
STATE OF NEW MEXICO
Arch Hurley Conservancy District
December 31, 2011

Financial Statements and Supplementary Information
As Of And For The Year Ended December 31, 2011
With Independent Auditor's Report Thereon

Sandra Rush
Certified Public Accountant, PC

1101 E Llano Estacado
Clovis, New Mexico 88101

STATE OF NEW MEXICO
ARCH HURLEY CONSERVANCY DISTRICT

Official Roster
For the year ended December 31, 2011

Board of Directors

Larry Perkins	President
Phillip Box	Vice-President
U. V. Henson	Secretary / Treasurer
Robert Evans	Director
J.D. McEwen	Director

Administrative Officials

Franklin McCasland	District Manager
Donna Lafferty	Office Manager

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STATE OF NEW MEXICO
ARCH HURLEY CONSERVANCY DISTRICT

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STATE OF NEW MEXICO
ARCH HURLEY CONSERVANCY DISTRICT

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Financial Section

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Independent Auditor's Report

Mr. Hector H. Balderas
State Auditor of the State of New Mexico
Board Members of Arch Hurley Conservancy District

Mr. Balderas and Members of the Board

I 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 (District), as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. I also have audited the financial statements and the budgetary comparison for the major debt service fund presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express opinions on these financial statements based on my audit.

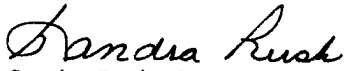
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to previously 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, 2011, and the respective changes in financial position, thereof and the respective budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in my opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the District as of December 31, 2011, and the respective changes in financial position, thereof and the respective budgetary comparisons for the major debt service fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 11, 2012 on my consideration of the District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The District has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements and budgetary comparisons presented as supplemental information.

My audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Sandra Rush, CPA PC

May 11, 2012

Basic Financial Statements

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STATE OF NEW MEXICO
 ARCH HURLEY CONSERVANCY DISTRICT

Statement of Net Assets
 December 31, 2011

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current assets:	
Cash (including time deposits of \$50,000 and cash on hand of \$200 in general fund)	\$ 320,010
Investments	
Receivables, (net of allowance for uncollectable accounts):	525,000
Assessments	124,361
Due from County Treasurer - Ad Valorem Taxes	2,742
Accrued interest	577
Accounts receivable	662
Inventory	<u>22,542</u>
Total current assets	<u>995,894</u>
Capital assets:	
Capital assets	1,222,428
Less accumulated depreciation	<u>(940,852)</u>
Total capital assets	<u>281,576</u>
Total assets	<u><u>\$ 1,277,470</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
LIABILITIES	
Current:	
Accrued payroll, payroll taxes, flowers	\$ 12,435
Compensated absences payable	16,234
Construction obligation to the United States of America, current portion	22,623
Advance collections of water rentals, assessments and ad valorem taxes	<u>162,616</u>
Total current liabilities	<u>213,908</u>
Noncurrent:	
Security / uniform deposits	5,500
Incremental land value credits	201,168
Construction obligation to the United States of America, net of current portion	<u>1,165,125</u>
Total noncurrent liabilities	<u>1,371,793</u>
Total liabilities	<u>1,585,701</u>
NET ASSETS	
Invested in capital assets	281,576
Nonspendable	22,542
Restricted for:	
Debt service	(108,261)
Unrestricted	<u>(504,088)</u>
Total net assets	<u>(308,231)</u>
Total liabilities and net assets	<u><u>\$ 1,277,470</u></u>

See notes to financial statements

STATE OF NEW MEXICO
 ARCH HURLEY CONSERVANCY DISTRICT

Statement of Activities
 For the year ended December 31, 2011

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Salaries	\$ 339,905	\$ -	\$ -	\$ -
Professional services	54,294	-	-	-
Office supplies	5,623	-	-	-
Office equipment	3,301	-	-	-
Shop supplies and expense	14,185	-	-	-
Repairs to building	17,507	-	-	-
Operation and maintenance expense	39,782	-	-	-
Maintenance irrigation system	21,577	26,204	-	-
Heavy equipment operations & maintenance	58,493	-	-	-
Strategic plan	15,828	-	-	-
Utilities	41,697	-	-	-
Contributions for employee retirement	30,355	-	-	-
Payroll taxes & employee benefits	25,438	-	-	-
Health insurance	39,650	-	-	-
Liability and property insurance	67,465	-	-	-
Worker's compensation	40,552	-	-	-
Board fees	2,400	-	-	-
Chemical control	2,455	-	-	-
Miscellaneous	3,733	-	-	-
Water sales accruing United States	4,722	-	-	-
BOR grant	150,644	-	145,000	-
Annual contract payment - interest	36,291	-	-	-
Depreciation expense	82,522	-	-	-
Total expenditures	<u>\$ 1,098,419</u>	<u>\$ 26,204</u>	<u>\$ 145,000</u>	<u>\$ -</u>

General revenues:
 Ad valorem taxes
 Assessments
 Interest income
 Miscellaneous income

Total general revenues

Change in net assets

Net assets - beginning
 Prior period adjustments

Net assets beginning, restated

Net assets - ending

See notes to financial statements

Revenue and
Changes in
Net Assets

Governmental
Activities

\$ (339,905)
(54,294)
(5,623)
(3,301)
(14,185)
(17,507)
(39,782)
4,627
(58,493)
(15,828)
(41,697)
(30,355)
(25,438)
(39,650)
(67,465)
(40,552)
(2,400)
(2,455)
(3,733)
(4,722)
(5,644)
(36,291)
(82,522)

\$ (927,215)

\$ 227,265
413,189
12,886
2,367

655,707

(271,508)

(111,338)
74,615

(36,723)

\$ (308,231)

