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STATE OF NEW MEXICO  
Arch Hurley Conservancy District  
December 31, 2012

Financial Statements and Supplementary Information  
As Of And For The Year Ended December 31, 2012  
With Independent Auditor's Report Thereon

*Sandra Rush*  
*Certified Public Accountant, PC*

*1101 E Llano Estacado*  
*Clovis, New Mexico 88101*

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STATE OF NEW MEXICO  
ARCH HURLEY CONSERVANCY DISTRICT

Official Roster  
For the year ended December 31, 2012

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

### **Report on Financial Statements**

I have audited the accompanying financial statements of the governmental activities, each major fund, and 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, 2012, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. I also have audited the financial statements of each of the District's budgetary comparisons for the major debt service fund, 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, 2012, 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**

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 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, I 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinions**

In my 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, 2012, 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 my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position as of December 31, 2012, 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. My opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

My 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 other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In my opinion, the other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated May 20, 2013 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* in considering the District's internal control over financial reporting and compliance.



Sandra Rush CPA PC  
May 20, 2013

## Basic Financial Statements

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STATE OF NEW MEXICO  
 ARCH HURLEY CONSERVANCY DISTRICT

Statement of Net Position  
 December 31, 2012

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents (includes cash on hand of \$200 in general fund)	\$ 250,098
Investments	575,000
Receivables (net)	
Ad valorem taxes	89,624
Assessments	153,063
Interest	873
Other	1,116
Inventories	<u>5,099</u>
Total current assets	1,074,873
Noncurrent assets:	
Capital assets (net)	<u>214,547</u>
Total assets	<u>\$ 1,289,420</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accrued payroll and payroll taxes	\$ 15,517
Accounts payable	25,673
Advance collections of water rentals, assessments and ad valorem taxes	157,917
Current portion note payable	<u>23,301</u>
Total current liabilities	222,408
Noncurrent liabilities	
Security / uniform deposits	5,500
Compensated absences	18,935
Incremental land value credits	200,637
Due in more than one year	<u>1,141,824</u>
Total noncurrent liabilities	<u>1,366,896</u>
Total liabilities	1,589,304
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Aggregated deferred inflows	<u>87,393</u>
Total deferred inflows of resources	<u>87,393</u>
<b>NET POSITION</b>	
Net investment in capital assets	214,547
Restricted for:	
Debt service	104,636
Inventories	5,099
Unrestricted	<u>(711,559)</u>
Total net position	<u>(387,277)</u>
Total liabilities and net position	<u>\$ 1,289,420</u>

See notes to financial statements

STATE OF NEW MEXICO  
 ARCH HURLEY CONSERVANCY DISTRICT

Statement of Activities  
 For the year ended December 31, 2012

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Gross salaries	\$ 345,926	\$ 950	\$ -	\$ -
Professional services/staff development	39,507	-	-	-
Office supplies and expenditures	6,910	3	-	-
Office equipment and repairs	1,147	-	-	-
Shop supplies and expenditures	13,297	-	-	-
Building repairs	16,263	-	-	-
Vehicle operation/maintenance expenditure	47,291	-	-	-
Irrigation operation/maintenance	21,796	-	-	-
Heavy equipment operation/maintenance	104,321	22,469	-	-
Utilities	50,522	-	-	-
PERA - AHCD portion	28,651	-	-	-
FICA - AHCD portion	25,930	-	-	-
Health insurance - AHCD portion	32,686	-	-	-
Insurance - liability and property	55,847	-	-	-
Insurance - worker's compensation	42,899	-	-	-
Board of director fee	2,400	-	-	-
Safety equipment expenditures	3,283	-	-	-
Chemical control	3,604	-	-	-
Miscellaneous expenditures	439	-	-	-
Surety bond	361	-	-	-
Dues and subscriptions	2,530	-	-	-
Donations / sponsorships	150	-	-	-
Water sales accruing US	5,699	-	-	-
Federal grant expenditures	253,284	-	-	251,000
Full cost water - due BOR	5,792	-	-	-
Annual contract payment - interest	35,632	-	-	-
Depreciation expense	67,029	-	-	-
Total expenditures	<u>\$ 1,213,196</u>	<u>\$ 23,422</u>	<u>\$ -</u>	<u>\$ 251,000</u>

