
STATE OF NEW MEXICO
Arch Hurley Conservancy District
December 31, 2013

Financial Statements and Supplementary Information
As Of And For The Year Ended December 31, 2013
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, 2013

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

This Page Intentionally Blank

STATE OF NEW MEXICO
ARCH HURLEY CONSERVANCY DISTRICT

Table of Contents
For the year ended December 31, 2013

	<u>Page</u>
Introductory Section:	
Official Roster	i
Table of Contents	iii-iv
Financial Section:	1
Independent Auditor's Report	3-4
Basic Financial Statements:	5
Statement of Net Position	7
Statement of Activities	8-9
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position - Governmental Activities	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	12
Reconciliation of Statement of Revenue, Expenditures and Change in Cash Balances - Governmental Funds - to the Statement of Activities - Governmental Activities	13
General Fund - General Account and Operations & Maintenance Account Combining Statement of Revenues, Expenditures, and Changes in Cash Balances - Budget and Actual (Non - GAAP Budgetary Basis)	14-15
Statement of Fiduciary Net Assets - Private Purpose Trust	16
Statement of Changes in Fiduciary Net Assets - Private Purpose Trust	17
Notes to Financial Statements	18-30
Supplementary Information Related to Major Governmental Funds	31
Debt Service Fund	
Statement of Revenues, Expenditures, and Changes in Cash Balances - Budget and Actual (Non - GAAP Budgetary Basis)	32
Combining Balance Sheet - General Fund	33
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund	34-35
General Account - General Fund	
Statement of Revenue, Expenditures and Changes in Cash Balances - Budget and Actual (Non - GAAP Budgetary Basis)	36

STATE OF NEW MEXICO
ARCH HURLEY CONSERVANCY DISTRICT

Table of Contents
For the year ended December 31, 2013

	<u>Page</u>
Operations & Maintenance Account - General Fund Statement of Revenue, Expenditures and Changes in Cash Balances - Budget and Actual (Non - GAAP Budgetary Basis)	37-38
Other Supplemental Information	39
Bank Reconciliation - All Accounts	40
Schedule of Depository Collateral	41
Schedule of Memorandum of Understanding	43
Compliance Section	44
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	45-46
Schedule of Findings and Responses	47-49

Financial Section

This Page Intentionally Blank

Sandra Rush

Certified Public Accountant PC

1101 E Llano Estacado • Clovis, New Mexico 88101 • 575-763-2245

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, 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, 2013, 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 the District's budgetary comparisons for the major debt service fund presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended December 31, 2013, 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, 2013, 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 of the District as of December 31, 2013, 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 29, 2014 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
Clovis New Mexico
May 29, 2014

Basic Financial Statements

This Page Intentionally Blank

STATE OF NEW MEXICO
 ARCH HURLEY CONSERVANCY DISTRICT

Statement of Net Position
 December 31, 2013

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents (includes cash on hand of \$200 in general fund)	\$ 203,100
Investments	525,000
Receivables (net)	
Ad valorem taxes	107,878
Assessments	178,585
Interest	525
Other	1,566
Inventories	<u>8,355</u>
Total current assets	1,025,009
Noncurrent assets:	
Capital assets (net)	<u>163,421</u>
Total assets	<u>1,188,430</u>
LIABILITIES	
Current liabilities:	
Accrued payroll and payroll taxes	17,248
Accounts payable	13,475
Advance collections of water rentals, assessments and ad valorem taxes	192,072
Current portion note payable	<u>24,000</u>
Total current liabilities	246,795
Noncurrent liabilities	
Security / uniform deposits	5,500
Compensated absences	18,871
Incremental land value credits	200,105
Due in more than one year	<u>1,117,824</u>
Total noncurrent liabilities	<u>1,342,300</u>
Total liabilities	1,589,095
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	<u>193,980</u>
Total deferred inflows of resources	<u>193,980</u>
NET POSITION	
Net invested in capital assets	163,421
Restricted for:	
Debt service	104,419
Unrestricted	<u>(862,485)</u>
Total net position	<u>\$ (594,645)</u>