STATE OF NEW MEXICO
 ARCH HURLEY CONSERVANCY DISTRICT

Balance Sheet - Governmental Funds
 December 31, 2011

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash (including time deposits of \$50,000 and cash on hand of \$200 in general fund)	\$ 232,291	\$ 87,719	\$ 320,010
Investments	525,000	-	525,000
Receivable, (net of allowance for uncollectible accounts):			
Assessments	112,748	11,613	124,361
Due from County - ad valorem taxes	2,016	726	2,742
Accrued interest	577	-	577
Accounts receivable	662	-	662
Inventory	22,542	-	22,542
	<u>22,542</u>	<u>-</u>	<u>22,542</u>
Total assets	<u>\$ 895,836</u>	<u>100,058</u>	<u>\$ 995,894</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accrued payroll, payroll taxes, flowers	\$ 12,435	\$ -	\$ 12,435
Security deposits	2,700	-	2,700
Uniform deposits	2,800	-	2,800
Advance collections for water and assessments	156,147	6,469	162,616
Deferred income	2	682	684
Distributed incremental land value credits - unapplied on assessment rolls	-	201,168	201,168
	<u>-</u>	<u>201,168</u>	<u>201,168</u>
Total liabilities	<u>174,084</u>	<u>208,319</u>	<u>382,403</u>
Fund Balance			
Restricted:			
Debt Service	-	(108,261)	(108,261)
Nonspendable:			
Inventory	22,542	-	22,542
Unassigned:			
Petty cash	200	-	200
Undesignated	542,861	-	542,861
Designated for subsequent year's budget - Water, assessments and ad valorem taxes	156,149	-	156,149
	<u>156,149</u>	<u>-</u>	<u>156,149</u>
Total fund balance	<u>721,752</u>	<u>(108,261)</u>	<u>613,491</u>
Total liabilities and fund balance	<u>\$ 895,836</u>	<u>\$ 100,058</u>	<u>\$ 995,894</u>

See notes to financial statements

STATE OF NEW MEXICO
 ARCH HURLEY CONSERVANCY DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
 to the Statement of Net Assets Governmental Activities
 For the year ended December 31, 2011

Amounts reported for governmental activities in the Statement of Net Assets
 are different because:

Fund balances - total governmental funds		\$	613,491
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred revenue in the fund financial statements, but are considered revenue in the statement of activities			684
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds			
Capital assets	\$	1,222,428	
Accumulated depreciation		<u>(940,852)</u>	281,576
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds			
Construction obligation to the United States of America	\$	(1,187,748)	
Compensated absences		<u>(16,234)</u>	<u>(1,203,982)</u>
Net assets for governmental activities			<u>\$ (308,231)</u>

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, 2011

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes:			
Ad valorem	\$ 179,221	\$ 18,192	\$ 197,413
Assessments	373,523	39,666	413,189
Charges for services:			
NM Parks and Big Mesa water sales	4,768	-	4,768
Custom work	21,436	-	21,436
Interest income	11,921	965	12,886
State appropriation grant	145,000	-	145,000
Miscellaneous	2,367	-	2,367
	<u>738,236</u>	<u>58,823</u>	<u>797,059</u>
Total revenues			
Expenditures:			
Current:			
General	15,057	-	15,057
Irrigation water distribution	965,935	-	965,935
Debt service:			
Annual contract payment	-	58,255	58,255
	<u>980,992</u>	<u>58,255</u>	<u>1,039,247</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	(242,756)	568	(242,188)
Other financing sources (uses):			
Operating transfers	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)			
Net change in fund balances	(242,756)	568	(242,188)
Fund balance, beginning of year	814,400	(114,023)	700,377
Prior period adjustment	150,108	5,194	155,302
	<u>964,508</u>	<u>(108,829)</u>	<u>855,679</u>
Fund balance beginning of year, restated			
Fund balance, end of year	<u>\$ 721,752</u>	<u>\$ (108,261)</u>	<u>\$ 613,491</u>

See notes to financial statements

STATE OF NEW MEXICO
 ARCH HURLEY CONSERVANCY DISTRICT

Reconciliation of Statement of Revenue, Expenditures and Change in
 Fund Balances - Governmental Funds - to the Statement of Activities -
 Governmental Activities
 For the year ended December 31, 2011

Amounts reported for governmental activities in the
 Statement of Activities are different because:

Net change in fund balance - total governmental funds		\$	(242,188)
Delinquent ad valorem tax is not recognized because it is not available			29,852
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year			
Depreciation expense			(82,522)
The issuance of long-term debt (e.g., note payable) provides current financial resources to governmental funds, the repayment of the principal of long-term debt consume the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, and similar, items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.			
Note payable principal	\$	21,964	
Compensated absences		<u>1,386</u>	<u>23,350</u>
Change in net assets of governmental activities			<u>\$ (271,508)</u>

See notes to financial statements

STATE OF NEW MEXICO
 ARCH HURLEY CONSERVANCY DISTRICT

General Fund - General Account and Operations & Maintenance Account
 Combining Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Budget and Actual (Non - GAAP Budgetary Basis)
 Year Ended December 31, 2011

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem	\$ 264,800	\$ 264,800	\$ 264,721	\$ (79)
Assessments	374,120	374,120	383,379	9,259
Charges for services:				
Water sales / full cost	220,000	220,000	-	(220,000)
NM Parks and Big Mesa water sales	5,500	5,500	4,806	(694)
Custom work and water delivery	30,000	30,000	21,436	(8,564)
Other:				
Interest income	37,000	37,000	13,142	(23,858)
State appropriation grant	194,580	194,580	145,000	(49,580)
Miscellaneous	40,000	40,000	2,267	(37,733)
	-	-		-
Total revenues	1,166,000	1,166,000	834,751	(331,249)
Expenditures:				
Current:				
General account:				
Office supplies	5,500	5,500	5,623	(123)
Office equipment	2,400	2,400	3,301	(901)
Election expense	2,000	2,000	699	
Board fees	2,400	2,400	2,400	-
Dues and subscriptions	3,500	3,500	2,834	666
Donations / sponsorships	200	200	200	-
Irrigation water distribution:				
Salaries	450,000	450,000	343,293	106,707
Professional services	50,000	50,000	54,294	(4,294)
Unemployment insurance	2,000	2,000	-	2,000
Shop supplies expense	15,000	15,000	14,362	638
Repairs to building	25,000	25,000	17,507	7,493
Operation and maintenance expense	77,500	77,500	39,241	38,259
Maintenance of irrigation system	25,000	25,000	21,577	3,423
Heavy equipment o & m	90,000	90,000	58,493	31,507
Strategic plan	11,000	11,000	15,828	(4,828)
Utilities	50,000	50,000	41,697	8,303
Contributions - employee retirement	41,000	41,000	30,355	10,645
Payroll taxes	35,000	35,000	25,438	9,562
Group insurance	42,500	42,500	39,650	2,850
Liability / property loss insurance	64,000	64,000	67,465	(3,465)
Workmen's compensation insurance	18,000	18,000	40,552	(22,552)
Custom work	5,000	5,000	-	5,000
Safety equipment	3,000	3,000	-	3,000
Chemical control	20,000	20,000	2,455	17,545
Miscellaneous expenditures	500	500	-	500

