservancy District

Mr. Colon and Members of the Board

We have audited, 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, the financial statements of Arch Hurley Conservancy District (the District) as of and for the year ended December 31, 2018, and related notes to the financial statements, which collectively comprise the District's basic financial statements, and the budgetary comparison of the District presented as supplementary information, and have issued my report thereon dated May 21, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* \n considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dan Austin CPA, PC  
Ruidoso, New Mexico  
May 21, 2019

**STATE OF NEW MEXICO  
ARCH HURLEY CONSERVANCY DISTRICT  
Schedule of Findings and Responses  
For The Year Ended December 31, 2018**

**Prior Year Findings**

None

**Current Year Findings**

None

**Financial Statement Preparation**

Although it would be preferred and desirable for the District to prepare its own GAAP-basis financial statements, it is felt that the District's personnel did not have the time to prepare them. Therefore, the outside auditor prepared the GAAP basis financial statements and footnotes for inclusion in the annual audit report from the original books and records provided to them by the management of the District. Management of the District has reviewed and approved these financial statements and related notes and believes they are adequately supported by the books and records of the government.

**Exit Conference**

An exit conference was held on May 21, 2019 to discuss the financial report. Attending were U.V. Henson, Director, Franklin McCasland, District Manager, Donna Lafferty, office manager and auditor Dan Austin, CPA.