See notes to financial statements

STATE OF NEW MEXICO
 ARCH HURLEY CONSERVANCY DISTRICT

Statement of Activities
 For the year ended December 31, 2013

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Salaries and payroll taxes	\$ 341,206	\$ 950	\$ -	\$ -
Professional services/staff development	32,467	-	-	-
Office supplies and expenditures	6,869	-	-	-
Office equipment and repairs	1,869	-	-	-
Shop supplies and expenditures	17,536	-	-	-
Building repairs	23,839	-	-	-
Vehicle operation/maintenance expenditure	50,701	-	-	-
Irrigation operation/maintenance	34,717	-	-	-
Heavy equipment operation/maintenance	71,012	58,935	-	-
Utilities	49,004	-	-	-
PERA - AHCD portion	29,156	-	-	-
FICA - AHCD portion	25,338	-	-	-
Health insurance - AHCD portion	27,230	-	-	-
Insurance - liability and property	56,057	-	-	-
Insurance - worker's compensation	18,665	-	-	-
Election costs	237	-	-	-
Board of director fee	2,400	-	-	-
Safety equipment expenditures	5,851	-	-	-
Chemical control	17,255	-	-	-
Miscellaneous expenditures	1,119	-	-	-
Surety bond	886	-	-	-
Dues and subscriptions	2,840	-	-	-
Donations / sponsorships	98	-	-	-
Water sales accruing US	5,063	-	-	-
Strategic plan	7,251	-	-	-
Annual contract payment - interest	34,954	-	-	-
Depreciation expense	66,093	-	-	-
Total expenditures	<u>\$ 929,713</u>	<u>\$ 59,885</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
 Ad valorem taxes
 Assessment revenue
 Big mesa and NM Parks water charge
 Rent
 Interest income
 Scrap sales
 Insurance recoveries
 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

\$ (340,256)
(32,467)
(6,869)
(1,869)
(17,536)
(23,839)
(50,701)
(34,717)
(12,077)
(49,004)
(29,156)
(25,338)
(27,230)
(56,057)
(18,665)
(237)
(2,400)
(5,851)
(17,255)
(1,119)
(886)
(2,840)
(98)
(5,063)
(7,251)
(34,954)
(66,093)

\$ (869,828)

\$ 122,493
495,827
5,105
4,650
11,271
18,069
5,167
1,412

663,994

(205,834)

(387,277)

(1,534)

(388,811)

\$ (594,645)

STATE OF NEW MEXICO
 ARCH HURLEY CONSERVANCY DISTRICT

Balance Sheet - Governmental Funds
 December 31, 2013

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash (includes cash on hand of \$200 in general fund)	\$ 169,850	\$ 33,250	\$ 203,100
Investments	475,000	50,000	525,000
Receivable, (net of allowance for uncollectible accounts):			
Due from County Treasurer - ad valorem taxes	101,405	6,473	107,878
Assessments	164,095	14,490	178,585
Interest receivable	319	206	525
Other	1,566	-	1,566
Inventory	8,355	-	8,355
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 920,590</u>	<u>104,419</u>	<u>\$ 1,025,009</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities			
Accrued payroll and payroll taxes	\$ 17,248	\$ -	\$ 17,248
Accounts payable	13,475	-	13,475
Security / uniform deposits	5,500	-	5,500
Advance collections for water and assessments	180,549	11,523	192,072
Income deferred Ad Valorem taxes	182,335	11,645	193,980
Distributed incremental land value credits - unapplied on assessment rolls	-	200,105	200,105
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>399,107</u>	<u>223,273</u>	<u>622,380</u>
 Fund Balance			
Nonspendable:			
Inventory	8,355	-	8,355
Restricted for:			
Debt Service	-	(118,854)	(118,854)
Committed to:			
For subsequent year's budget - water, assessments and ad valorem taxes	362,884	-	362,884
Unassigned:			
Petty cash	200	-	200
General fund	150,044	-	150,044
	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>521,483</u>	<u>(118,854)</u>	<u>402,629</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 920,590</u>	<u>\$ 104,419</u>	<u>\$ 1,025,009</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, 2013

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

Fund balances - total governmental funds	\$	402,629
--	----	---------

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds

Capital assets	\$ 1,130,985	
Accumulated depreciation	<u>(967,564)</u>	163,421

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	\$ (1,141,824)	
Compensated absences	<u>(18,871)</u>	<u>(1,160,695)</u>

Net position for governmental activities		<u>\$ (594,645)</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, 2013