General revenues:  
 Ad valorem taxes  
 Assessment revenue  
 Big mesa and NM Parks water charge  
 Rent  
 Interest income  
 ROW permit fee  
 Miscellaneous income

Total general revenues

Change in net position

Net position - beginning

Prior period adjustments

Net position beginning, restated

Net position - ending

See notes to financial statements

Revenue and  
Changes in  
Net Position

Governmental  
Activities

\$ (344,976)  
(39,507)  
(6,907)  
(1,147)  
(13,297)  
(16,263)  
(47,291)  
(21,796)  
(81,852)  
(50,522)  
(28,651)  
(25,930)  
(32,686)  
(55,847)  
(42,899)  
(2,400)  
(3,283)  
(3,604)  
(439)  
(361)  
(2,530)  
(150)  
(5,699)  
(2,284)  
(5,792)  
(35,632)  
(67,029)

\$ (938,774)

\$ 308,412  
495,825  
10,571  
4,650  
14,424  
600  
9,697

844,179

(94,595)

(308,231)

15,549

(292,682)

\$ (387,277)

STATE OF NEW MEXICO  
 ARCH HURLEY CONSERVANCY DISTRICT

Balance Sheet - Governmental Funds  
 December 31, 2012

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash (includes cash on hand of \$200 in general fund)	\$ 213,728	\$ 36,370	\$ 250,098
Investments	525,000	50,000	575,000
Receivable, (net of allowance for uncollectible accounts):			
Due from County Treasurer - ad valorem taxes	84,241	5,383	89,624
Assessments	140,180	12,883	153,063
Interest receivable	873	-	873
Other	1,116	-	1,116
Inventory	<u>5,099</u>	<u>-</u>	<u>5,099</u>
Total assets	<u>\$ 970,237</u>	<u>104,636</u>	<u>\$ 1,074,873</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accrued payroll and payroll taxes	\$ 15,517	\$ -	\$ 15,517
Accounts payable	25,673	-	25,673
Security / uniform deposits	5,500	-	5,500
Advance collections for water and assessments	152,330	5,587	157,917
Income deferred from Ad Valorem taxes	82,144	5,249	87,393
Distributed incremental land value credits - unapplied on assessment rolls	<u>-</u>	<u>200,637</u>	<u>200,637</u>
Total liabilities	<u>281,164</u>	<u>211,473</u>	<u>492,637</u>
Fund Balance			
Nonspendable:			
Inventory	5,099	-	5,099
Restricted:			
Debt Service	-	104,636	104,636
Committed:			
For subsequent year's budget - water, assessments and ad valorem taxes	234,474	-	234,474
Unassigned:			
Petty cash	200	-	200
Undesignated	<u>449,300</u>	<u>(211,473)</u>	<u>237,827</u>
Total fund balance	<u>689,073</u>	<u>(106,837)</u>	<u>582,236</u>
Total liabilities and fund balance	<u>\$ 970,237</u>	<u>\$ 104,636</u>	<u>\$ 1,074,873</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 Position Governmental Activities  
 For the year ended December 31, 2012

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

Fund balances - total governmental funds		\$	582,236
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>(1,007,881)</u>	214,547
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	\$	(1,165,125)	
Compensated absences		<u>(18,935)</u>	<u>(1,184,060)</u>
Net position for governmental activities			<u>\$ (387,277)</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, 2012

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes:			
Ad valorem taxes	\$ 289,752	\$ 18,660	\$ 308,412
Assessment revenues	456,161	39,664	495,825
Charges for services:			
Big Mesa - administration charge	950	-	950
Custom work	22,469	-	22,469
Other:			
Big Mesa and NM Parks water charge	10,571	-	10,571
Rent	4,650	-	4,650
Interest income	13,069	1,355	14,424
Federal grants	251,000	-	251,000
ROW permit fees	600	-	600
Miscellaneous income	9,700	-	9,700
Total revenues	<u>1,058,922</u>	<u>59,679</u>	<u>1,118,601</u>
Expenditures:			
Current:			
General expenditures	13,498	-	13,498
Irrigation water distribution expenditures	1,078,103	-	1,078,103
Debt service:			
Annual contract payment	-	58,255	58,255
Total expenditures	<u>1,091,601</u>	<u>58,255</u>	<u>1,149,856</u>
Excess (deficiency) of revenues over expenditures	(32,679)	1,424	(31,255)
Other financing sources (uses):			
Operating transfers	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(32,679)	1,424	(31,255)
Fund balance, beginning of year	<u>721,752</u>	<u>(108,261)</u>	<u>613,491</u>
Fund balance, end of year	<u>\$ 689,073</u>	<u>\$ (106,837)</u>	<u>\$ 582,236</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, 2012

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

Net change in fund balance - total governmental funds	\$	(31,255)
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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.