See notes to financial statements

STATE OF NEW MEXICO
ARCH HURLEY CONSERVANCY DISTRICT

General Fund - General Account and Operations & Maintenance Account
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (Non - GAAP Budgetary Basis)
Year Ended December 31, 2011

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures continued:				
Water sales due United States	5,500	5,500	4,722	778
Government grant	100,000	100,000	150,644	(50,644)
Full cost water	20,000	20,000	-	20,000
Total expenditures	<u>1,166,000</u>	<u>1,166,000</u>	<u>982,630</u>	<u>183,370</u>
Excess (deficiency) revenues over expenditures	-	-	(147,879)	(147,879)
Other financing sources (uses):				
Operating transfers	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	(147,879)	(147,879)
Cash balance, beginning	<u>-</u>	<u>-</u>	<u>905,170</u>	<u>905,170</u>
Cash balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 757,291</u>	<u>\$ 757,291</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (147,879)	
Adjustment to revenues for accruals and other deferrals			(96,514)	
Adjustment to expenditures for payables, prepaids and other accruals			<u>1,637</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (242,756)</u>	

See notes to financial statements

STATE OF NEW MEXICO
ARCH HURLEY CONSERVANCY DISTRICT

Statement of Net Assets
Private Purpose Trust

	<u>Totals</u>
<u>ASSETS</u>	
Cash	\$ 33,684
Interstate Stream Commission - loans receivable	<u>218,300</u>
Total assets	<u>\$ 251,984</u>
 <u>LIABILITIES AND NET ASSETS</u>	
Liabilities	
Interstate Stream Commission unmatured installments	<u>\$ 89,677</u>
Total liabilities	<u>89,677</u>
Net Assets	<u>162,307</u>
Total net assets and liabilities	<u>\$ 251,984</u>

See notes to financial statements

STATE OF NEW MEXICO
ARCH HURLEY CONSERVANCY DISTRICT

Statement of Changes in Net Assets
Private Purpose Trust
For the year ended December 31, 2011

	<u>Totals</u>
ADDITIONS	
Interest income	\$ 13
Interest income - ISC loans	3,863
Interest income - ISC loaned due AHCD	<u>2,317</u>
Total additions	6,193
DEDUCTIONS	
Interest expense	<u>-</u>
Total deductions	<u>-</u>
Net increase	6,193
Net assets - beginning of the year	<u>156,114</u>
Net assets - end of the year	<u><u>\$ 162,307</u></u>

See notes to financial statements

Notes to the Financial Statements

1. Organization and Summary of Significant Accounting Policies

A. Function and Definition of Entity

The State of New Mexico Arch Hurley Conservancy District (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 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 entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either is able to impose its will on that organization or there is potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it's unable to adopt its budget, levy taxes, or set rates or charges, or issue bonded debt without approval by the primary government.

There was no component units of the District during the year ended December 31, 2011.

The financial statements for the District have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing pronouncements of the Governmental Accounting and Standards Board (GASB) which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. More significant of these accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." The District has also adapted the related GASB Statements No. 37 and No. 38, which affect GASB No. 34. The Board implemented the provisions of GASB No. 34 effective January 1, 2004. As a part of this Statement, there is a new reporting requirement regarding the government's infrastructure (road, bridges, etc.). The District does not own any infrastructure assets and therefore is not affected by this requirement.

B. Basic Financial Statements – GASB Statement No. 34

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The new reporting model focus is on either the District as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type activities. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Fiduciary funds and component units that are fiduciary in nature are not included in the government-wide financial statements.

Pronouncements of the Financial Accounting Standards Board issued after November 30, 1989 are applicable to any business-type activity of the District. However, the District has no business-type activities.

The government-wide Statement of Activities reflects both the gross and net cost per functional category which is otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues. The program revenues must be directly associated with the function. Charges for services and operating and capital grants and contributions are considered program revenues. Grant revenues are recognized when the eligibility requirements are met unless the grant is on a reimbursement basis then the revenue is recognized when the expenditures are made. The District includes two functions: General Government and Operations and Maintenance.

The net cost (by function) is normally covered by general revenues (taxes, intergovernmental revenues, investment, etc.). Historically, the previous mode did not summarize or present net cost by function or activity. The District does not currently employ indirect cost allocation systems. The District's policy for when an expense is incurred for purposes for which both restricted and unrestricted net assets are available is to utilize the restricted net assets first. No such expenses occurred during the year ended December 31, 2011.

The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the current fiscal period.

Program revenues included in the Statement of Activities derive directly for 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 include water usage charges to users who purchase and use the water provided by the District.

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column. The General Fund and the Debt Service Fund have been classified as major funds. There were no non-major funds.

The governmental fund statements are presented on a current financial resource measurement focus and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the District's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column on the governmental-wide presentation.