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes:			
Ad valorem taxes	\$ 115,131	\$ 7,362	\$ 122,493
Assessment revenues	456,161	39,666	495,827
Charges for services:			
Big Mesa - administration charge	950	-	950
Custom work	58,935	-	58,935
Other:			
Big Mesa and NM Parks water charge	5,105	-	5,105
Rent	4,650	-	4,650
Interest income	10,082	1,189	11,271
Insurance recoveries	5,167	-	5,167
Scrap sales	18,069	-	18,069
Miscellaneous income	1,412	-	1,412
	<u>675,662</u>	<u>48,217</u>	<u>723,879</u>
Total revenues			
Expenditures:			
Current:			
General expenditures	15,199	-	15,199
Irrigation water distribution expenditures	830,031	-	830,031
Debt service:			
Annual contract principal payment	-	23,301	23,301
Annual contract interest payment	-	34,954	34,954
	<u>845,230</u>	<u>58,255</u>	<u>903,485</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	(169,568)	(10,038)	(179,606)
Fund balance, beginning of year	689,073	(106,837)	582,236
Prior period adjustment	1,978	(1,979)	(1)
	<u>691,051</u>	<u>(108,816)</u>	<u>582,235</u>
Fund balance, beginning of year, restated			
Fund balance, end of year	<u>\$ 521,483</u>	<u>\$ (118,854)</u>	<u>\$ 402,629</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, 2013

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

Net change in fund balance - total governmental funds	\$	(179,606)
---	----	-----------

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	(66,093)
----------------------	----------

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	\$	23,301	
Capital outlay		16,500	
Compensated absences		64	39,865
		<u>64</u>	<u>39,865</u>

Change in net position of governmental activities	\$	<u>(205,834)</u>
---	----	------------------

STATE OF NEW MEXICO
ARCH HURLEY CONSERVANCY DISTRICT

General Fund - General Account and Operations & Maintenance Account
Combining Statement of Revenues, Expenditures, and Changes in
Cash Balances - Budget and Actual (Non - GAAP Budgetary Basis)
Year Ended December 31, 2013

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem taxes	\$ 282,450	\$ 282,450	\$ 283,242	\$ 792
Assessment revenues	456,200	456,200	377,357	(78,843)
Charges for services:				
Big Mesa - administration charge	-	-	950	950
Custom work	25,000	25,000	58,935	33,935
Other:				
Big Mesa and NM Parks water charge	5,500	5,500	5,105	(395)
Rent	200,000	200,000	4,650	(195,350)
Interest income	10,000	10,000	10,635	635
Federal grants	200,000	200,000	-	(200,000)
Full cost water	20,000	20,000	-	(20,000)
Insurance recoveries	-	-	5,167	5,167
Scrap sales	-	-	18,069	18,069
Miscellaneous income	56,850	56,850	1,412	(55,438)
Total revenues	<u>1,256,000</u>	<u>1,256,000</u>	<u>765,522</u>	<u>(490,478)</u>
Expenditures:				
Current:				
General account:				
Office supplies and expenditures	6,800	6,800	6,869	(69)
Office equipment and repairs	2,000	2,000	1,867	133
Election costs	1,000	1,000	237	763
Board of directors fee	2,400	2,400	2,400	-
Surety bond	600	600	886	(286)
Dues and subscriptions	3,000	3,000	2,840	160
Donations / sponsorships	200	200	100	100
Irrigation water distribution:				
Salaries and payroll taxes	412,000	412,000	340,223	71,777
Professional services/staff development	55,000	55,000	32,067	22,933
Shop supplies expenditures	15,000	15,000	16,826	(1,826)
Building repairs	30,000	30,000	22,805	7,195
Vehicle operation/maintenance expenditure	72,500	72,500	56,906	15,594
Irrigation operation/maintenance	25,000	25,000	35,046	(10,046)
Heavy equipment operation/maintenance	78,500	78,500	77,809	691
Strategic plan	15,000	15,000	7,251	7,749
Utilities	55,000	55,000	45,303	9,697
PERA - ACHD portion	38,000	38,000	29,156	8,844
FICA - ACHD portion	31,500	31,500	25,338	6,162
Health insurance - ACHD portion	43,500	43,500	29,369	14,131
Insurance - liability and property insurance	67,500	67,500	56,057	11,443
Insurance - workmen's compensation	30,000	30,000	19,928	10,072
Custom work	5,000	5,000	-	5,000

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
 Cash Balances - Budget and Actual (Non - GAAP Budgetary Basis)
 Year Ended December 31, 2013

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Expenditures continued:				
Safety equipment and expenditures	4,000	4,000	5,417	(1,417)
Chemical control	20,000	20,000	17,255	2,745
Miscellaneous expenditures	500	500	1,248	(748)
Water sales accruing US	5,500	5,500	5,063	437
Federal grant expenditures	200,000	200,000	-	200,000
Full cost water - due BOR	20,000	20,000	4,872	15,128
Capital outlay	16,500	16,500	16,500	-
Total expenditures	1,256,000	1,256,000	859,638	396,362
Excess (deficiency) revenues over expenditures	-	-	(94,116)	(94,116)
Cash balance, beginning	-	-	738,728	738,728
Prior period adjustment	-	-	238	238
Cash balance, beginning	-	-	738,966	738,966
Cash balance, ending	\$ -	\$ -	\$ 644,850	\$ 644,850
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (94,116)	
Adjustment to revenues for accruals and other deferrals			(89,860)	
Adjustment to expenditures for payables, prepaids and other accruals			14,408	
Net change in fund balance (GAAP Basis)			\$ (169,568)	