Depreciation expense		(67,029)
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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 position.  
 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	\$	22,623	
Compensated absences		<u>(18,934)</u>	<u>3,689</u>

Change in net position of governmental activities		<u>\$</u>	<u>(94,595)</u>
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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, 2012

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem taxes	\$ 282,450	\$ 282,450	\$ 275,852	\$ (6,598)
Assessment revenues	456,200	456,200	438,729	(17,471)
Charges for services:				
Big Mesa - administration charge	-	-	950	950
Custom work	225,000	225,000	22,469	(202,531)
Other:				
Big Mesa and NM Parks water charge	5,500	5,500	10,617	5,117
Rent	20,000	20,000	4,650	(15,350)
Interest income	6,000	6,000	12,773	6,773
Federal grants	200,000	200,000	251,000	51,000
ROW permit fees	-	-	600	600
Miscellaneous income	60,850	60,850	9,700	(51,150)
	-	-	-	-
Total revenues	1,256,000	1,256,000	1,027,340	(228,660)
Expenditures:				
Current:				
General account:				
Office supplies and expenditures	7,500	7,500	6,910	590
Office equipment and repairs	2,300	2,300	1,147	1,153
Board of directors fee	2,400	2,400	2,400	
Suerty bond	-	-	360	(360)
Dues and subscriptions	3,600	3,600	2,530	1,070
Donations / sponsorships	200	200	150	50
Irrigation water distribution:				
Gross salaries	410,000	410,000	324,483	85,517
Professional services/staff development	75,000	50,000	39,190	10,810
Unemployment insurance	2,000	2,000	-	2,000
Shop supplies expenditures	15,000	15,000	13,297	1,703
Building repairs	20,000	20,000	15,302	4,698
Vehicle operation/maintenance expenditur	77,500	77,500	36,715	40,785
Irrigation operation/maintenance	25,000	25,000	21,324	3,676
Heavy equipment operation/maintenance	90,000	90,000	85,502	4,498
Strategic plan	11,000	11,000	-	11,000
Utilities	55,000	55,000	48,407	6,593
PERA - ACHD portion	38,000	38,000	28,651	9,349
FICA - ACHD portion	31,500	31,500	25,930	5,570
Health insurance - ACHD portion	43,500	43,500	30,547	12,953
Insurance - liability and property insuranc	67,500	67,500	55,847	11,653
Insurance - workmen's compensation	27,000	64,000	40,111	23,889
Custom work	5,000	5,000	-	5,000
Safety equipment and expenditures	1,000	1,000	3,283	(2,283)
Chemical control	20,000	20,000	3,604	16,396
Miscellaneous expenditures	500	500	310	190

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, 2012

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Expenditures continued:				
Water sales accruing US	5,500	5,500	5,699	(199)
Federal grant expenditures	200,000	200,000	253,284	(53,284)
Full cost water - due BOR	20,000	8,000	920	7,080
Total expenditures	<u>1,256,000</u>	<u>1,256,000</u>	<u>1,045,903</u>	<u>210,097</u>
Excess (deficiency) revenues over expenditures	-	-	(18,563)	(18,563)
Other financing sources (uses):				
Operating transfers	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	(18,563)	(18,563)
Cash balance, beginning	-	-	757,291	757,291
Cash balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 738,728</u>	<u>\$ 738,728</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (18,563)	
Adjustment to revenues for accruals and other deferrals			31,004	
Adjustment to expenditures for payables, prepaids and other accruals			(45,120)	
Net change in fund balance (GAAP Basis)			<u>\$ (32,679)</u>	

See notes to financial statements

STATE OF NEW MEXICO  
ARCH HURLEY CONSERVANCY DISTRICT

Statement of Net Assets  
Private Purpose Trust  
Year Ended December 31, 2012

	<u>Totals</u>
<u>ASSETS</u>	
Cash	\$ 32,983
Interstate Stream Commission - loans receivable	<u>189,500</u>
Total assets	<u>\$ 222,483</u>
 <u>LIABILITIES AND NET ASSETS</u>	
Liabilities	
Interstate Stream Commission unmatured installments	<u>\$ 54,234</u>
Total liabilities	<u>54,234</u>
Net Assets	<u>168,249</u>
Total net assets and liabilities	<u>\$ 222,483</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, 2012