Internal activity between the various funds is eliminated in the government-wide financial statements. There were no inter-fund receivables or payables at December 31, 2011, which needed to be eliminated, and there was no internal activity during the year ended December 31, 2011, which needed to be eliminated.

The District's fiduciary fund (private purpose trust) is presented in the fund financial statements. Since by definition the assets of this fund are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, this fund is not incorporated into the government-wide statements.

C. Basis of Presentation

The financial transactions of the District are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the accompanying financial statements. The various funds are reported by generic classification within the financial statements.

The new reporting model, GASB Statement No. 34, sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or governmental and enterprise combined. Due to the fund structure of the District, all funds have been classified as major funds.

Governmental Fund Types

The focus of Governmental Fund measurement (in the fund Financial Statements) is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the District.

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. (Note 13)

Non-Current Governmental Assets/Liabilities

GASB Statement No. 34 eliminated the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the governmental activities column in the government-wide Statement of Net Assets.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditure/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The Government-wide Financial Statements measure and report all assets, liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting, and the Fiduciary Fund Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statement are presented on a modified accrual basis.

Modified Accrual – All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, and the District uses sixty days after year end as the period in which they have to be received. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt is recognized when due. In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

E. Budgetary Accounting

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, 2011, was properly approved by the District's Board and by the Local Government Division. It was subsequently properly amended.

F. Inventory

Inventory in governmental funds consists of expendable supplies held for consumption stated on a first-in, first-out basis. It is reported at cost, which is recorded as expenditure at the time individual inventory items are used.

G. Capital Assets

Property, plant and equipment purchased or acquired, including software, are carried at historical cost or estimated historical cost. The District does not develop its own software, but if it did, the developed software would be capitalized and depreciated the same as purchased software. Contributed assets are recorded at the fair market values as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. The District's capitalization policy, i.e., the dollar value above which asset acquisitions are added to the capital accounts, is \$5,000. However, all capital outlay purchases may not necessarily be capitalized.

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 following estimated useful lives are based upon management's estimates:

Equipment	8 to 15 years
-----------	---------------

The District has no infrastructure assets. All canals are owned by the Federal Government.

H. 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.

I. Net Assets

The government-wide financial statements utilize a net asset presentation. Net Assets are categorized as invested in fixed assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets – is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The District had no related debt during the year ended December 31, 2011.

Restricted Net Assets – are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory, bond covenant or granting agency) limitations on their use such as being used only for debt service. The restricted net assets in this case are for debt service and per external restrictions, are only for debt service.

Unrestricted Net Assets – represent the net assets of the District which are not restricted.

J. Reservations and Designations of Fund Balances

Reservations of fund balances in the Governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriated for future expenditures. Specific reservations of fund balance accounts are summarized below:

Reserved for Debt Service – This reserve represents funds which are restricted to use for debt service.

Reserved for Petty Cash – This reserve represents the portion of fund balance that is used in petty cash.

Reserved for Inventory – This reserve represents the portion of fund balance represented by inventory.

Unrestricted fund balances consist of fund balances that have not been reserved. Designations are made by the Board of Directors to indicate that unrestricted fund balances are not available for general operations. Designations may be removed or modified by the Board of Directors.

Designated for Subsequent Year's Budget-Ad Valorem Taxes – These are ad valorem taxes collected in advance and which are to be used for next year's budget.

K. Revenues and Expenditures

Delinquent property taxes are accrued in the fund financial statements. If they are actually not received by year-end they are also recorded as deferred revenue in the fund financial statements. Expenditures are recognized when the related fund liability is incurred.

L. Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

2. Cash and Investments

A. Summary of Cash

The District is authorized under the provision of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

B. Investments

All money not immediately necessary for the public uses of the District may be invested in:

1. Bonds or negotiable securities of the United States, the state or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars (\$1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or
2. Securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.
3. Contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

The only investments of the District for the year ended December 31, 2011 were in bank certificates of deposit.

C. Pledged Collateral Requirement

New Mexico statutes provide that deposits of public monies in financial institutions must be secured by pledged collateral in an aggregate value equal to one-half of the amount of the public monies deposited after deducting the amount of the Federal Deposit Insurance Corporation (FDIC) insurance coverage for each financial institution. The District has decided to require pledged collateral in an aggregate value equal to the amount of the public monies deposited after deducting the amount of FDIC insurance coverage for each financial institution. A schedule detailing the collateral pledged to the District's deposits is located in the back of this report.

D. Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy regarding custodial credit risk is to comply with its Resolution described earlier and with Section 6-10-17, NMSA (1978 Comp). As of December 31, 2011, all of the District's deposits were either insured or fully collateralized with collateral held in the District's name at December 31, 2011.

STATE OF NEW MEXICO
Arch Hurley Conservancy District

Notes to the Financial Statements
As of December 31, 2011

3. Receivables

The Following are the receivables outstanding at December 31, 2011:

	General	Debt Service	Total
Receivables:			
Assessments	\$ 112,748	\$ 11,613	\$ 124,361
Property taxes	2,016	726	2,742
Accrued interest	577	-	577
Accounts receivable	662	-	662
Total receivables	<u>\$ 116,003</u>	<u>\$ 12,339</u>	<u>\$ 128,342</u>

4. Changes In Capital Assets

A summary of changes in capital assets follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Tucumcari Lake	\$ 15,004	\$ -	\$ -	\$ 15,004
Dry Lake	20,000	-	-	20,000
Total capital assets not being depreciated	<u>35,004</u>	<u>-</u>	<u>-</u>	<u>35,004</u>
Other capital assets				
Equipment	<u>1,187,424</u>	<u>-</u>	<u>-</u>	<u>1,187,424</u>
Total capital assets at historical costs				
Less accumulated depreciation				
Equipment	<u>(858,330)</u>	<u>(82,522)</u>	<u>-</u>	<u>(940,852)</u>
Capital assets, net	<u>\$ 364,098</u>	<u>\$ (82,522)</u>	<u>\$ -</u>	<u>\$ 281,576</u>

For the year ended December 31, 2011, depreciation expense of \$82,522 was charged to the governmental activities of the District as follows:

General government	\$ 1,501
Operations and maint.	81,021
Total	<u>\$ 82,522</u>

5. Long-Term Liabilities

A. Changes in Long-Term Liabilities

During the year ended December 31, 2011, the following changes occurred in the liabilities reported in the government-wide Statement of Net Assets:

STATE OF NEW MEXICO
Arch Hurley Conservancy District

Notes to the Financial Statements
As of December 31, 2011

	Beginning Balance	Adjustment / Additions	Deletions	Ending Balance
Construction obligation	\$ 1,167,391	\$ 42,321	\$ (21,964)	\$ 1,187,748
Compenstated absences payable	17,620	15,362	(16,748)	16,234
Total	<u>\$ 1,185,011</u>	<u>\$ 57,683</u>	<u>\$ (38,712)</u>	<u>\$ 1,203,982</u>

	Due Within One Year	Amounts Considered Long-Term
Construction obligation	\$ 22,623	\$ 1,165,125
Compensated absences payable	16,234	-
Total	<u>\$ 38,857</u>	<u>\$ 1,165,125</u>

B. 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 2011 which was paid in 2011 was \$47,748 plus an incremental revenue credit amount of \$3,420 for a total paid of \$58,255. Of the \$58,225, \$21,964 was the principal payment.

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

Year ending December 31	Principal	Interest	Total
2012	\$ 22,623	\$ 35,632	\$ 58,255
2013	23,301	34,954	58,255
2014	24,000	34,255	58,255
2015	24,720	33,535	58,255
2016	<u>25,462</u>	<u>32,793</u>	<u>58,255</u>
Subtotal	<u>120,106</u>	<u>171,169</u>	<u>291,275</u>
2016-2020	139,236	152,039	291,275
2021-2025	161,413	129,862	291,275
2026-2030	187,122	104,153	291,275
2031-2035	216,925	74,350	291,275
2036-2040	251,476	39,799	291,275
2041-2043	<u>111,470</u>	<u>5,041</u>	<u>116,511</u>
Total	<u>\$ 1,187,748</u>	<u>\$ 676,413</u>	<u>\$ 1,864,161</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.

C. Compensated Absences

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.

6. Assessments And Ad Valorem Taxes

A. Assessments

Lands within the Conservancy District boundaries are statutorily classified into irrigatable 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 2011 was \$10.00 per acre, levied on 41,318.94 acres. The District collects assessments.

The allocation or apportionment of the assessment between Class "A" and "B" lands is provided by statute. The Conservancy Board of Directors, subject to the approval of the Secretary of the Interior and

Notes to the Financial Statements
As of December 31, 2011

confirmation by the Conservancy Court, adopts a resolution establishing the apportionment between the Class "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.

B. 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 2011, the levy amounted to 5.401 mils. These taxes are collected by the County Treasurer and remitted to the District.

7. Advance Collections Of Water Rentals And Assessments

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 balances in these three accounts are as follows:

Advance collection of assessments	\$	55,162
Advance collection ad valorem tax		100,938
Advance collection of water charges		6,506
Other		10
		<hr/>
Total	\$	<u>162,616</u>

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".

9. Pension Plan – Public Employees Retirement Association

Plan Description. Substantially all of Arch Hurley Conservancy District's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O.

Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 9.15% (ranges from 4.0% to 16.65% depending upon the plan – i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. Arch Hurley Conservancy District is required to contribute 13.15% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and Arch Hurley Conservancy District are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Arch Hurley Conservancy District's contributions to PERA for the fiscal years ending June 30, 2011, 2010 and 2009 were \$30,172, \$46,902, and \$31,131, respectively, which equal the amount of the required contributions for each fiscal year.

10. Retiree Health Care

The District does not participate in the New Mexico Retiree Health Care Program.

11. 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:	The Ohio Casualty Insurance Co. 136 No. Third Street Hamilton, Ohio 45025
B. Bond number:	1-850-435
C. Expiration date:	April 15, 2012
D. Individual Bonded and Amount of Coverage per Employee	\$300,000 (\$3,000 deductible)
E. Coverage	Employee dishonesty

12. Significant Estimates

The District records property taxes receivable based on information provided by the Quay County Treasurer's Office. An estimated receivable of \$2,742 at December 31, 2011 was recorded by the District based on the applicable assessed valuation, the related mill levy rates and other information provided. This receivable is net of an estimated allowance for doubtful accounts of \$1,444.

13. 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 2½%. The District loans these funds in turn to property owners at available rates of between 3% to 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.

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 in the amount of \$218,300. 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.

14. Contingencies

The District is involved in litigation as of December 31, 2011. Management intends to contest the litigation vigorously. It is the opinion of management that the outcome of the litigation will have no material adverse impact on these financial statements.

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.

15. Subsequent Accounting Standard Pronouncements

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. That Statement supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. Statement 6 is effective for financial statements for periods beginning after December 15, 2011, with early application encouraged. The objective of this statement is to provide non-conflicting pronouncements between FASB and GASB. The District is reviewing the effects of the implementation of this statement.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* which is effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The District is reviewing the effects of the implementation of this statement.

16. Prior Period Adjustment

A prior period adjustment was made to correct the net assets on the government wide financial statements in the amount of \$74,615. The adjustment consisted of \$32,294 to correct receivables recorded in prior

year but uncollected in the current year and \$42,321 to correct the long term debt balance in prior years the imputed interest was not calculated correctly.

17. Deficit Fund Balance

The Debt Service Fund has a negative Fund Balance in the amount of \$108,261 due to a prior year transfer of \$200,000 to the Operating and Maintenance Fund.