	<u>Totals</u>
ADDITIONS	
Interest income	\$ 10
Interest income - ISC loans	3,707
Interest income - ISC loaned due AHCD	<u>2,225</u>
Total additions	5,942
DEDUCTIONS	
Interest expense	<u>-</u>
Total deductions	<u>-</u>
Net increase	5,942
Net Assets - beginning of the year	<u>162,307</u>
Net Assets - end of the year	<u><u>\$ 168,249</u></u>

See notes to financial statements

## Notes to the Financial Statements



## **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. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their government-wide financial statements, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance. The more significant of the District's accounting policies are described below.

### **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 and 39.

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.

### **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 interfund 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*.

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 are reported in three parts – net 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 such as small cities assistance 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 interfund 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:** Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund 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 interfund 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 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 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 15 years
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**Accrued Expenses:** Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through December 31, 2012, along with applicable PERA.

**Deferred Revenue:** There are two types of deferred revenue. Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, then those assets must be offset by a corresponding liability for deferred revenue (commonly referred to as unearned revenue). The other type of deferred revenue is "unavailable revenue." Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. It must also be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period). 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 revenue.

**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.

**Net position or Fund Equity:** *Fund Balance Classification Policies and Procedures:* For restricted fund balances, the District includes amounts that can be spent only for the specific purposes stipulated by Statute, Ordinance, Resolutions or enabling Legislation. Fund balances in this category represent the remaining amount that is restricted for future use in the specific fund. For committed fund balances, the District includes amounts for specific purposes by formal action of the Governing Body of the District. For assigned fund balances, the District includes amounts that are intended to be spent for specific purposes, but are not restricted or committed.

Regarding the District's spending policies, in all cases, restricted, then committed, and then assigned fund balances are to be expended in that order, prior to infusion and expenditures of any general (unassigned) funds designated for supplementing any given department. In this manner, only after restricted, committed, or assigned funds are expended will the Governing Body permit general unassigned funds be spent to meet a specific fund's objectives.

*Restricted Fund Balance:* At December 31, 2012, the restricted fund balance on the governmental funds balance sheet is made up of (\$106,837) for Debt Service and \$5,099 inventory.

#### *Government-wide Statements*

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

1. Net 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.
2. 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.
3. Unrestricted net position:  
All other net position that do not meet the definition of "restricted" or "invested in capital assets."

**Interfund 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 interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund 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.

**Reclassifications:** Certain amounts included in the financial statements have been reclassified to conform to the current year presentation.

**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, 2012, 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, 2012.

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 xxSchedule II in 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. From December 31, 2010 through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the account balance and the ownership capacity of the funds. This coverage is available to all depositors, including consumers, businesses, and government entities. The unlimited coverage is separate from, and in addition to, the insurance coverage provided for a depositor's other accounts held at an FDIC-insured bank.

*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, 2012, 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, 2012 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**

The District's receivables as of December 31, 2012 are as follows:

	General	Debt Service	Total
Receivables:			
Assessments	\$ 140,180	\$ 12,883	\$ 153,063
Ad Valorem tax	84,241	5,383	89,624
Interest receivable	873	-	873
Other receivable	1,116	-	1,116
Total receivables	<u>\$ 226,410</u>	<u>\$ 18,266</u>	<u>\$ 244,676</u>

**NOTE 5. Capital Assets**

A summary of capital assets and changes occurring during the year ended December 31, 2012.

	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	1,187,424	-	-	1,187,424
Total capital assets at historical costs				
Less accumulated depreciation				
Equipment	(940,852)	(67,029)	-	(1,007,881)
Capital assets, net	<u>\$ 281,576</u>	<u>\$ (67,029)</u>	<u>\$ -</u>	<u>\$ 214,547</u>

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

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 2012 was \$12.00 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 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.

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 2012, the levy amounted to 5.514 mils. These taxes are collected by the County Treasurer and remitted to the District.