Supplementary Information Related to
Major Governmental Funds

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STATE OF NEW MEXICO
 ARCH HURLEY CONSERVANCY DISTRICT

Debt Service Fund
 Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Budget and Actual (Non - GAAP Budgetary Basis)
 Year Ended December 31, 2011

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem	\$ 19,000	\$ 19,000	\$ 17,933	\$ (1,067)
Assessments	38,500	38,500	34,822	(3,678)
Other:				
Interest income	2,500	2,500	965	(1,535)
Total revenues	<u>60,000</u>	<u>60,000</u>	<u>53,720</u>	<u>(6,280)</u>
Expenditures:				
Current:				
Debt service	<u>60,000</u>	<u>60,000</u>	<u>58,255</u>	<u>(1,745)</u>
Total expenditures	<u>60,000</u>	<u>60,000</u>	<u>58,255</u>	<u>(1,745)</u>
Excess (deficiency) revenues over expenditures	-	-	(4,535)	(4,535)
Other financing sources (uses):				
Operating transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	(4,535)	4,535
Cash balance, beginning	<u>-</u>	<u>-</u>	<u>92,254</u>	<u>92,254</u>
Cash balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,719</u>	<u>\$ 87,719</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (4,535)	
Adjustment to revenues for accruals and other deferrals			5,103	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			<u>\$ 568</u>	

See notes to financial statements

STATE OF NEW MEXICO
 ARCH HURLEY CONSERVANCY DISTRICT

Combining Balance Sheet - General Fund
 December 31, 2011

	<u>General</u>	<u>Operations & Maintenance</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash (including time deposits of \$50,000 and cash on hand of \$200 in operations and maintenance fund)	\$ 26,176	\$ 206,115	\$ 232,291
Investments	-	525,000	525,000
Receivable, (net of allowances for uncollectible)			
Assessments	3,334	109,414	112,748
Due from County Treasurer- Ad Valorem Taxes	39	1,977	2,016
Accrued interest	-	577	577
Accounts receivable - water	-	662	662
Inventory	-	22,542	22,542
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 29,549</u>	<u>\$ 866,287</u>	<u>\$ 895,836</u>
 <u>LIABILITIES, OTHER CREDITS AND FUND BALANCE</u>			
Liabilities			
Accrued payroll, payroll taxes, flowers	\$ -	\$ 12,435	\$ 12,435
Security deposits	-	2,700	2,700
Uniform deposits	-	2,800	2,800
Advance collections for water and assessments	2,135	154,012	156,147
Income deferred from ad valorem taxes	2	-	2
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and other credits	<u>2,137</u>	<u>171,947</u>	<u>174,084</u>
 Fund balance			
Inventory	-	22,542	22,542
Unassigned:			
Petty cash	-	200	200
Undesignated	25,275	517,586	542,861
Designated for subsequent year's budget -			
Water, assessments and ad valorem taxes	2,137	154,012	156,149
	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>27,412</u>	<u>694,340</u>	<u>721,752</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, other credits and fund balance	<u>\$ 29,549</u>	<u>\$ 866,287</u>	<u>\$ 895,836</u>

See notes to financial statements

STATE OF NEW MEXICO
 ARCH HURLEY CONSERVANCY DISTRICT

Combining Statement of Revenue, Expenditures and Changes in Fund Balances
 General Fund
 For the year ended December 31, 2011

	General	Operations & Maintenance	Totals
Revenues:			
Taxes:			
Ad valorem	\$ 3,629	\$ 175,592	\$ 179,221
Assessments	11,156	362,367	373,523
Charges for services:			
NM Parks and Big Mesa water sales	-	4,768	4,768
Custom work and water delivery charges	-	21,436	21,436
Other:			
Interest income	86	11,835	11,921
State appropriation grant	-	145,000	145,000
Miscellaneous	-	2,367	2,367
Total revenues	14,871	723,365	738,236
Expenditures:			
Current:			
Salaries	-	341,291	341,291
Professional services	-	54,294	54,294
Office supplies	5,623	-	5,623
Office equipment	3,301	-	3,301
Shop supplies and expenses	-	14,185	14,185
Repairs to building	-	17,507	17,507
Operation and maintenance expense	-	39,782	39,782
Maintenance irrigation system	-	21,577	21,577
Heavy equipment operations & maintenance	-	58,493	58,493
Strategic plan	-	15,828	15,828
Utilities	-	41,697	41,697
Contributions for employee retirement	-	30,355	30,355
Payroll taxes and other employee benefits	-	25,438	25,438
Health insurance	-	39,650	39,650
Liability and property insurance	-	67,465	67,465
Worker's compensation	-	40,552	40,552
Board fees	2,400	-	2,400
Chemical control	-	2,455	2,455
Election expense	699	-	699
Dues and subscriptions	2,834	-	2,834
Donations / sponsorships	200	-	200
Water sales accruing United States	-	4,722	4,722
BOR grant	-	150,644	150,644
Total expenditures	15,057	965,935	980,992
Excess (deficiency) of revenue over expenditures	(186)	(242,570)	(242,756)

See notes to financial statements

STATE OF NEW MEXICO
 ARCH HURLEY CONSERVANCY DISTRICT

Combining Statement of Revenue, Expenditures and Changes in Fund Balances
 General Fund
 For the year ended December 31, 2011

	<u>General</u>	<u>Operations & Maintenance</u>	<u>Totals</u>
Other financing sources (uses):			
Operating transfers	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(186)</u>	<u>(242,570)</u>	<u>(242,756)</u>
Fund balance beginning of year	25,786	788,614	814,400
Prior period adjustment	<u>1,812</u>	<u>148,296</u>	<u>150,108</u>
Fund balance beginning of year, restated	<u>27,598</u>	<u>936,910</u>	<u>964,508</u>
Fund balance, end of year	<u>\$ 27,412</u>	<u>\$ 694,340</u>	<u>\$ 721,752</u>

See notes to financial statements

STATE OF NEW MEXICO
 ARCH HURLEY CONSERVANCY DISTRICT

General Account - General Fund
 Statement of Revenue, Expenditures and Changes in Fund
 Balances - Budget and Actual (Non - GAAP Budgetary Basis)
 For the year ended December 31, 2011