**Note 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	\$	65,161
Advance collection ad valorem tax		86,238
Advance collection of water charges		6,508
Other		<u>10</u>
Total	\$	<u>157,917</u>

**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".



**NOTE 9. Long-term Debt**

During the year ended December 31, 2012, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Beginning Balance	Adjustment / Additions	Deletions	Ending Balance
Construction obligation	\$ 1,187,748	\$	\$ (22,623)	\$ 1,165,125
Compensated absences payable	16,234	16,449	(13,748)	18,935
Total	<u>\$ 1,203,982</u>	<u>\$ 16,449</u>	<u>\$ (36,371)</u>	<u>\$ 1,184,060</u>

  

	Due Within One Year	Amounts Considered Long-Term
Construction obligation	\$ 23,301	\$ 1,141,824
Compensated absences payable	18,935	-
Total	<u>\$ 42,236</u>	<u>\$ 1,141,824</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 2012 which was paid in 2012 was \$58,255. Of the \$58,225, \$22,623 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
2013	\$ 23,301	\$ 34,954	\$ 58,255
2014	24,000	34,255	58,255
2015	24,720	33,535	58,255
2016	25,462	32,793	58,255
2017	<u>26,226</u>	<u>32,029</u>	<u>58,255</u>
Subtotal	<u>123,709</u>	<u>167,566</u>	<u>291,275</u>
2018-2022	143,414	147,861	291,275
2023-2027	166,255	125,020	291,275
2028-2032	192,736	98,539	291,275
2033-2037	223,434	67,841	291,275
2038-2042	259,021	32,254	291,275
2041-2043	<u>56,556</u>	<u>1,699</u>	<u>58,255</u>
Total	<u>\$ 1,165,125</u>	<u>\$ 640,780</u>	<u>\$ 1,805,905</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. PERA Pension Plan**

*Plan Description.* Substantially all of the 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](http://www.pera.state.nm.us).

*Funding Policy.* Plan members are required to contribute 13.15% of their gross salary. The District is required to contribute 9.15% of the gross covered salary. The contribution requirements of plan members and the District are established in State Statute under Chapter 10, Article 11, and NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to PERA for the fiscal years ending December 31, 2012, 2011, and 2010 were \$69,925, \$67,465, and \$64,638, respectively.

**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 \$89,624 at December 31, 2012 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.

**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 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 \$54,234. 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.

**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 77% 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. Subsequent Pronouncements**

The GASB issued Statement No. 65, 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, 2012. 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.

The GASB issued Statement No. 66, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this statement is to amend Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. As a result, government would base their decisions about governmental fund type usage for risk financing activities on the definitions in State No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement also amends Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and that principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee. These changes would eliminate any uncertainty regarding the application of Statement No. 13, Accounting for Operating Leases with Schedule Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales of Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. The District is reviewing the effects of the implementation of this statement.

**NOTE 18. Subsequent Events Review**

Arch Hurley Conservancy District has evaluated subsequent events through May 29, 2012, 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:	The Ohio Casualty Insurance Co. 136 No. Third Street Hamilton, Ohio 45025
B. Bond number:	1-850-435
C. Expiration date:	April 15, 2013
D. Individual Bonded and Amount of Coverage per Employee	\$300,000 (\$3,000 deductible)
E. Coverage	employee dishonesty

**NOTE 20. Prior Period Adjustment**

A prior period adjustment was made to correct the net assets on the government wide financial statements in the amount of \$15,549. The adjustment consisted of \$11,383 to correct receivables not recorded in prior year but uncollected in the current year and \$4,166 to correct accumulated depreciation.

**NOTE 21. Deficit Fund Balance**

The Debt Service Fund has a negative Fund Balance in the amount of \$106,837 due to a prior year transfer of \$200,000 to the Operating and Maintenance Fund.

**NOTE 22. Deficit Net Position**

The District has a deficit Net Position in the amount of \$387,277 due to the original Construction Obligation 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. As of December 31, 2012 the total due on the construction obligation was \$1,165,125. This results in liabilities exceeding assets in the amount of \$387,277.

Supplementary Information Related to  
Major Governmental Funds

Basic Financial Statements

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, 2012

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem taxes	\$ 17,800	\$ 17,800	\$ 17,156	\$ (644)
Assessment revenues	39,000	39,000	38,394	(606)
Other:				
Interest income	650	650	1,356	706
Miscellaneous income	2,550	2,550	-	(2,550)
Total revenues	<u>60,000</u>	<u>60,000</u>	<u>56,906</u>	<u>(3,094)</u>
Expenditures:				
Current:				
Annual contract payment	<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	-	-	(1,349)	(1,349)
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	-	-	(1,349)	(1,349)
Cash balance, beginning	<u>-</u>	<u>-</u>	<u>87,719</u>	<u>87,719</u>
Cash balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,370</u>	<u>\$ 86,370</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (1,349)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			<u>2,773</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 1,424</u>	

See notes to financial statements

STATE OF NEW MEXICO  
 ARCH HURLEY CONSERVANCY DISTRICT

Combining Balance Sheet - General Fund  
 December 31, 2012

	<u>General</u>	<u>Operations &amp; Maintenance</u>	<u>Totals</u>
<b><u>ASSETS</u></b>			
Cash (includes cash on hand of \$200 in operations and maintenance fund)	\$ 29,568	\$ 184,160	\$ 213,728
Investments	-	525,000	525,000
Receivable, (net of allowances for uncollectible)			
Due from County Treasurer- ad valorem taxes	1,792	82,449	84,241
Assessments	3,612	136,568	140,180
Interest receivable	-	873	873
Other	-	1,116	1,116
Inventory	-	5,099	5,099
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 34,972</u>	<u>\$ 935,265</u>	<u>\$ 970,237</u>
 <b><u>LIABILITIES, OTHER CREDITS AND FUND BALANCE</u></b>			
Liabilities			
Accrued payroll and payroll taxes	\$ -	\$ 15,517	\$ 15,517
Accounts payable	-	25,673	25,673
Security / uniform deposits	-	5,500	5,500
Advance collections for water and assessments	1,843	150,487	152,330
Income deferred from ad valorem taxes	1,748	80,396	82,144
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and other credits	<u>3,591</u>	<u>277,573</u>	<u>281,164</u>
 Fund balance			
Nonspendable:			
Inventory	-	5,099	5,099
Designated:			
For subsequent year's budget -			
water, assessments and ad valorem taxes	3,591	230,883	234,474
Unassigned:			
Petty cash	-	200	200
Undesignated	27,790	421,510	449,300
	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balance	<u>31,381</u>	<u>657,692</u>	<u>689,073</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities, other credits and fund balance	<u>\$ 34,972</u>	<u>\$ 935,265</u>	<u>\$ 970,237</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, 2012

	General	Operations & Maintenance	Totals
Revenues:			
Taxes:			
Ad valorem taxes	\$ 6,162	\$ 283,590	\$ 289,752
Assessment revenues	11,156	445,005	456,161
Charges for services:			
Big Mesa - administration charge	-	950	950
Custom work	-	22,469	22,469
Other:			
Big Mesa and NM Parks water charge	-	10,571	10,571
Rent	-	4,650	4,650
Interest income	148	12,921	13,069
Federal grants	-	251,000	251,000
ROW permit fees	-	600	600
Miscellaneous income	1	9,699	9,700
<b>Total revenues</b>	<b>17,467</b>	<b>1,041,455</b>	<b>1,058,922</b>
Expenditures:			
Current:			
Gross salaries	-	326,992	326,992
Professional services/staff development	-	39,507	39,507
Office supplies and expenditures	6,910	-	6,910
Office equipment and repairs	1,147	-	1,147
Shop supplies and expenditures	-	13,297	13,297
Building repairs	-	16,263	16,263
Vehicle operation/maintenance expenditure	-	47,291	47,291
Irrigation operation/maintenance	-	21,796	21,796
Heavy equipment operations/maintenance	-	104,321	104,321
Utilities	-	50,522	50,522
PERA - AHCD portion	-	28,651	28,651
FICA - AHCD portion	-	25,930	25,930
Health insurance - AHCD portion	-	32,686	32,686
Insurance - liability and property	-	55,847	55,847
Insurance - Worker's compensation	-	42,899	42,899
Board of director fee	2,400	-	2,400
Safety equipment and expenditures	-	3,283	3,283
Chemical control	-	3,604	3,604
Miscellaneous expenditures	-	439	439
Surety bond	361	-	361
Dues and subscriptions	2,530	-	2,530
Donations / sponsorships	150	-	150
Water sales accruing US	-	5,699	5,699
Federal grant expenditures	-	253,284	253,284
Full cost water - due BOR	-	5,792	5,792
<b>Total expenditures</b>	<b>13,498</b>	<b>1,078,103</b>	<b>1,091,601</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>3,969</b>	<b>(36,648)</b>	<b>(32,679)</b>