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem	\$ 4,800	\$ 4,800	\$ 5,651	\$ 851
Assessments	11,200	11,200	9,965	(1,235)
Interest income	-	-	86	86
Total revenue	<u>16,000</u>	<u>16,000</u>	<u>15,702</u>	<u>(298)</u>
Expenditures:				
Current:				
Office supplies	5,500	5,500	5,623	(123)
Office equipment	2,400	2,400	3,301	(901)
Election expense	2,000	2,000	699	1,301
Board fees	2,400	2,400	2,400	-
Dues and subscriptions	3,500	3,500	2,834	666
Donations / sponsorships	200	200	200	-
Total expenditures	<u>16,000</u>	<u>16,000</u>	<u>15,057</u>	<u>943</u>
Excess (deficiency) revenues over expenditures	-	-	645	645
Other financing sources (uses):				
Non-budgeted:				
Operating transfers	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	645	
Cash balance, beginning of year	-	-	25,531	25,531
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,176</u>	<u>\$ 26,176</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 645	
Adjustment to revenues for accruals and other deferrals			(831)	
Adjustment to expenditures for payables, prepaids and other accruals				
Net change in fund balance (GAAP Basis)			<u>\$ (186)</u>	

See notes for financial statements

STATE OF NEW MEXICO
 ARCH HURLEY CONSERVANCY DISTRICT

Operations & Maintenance Account - General Fund
 Statement of Revenue, Expenditures and Changes in Fund
 Balances - Budget and Actual (Non - GAAP Budgetary Basis)
 For the year ended December 31, 2011

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem	\$ 260,000	\$ 260,000	\$ 259,070	\$ (930)
Assessments	362,920	362,920	373,414	10,494
Charges for services:				
Water sales	220,000	220,000	-	(220,000)
NM Parks and Big Mesa water sales	5,500	5,500	4,806	(694)
Custom work	30,000	30,000	21,436	(8,564)
Other:				
Interest income	37,000	37,000	13,056	(23,944)
State appropriation grant	194,580	194,580	145,000	(49,580)
Miscellaneous	40,000	40,000	2,267	(37,733)
Total revenues	<u>1,150,000</u>	<u>1,150,000</u>	<u>819,049</u>	<u>(330,951)</u>
Expenditures:				
Current:				
Irrigation water distribution:				
Salaries	450,000	450,000	343,293	106,707
Professional services	50,000	50,000	54,294	(4,294)
Unemployment insurance	2,000	2,000	-	2,000
Shop supplies expense	15,000	15,000	14,362	638
Repairs to building	25,000	25,000	17,507	7,493
Operation and maintenance expense	77,500	77,500	39,241	38,259
Maintenance of irrigation system	25,000	25,000	21,577	3,423
Heavy equipment operations & maint	90,000	90,000	58,493	31,507
Strategic plan	11,000	11,000	15,828	(4,828)
Utilities	50,000	50,000	41,697	8,303
Contributions for employee retirement	41,000	41,000	30,355	10,645
Payroll taxes	35,000	35,000	25,438	9,562
Group insurance	42,500	42,500	39,650	2,850
Liability / property loss insurance	64,000	64,000	67,465	(3,465)
Workmen's compensation insurance	18,000	18,000	40,552	(22,552)
Custom work	5,000	5,000	-	5,000
Safety equipment	3,000	3,000	-	3,000
Chemical control	20,000	20,000	2,455	17,545
Miscellaneous	500	500	-	500
Water sales accruing US	5,500	5,500	4,722	778
Government grant	100,000	100,000	150,644	(50,644)
Full cost water - due BOR	20,000	20,000	-	20,000
Total expenditures	<u>1,150,000</u>	<u>1,150,000</u>	<u>967,573</u>	<u>182,427</u>

See notes for financial statements

STATE OF NEW MEXICO
 ARCH HURLEY CONSERVANCY DISTRICT

Operations & Maintenance Account - General Fund
 Statement of Revenue, Expenditures and Changes in Fund
 Balances - Budget and Actual (Non - GAAP Budgetary Basis)
 For the year ended December 31, 2011

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Excess (deficiency) revenues over (under) expenditures	-	-	(148,524)	(148,524)
Other financing sources (uses): Operating transfers	-	-	-	-
Total other financing sources and (uses)	-	-	-	-
Net change in fund balances	-	-	(148,524)	(148,524)
Cash balance, beginning of year	-	-	879,639	879,639
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 731,115</u>	<u>\$ 731,115</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (148,524)	
Adjustment to revenues for accruals and other deferrals			(95,683)	
Adjustment to expenditures for payables, prepaids and other accruals			<u>1,637</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (242,570)</u>	

See notes for financial statements

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Other Supplemental Information

STATE OF NEW MEXICO
 ARCH HURLEY CONSERVANCY DISTRICT

Bank Reconciliation - All Accounts
 For the Year Ended December 31, 2011

	<u>Beginning Cash</u>	<u>Receipts</u>	<u>Distributions</u>	<u>Other</u>
Arch Hurley Conservancy District				
General	\$ 25,531	\$ 15,702	\$ (15,057)	\$ -
Operations and Maintenance	879,639	819,049	(967,573)	-
Debt Service	92,254	53,720	(58,255)	-
	<u>997,424</u>	<u>888,471</u>	<u>(1,040,885)</u>	<u>-</u>
Total governmental funds				
Private Purpose Trust	34,385	23,692	(24,393)	-
	<u>34,385</u>	<u>23,692</u>	<u>(24,393)</u>	<u>-</u>
Total Arch Hurley Conservancy District	<u>\$ 1,031,809</u>	<u>\$ 912,163</u>	<u>\$ (1,065,278)</u>	<u>\$ -</u>