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, 2012

	<u>General</u>	<u>Operations &amp; 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>3,969</u>	<u>(36,648)</u>	<u>(32,679)</u>
Fund balance beginning of year	<u>27,412</u>	<u>694,340</u>	<u>721,752</u>
Fund balance, end of year	<u>\$ 31,381</u>	<u>\$ 657,692</u>	<u>\$ 689,073</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, 2012

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem taxes	\$ 4,800	\$ 4,800	\$ 5,862	\$ 1,062
Assessment revenues	11,200	11,200	10,878	(322)
Other:				
Interest income	-	-	148	148
Miscellaneous	-	-	1	1
Total revenue	<u>16,000</u>	<u>16,000</u>	<u>16,889</u>	<u>889</u>
Expenditures:				
Current:				
Office supplies and expenditures	7,500	7,500	6,910	590
Office equipment and repairs	2,300	2,300	1,147	1,153
Board of directors fee	2,400	2,400	2,400	-
Suerty bond	-	-	360	(360)
Dues and subscriptions	3,600	3,600	2,530	1,070
Donations / sponsorships	200	200	150	50
Total expenditures	<u>16,000</u>	<u>16,000</u>	<u>13,497</u>	<u>2,503</u>
Excess (deficiency) revenues over expenditures	-	-	3,392	3,392
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	-	-	3,392	
Cash balance, beginning of year	-	-	26,176	26,176
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,568</u>	<u>\$ 29,568</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 3,392	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			577	
Net change in fund balance (GAAP Basis)			<u>\$ 3,969</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, 2012

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem taxes	\$ 277,650	\$ 277,650	\$ 269,990	\$ (7,660)
Assessment revenues	445,000	445,000	427,851	(17,149)
Charges for services:				
Big Mesa - administration charge	-	-	950	950
Custom work	225,000	225,000	22,469	(202,531)
Other:				
Big Mesa and NM Parks water charge	5,500	5,500	10,617	5,117
Rent	20,000	20,000	4,650	(15,350)
Interest income	6,000	6,000	12,625	6,625
Federal grants	200,000	200,000	251,000	51,000
ROW permit fees	-	-	600	600
Miscellaneous income	60,850	60,850	9,699	(51,151)
Total revenues	<u>1,240,000</u>	<u>1,240,000</u>	<u>1,010,451</u>	<u>(229,549)</u>
Expenditures:				
Current:				
Irrigation water distribution:				
Gross salaries	410,000	410,000	324,483	85,517
Professional services/staff development	75,000	50,000	39,190	10,810
Unemployment insurance	2,000	2,000	-	2,000
Shop supplies and expenditures	15,000	15,000	13,297	1,703
Building repairs	20,000	20,000	15,302	4,698
Vehicle operation/maintenance expenditure	77,500	77,500	36,715	40,785
Irrigation operation/maintenance	25,000	25,000	21,324	3,676
Heavy equipment operations/maintenance	90,000	90,000	85,502	4,498
Strategic plan	11,000	11,000	-	11,000
Utilities	55,000	55,000	48,407	6,593
PERA - AHCD portion	38,000	38,000	28,651	9,349
FICA - AHCD portion	31,500	31,500	25,930	5,570
Health insurance - AHCD portion	43,500	43,500	30,547	12,953
Insurance - liability and property	67,500	67,500	55,847	11,653
Insurance - workmen's compensation	27,000	64,000	40,111	23,889
Custom work	5,000	5,000	-	5,000
Safety equipment and expenditures	1,000	1,000	3,283	(2,283)
Chemical control	20,000	20,000	3,604	16,396
Miscellaneous expenditures	500	500	310	190
Water sales accruing US	5,500	5,500	5,699	(199)
Federal grant expenditures	200,000	200,000	253,284	(53,284)
Full cost water - due BOR	20,000	8,000	920	7,080
Total expenditures	<u>1,240,000</u>	<u>1,240,000</u>	<u>1,032,406</u>	<u>207,594</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, 2012

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Excess (deficiency) revenues over (under) expenditures	-	-	(21,955)	(21,955)
Other financing sources (uses): Operating transfers	-	-	-	-
Total other financing sources and (uses)	-	-	-	-
Net change in fund balances	-	-	(21,955)	(21,955)
Cash balance, beginning of year	-	-	731,115	731,115
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 709,160</u>	<u>\$ 709,160</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (21,955)	
Adjustment to revenues for accruals and other deferrals			31,004	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(45,697)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (36,648)</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, 2012

	<u>Beginning Cash</u>	<u>Receipts</u>	<u>Distributions</u>	<u>Other</u>
Arch Hurley Conservancy District				
General	\$ 26,176	\$ 16,889	\$ (13,497)	\$ -
Operations and Maintenance	731,115	1,010,451	(1,032,406)	-
Debt Service	<u>87,719</u>	<u>56,906</u>	<u>(58,255)</u>	<u>-</u>
Total governmental funds	845,010	1,084,246	(1,104,158)	-
Private Purpose Trust	<u>33,684</u>	<u>34,742</u>	<u>(35,443)</u>	<u>-</u>
Total Arch Hurley Conservancy District	<u>\$ 878,694</u>	<u>\$ 1,118,988</u>	<u>\$ (1,139,601)</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	\$ 29,658
Operations and Maintenance	Checking	First National Bank of New Mexico	195,992
Operations and Maintenance	C D	Tucumcari Federal Savings & Loan Assn	225,000
Operations and Maintenance	C D	Quay Schools Federal Credit Union	150,000
Operations and Maintenance	C D	Everyone's Federal Credit Union	150,000
Debt Service	Checking	First National Bank of New Mexico	36,370
Debt Service	C D	Everyone's Federal Credit Union	<u>50,000</u>
Total governmental funds bank balances			837,020
Private Purpose Trust	Checking	First National Bank of New Mexico	<u>32,983</u>
Total bank balances			<u>\$ 870,003</u>
Total bank balances			\$ 870,003
Reconciling items - outstanding deposits			-
Reconciling items - outstanding checks			<u>(11,922)</u>
Subtotal bank balance and reconciling items			<u>858,081</u>
Total cash			858,081
Less private purpose trust			<u>(32,983)</u>
Cash - Statement of Net Position			<u>\$ 825,098</u>



<u>Net Cash at Year End</u>	
\$	29,568
	709,160
	<u>86,370</u>
	825,098
	<u>32,983</u>
\$	<u><u>858,081</u></u>

STATE OF NEW MEXICO  
 ARCH HURLEY CONSERVANCY DISTRICT

Schedule of Depository Collateral  
 December 31, 2012

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 Demand Deposit	Tucumcari Federal Savings & Loan Assn. Tucumcari, NM Time Deposits
Demand deposits	\$ 295,003	\$ -
Time deposits	<u>-</u>	<u>225,000</u>
Total amount of deposits on December 31, 2012	295,003	225,000
Less FDIC Insurance	<u>(250,000)</u>	<u>(225,000)</u>
Total uninsured public funds	<u>45,003</u>	<u>(225,000)</u>
100 Percent collateral requirement	<u>45,003</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>\$ 224,997</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>
\$ -	\$ -	\$ 295,003
<u>150,000</u>	<u>200,000</u>	<u>575,000</u>
150,000	200,000	870,003
<u>(150,000)</u>	<u>(200,000)</u>	<u>(813,078)</u>
<u>(150,000)</u>	<u>(200,000)</u>	<u>(529,997)</u>
<u>-</u>	<u>-</u>	<u>45,003</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>\$ 224,997</u>

STATE OF NEW MEXICO  
ARCH HURLEY CONSERVANCY DISTRICT

Schedule of Memorandum of Understanding  
As of December 31, 2012

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*

Independent Auditor's Report

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, in accordance with the 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 the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund of Arch Hurley Conservancy District (the District) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the combining and individual funds and related budgetary comparisons of the District, presented as supplemental information, and have issued my report thereon dated May 20, 2013.

### Internal Control over Financial Reporting

In planning and performing my audit, of the financial statements, I 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, I 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. My 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Mr. Hector H. Balderas  
State Auditor of the State of New Mexico  
Board Members of Arch Hurley Conservancy District  
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**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 result 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* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sandra Rush CPA PC*

Sandra Rush CPA PC  
May 20, 2013



STATE OF NEW MEXICO  
ARCH HURLEY CONSERVANCY DISTRICT

For The Year Ended December 31, 2012  
Schedule of Findings and Responses

Prior Year Findings

None

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 21, 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.