<u>Account Name</u>	<u>Account Type</u>	<u>Bank Name</u>	<u>Bank Amount</u>
Arch Hurley Conservancy District			
General	Checking	First National Bank of New Mexico	\$ 26,491
Operations and Maintenance	Checking	First National Bank of New Mexico	194,768
Operations and Maintenance	C D	Tucumcari Federal Savings & Loan Assn	225,000
Operations and Maintenance	C D	Quay Schools Federal Credit Union	200,000
Operations and Maintenance	C D	Everyone's Federal Credit Union	150,000
Debt Service	Checking	First National Bank of New Mexico	37,719
Debt Service	C D	Everyone's Federal Credit Union	50,000
Private Purpose Trust	Checking	First National Bank of New Mexico	33,684
			<u>\$ 917,662</u>
Total bank balances			

Total bank balances	\$ 917,662
Reconciling items - outstanding deposits	-
Reconciling items - outstanding checks	<u>(39,168)</u>
Subtotal bank balance and reconciling items	878,494
Petty cash	<u>200</u>
Total cash	878,694
Less private purpose trust	<u>(33,684)</u>
Cash - Statement of Net Assets	<u>\$ 845,010</u>

<u>Net Cash at Year End</u>	
\$	26,176
	731,115
	<u>87,719</u>
	845,010
	<u>33,684</u>
\$	<u><u>878,694</u></u>

STATE OF NEW MEXICO
 ARCH HURLEY CONSERVANCY DISTRICT

Schedule of Depository Collateral
 December 31, 2011

The district is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. However, the district requires 100% collateralization per its own policy. Following are schedules calculating the requirement and disclosing the pledged securities.

	The First National Bank of New Mexico Tucumcari, NM	Tucumcari Federal Savings & Loan Assn. Tucumcari, NM Time Deposits
Demand deposits	\$ 258,978	\$ -
Time deposits	<u>-</u>	<u>225,000</u>
Total amount of deposits on December 31, 2011	258,978	225,000
Less FDIC Insurance	<u>(250,000)</u>	<u>(225,000)</u>
Total uninsured public funds	<u>8,978</u>	<u>(225,000)</u>
100 Percent collateral requirement	<u>8,978</u>	<u>-</u>
Pledged securities:		
Vaughn New Mexico Municipal School District Number 33 (CUSIP 922382BY1)	90,000	-
University of New Mexico Community College (CUSIP 914684BK0)	125,000	-
Roy New Mexico School District Number 003 (CUSIP 780040BA8)	15,000	-
Roy New Mexico School District Number 003 (CUSIP 780040BD2)	15,000	-
Roy New Mexico School District Number 003 (CUSIP 780040BE0)	15,000	-
Roy New Mexico School District Number 003 (CUSIP 780040BF7)	<u>10,000</u>	<u>-</u>
Total pledged	<u>270,000</u>	<u>-</u>
Over (under)	<u>\$ 261,022</u>	<u>\$ -</u>

Details of Pledged Collateral by The First National Bank of New Mexico, Tucumcari, New Mexico above:

Vaughn New Mexico Municipal School District Number 33, CUSIP 922382BY1, maturity date 08-01-2015, market value \$95,662 held at FHLB.

University of New Mexico Community College, CUSIP 914684BK0, maturity date 08-01-2015, market value \$132,829, held at FHLB.

Roy New Mexico School District Number 003, CUSIP 780040BA8, maturity date 10-01-2014. market value \$16,185, held at FHLB.

Roy New Mexico School District Number 003, CUSIP 780040BD2, maturity date 10-01-2017, market value \$16,128, held at FHLB.

Roy New Mexico School District Number 003, CUSIP 780040BE0, maturity date 10-01-2018, market value \$15,918, held at FHLB.

Roy New Mexico School District Number 003, CUSIP 780040BF7 maturity date 10-01-2019, market value \$10,458, held at FHLB.

Quay Schools Federal Credit Union Tucumcari, NM <u>Time Deposits</u>	Everyone's Federal Credit Union Tucumcari, NM <u>Time Deposits</u>	<u>Totals</u>
\$ -	\$ -	\$ 258,978
<u>200,000</u>	<u>200,000</u>	<u>625,000</u>
200,000	200,000	883,978
<u>(200,000)</u>	<u>(200,000)</u>	<u>(875,000)</u>
<u>(200,000)</u>	<u>(200,000)</u>	<u>(616,022)</u>
<u>-</u>	<u>-</u>	<u>8,978</u>
-	-	90,000
-	-	125,000
-	-	15,000
-	-	15,000
-	-	15,000
<u>-</u>	<u>-</u>	<u>10,000</u>
<u>-</u>	<u>-</u>	<u>270,000</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,022</u>

STATE OF NEW MEXICO
ARCH HURLEY CONSERVANCY DISTRICT

Schedule of Memorandum of Understanding
As of December 31, 2011

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

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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*

Mr. Hector H. Balderas
State Auditor of the State of New Mexico
Board Members of the Arch Hurley Conservancy District

Mr. Balderas and Members of the Board

I have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund, and the combining and individual funds and related budgetary comparisons presented as supplemental information of Arch Hurley Conservancy District (District), as of and for the year ended December 31, 2011, and have issued my report thereon dated May 11, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Arch Hurley Conservancy District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures 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 over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses as defined above. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board members, others within the entity, the Office of the State Auditor, the New Mexico Legislature, New Mexico Department of Finance and Administration, applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.



Sandra Rush, CPA
May 11, 2012

STATE OF NEW MEXICO
ARCH HURLEY CONSERVANCY DISTRICT

For The Year Ended December 31, 2011
Schedule of Findings and Responses

Prior Year Findings

2011-1 Audit Report Late – Compliance and Internal Control – Significant Deficiency

Corrected and not repeated

Current Year Findings

None

Financial Statement Preparation

The financial statements were prepared by District personnel with assistance from Sandra Rush, CPA. The financial statements remain the responsibility of the District's management.

Exit Conference

An exit conference was held on May 31, 2012 to discuss the financial report. Attending were Phillip Box vice president U.V. Henson secretary treasurer, Franklin McCasland, district manager, Donna Lafferty, office manager and Tina Garcia, payroll clerk and auditor Sandra Rush, CPA.