See notes to financial statements

STATE OF NEW MEXICO
ARCH HURLEY CONSERVANCY DISTRICT

Statement of Fiduciary Net Position
Private Purpose Trust
Year Ended December 31, 2013

	<u>Totals</u>
<u>ASSETS</u>	
Cash	\$ 72,604
Interstate Stream Commission - loans receivable	<u>94,305</u>
Total assets	<u>\$ 166,909</u>
 <u>NET POSITION</u>	
Net Position	<u>\$ 166,909</u>
Total net position	<u>\$ 166,909</u>

See notes to financial statements

STATE OF NEW MEXICO
ARCH HURLEY CONSERVANCY DISTRICT

Statement of Changes in Fiduciary Net Position
Private Purpose Trust
For the year ended December 31, 2013

	<u>Totals</u>
ADDITIONS	
Interest income	\$ 17
Interest income - due ISC	5,849
Interest income - due AHCD	<u>2,604</u>
Total additions	8,470
DEDUCTIONS	
Miscellaneous expense	<u>9,810</u>
Total deductions	<u>9,810</u>
Change in net position	(1,340)
Net Positions - beginning of the year	<u>168,249</u>
Net Position - end of the year	<u><u>\$ 166,909</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.

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 – 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
-----------	---------------

Accrued Expenses: Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through December 31, 2013.

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

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*

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

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

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

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

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

Government-wide Statements

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

Investment in capital assets:

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

Restricted net position:

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

Unrestricted net position:

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

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.

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, 2013, 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, 2013.

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 \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy regarding custodial credit risk is to comply with its Resolution and with Section 6-10-17, NMSA (1978 Comp). As of December 31, 2013, 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, 2013 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, 2013 are as follows:

	General	Debt Service	Total
Receivables:			
Ad Valorem tax	\$ 101,405	\$ 6,473	\$ 107,878
Assessments	164,095	14,490	178,585
Interest receivable	319	206	525
Other receivable	1,566	-	1,566
Total receivables	<u>\$ 267,385</u>	<u>\$ 21,169</u>	<u>\$ 288,554</u>

NOTE 5. Capital Assets

A summary of capital assets and changes occurring during the year ended December 31, 2013.

	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	16,500	(107,943)	1,095,981
Total capital assets at historical costs				
Less accumulated depreciation				
Equipment	<u>(1,007,881)</u>	<u>(66,093)</u>	<u>106,410</u>	<u>(967,564)</u>
Capital assets, net	<u>\$ 214,547</u>	<u>\$ (49,593)</u>	<u>\$ (1,533)</u>	<u>\$ 163,421</u>

Depreciation expense for the year ended December 31, 2013 was charged to the following functions and fund:

Operations and maint.	<u>\$ 66,093</u>
Total	<u>\$ 66,093</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 2013 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 2013, the levy amounted to 5.102 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:

	General	Debt Service	Total
Advance collection of assessments	\$ 10,040	\$ 918	\$ 10,958
Advance collection ad valorem tax	166,148	10,605	176,753
Advance collection of water charges	4,351	-	4,351
Other	10	-	10
Total	\$ 180,549	\$ 11,523	\$ 192,072

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, 2013, 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	\$ 1,165,125	\$	\$ (23,301)	\$ 1,141,824
Compensated absences payable	18,935	16,734	(16,798)	18,871
Total	<u>\$ 1,184,060</u>	<u>\$ 16,734</u>	<u>\$ (40,099)</u>	<u>\$ 1,160,695</u>

	Due Within One Year	Amounts Considered Long-Term
Construction obligation	\$ 24,000	\$ 1,117,824
Compensated absences payable	18,871	18,871
Total	<u>\$ 42,871</u>	<u>\$ 1,136,695</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 2013 which was paid in 2013 was \$58,255. Of the \$58,225, \$23,301 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
2014	24,000	34,255	58,255
2015	24,720	33,535	58,255
2016	25,462	32,793	58,255
2017	26,226	32,029	58,255
2018	<u>27,013</u>	<u>31,242</u>	<u>58,255</u>
Subtotal	<u>127,421</u>	<u>163,854</u>	<u>291,275</u>
2019-2023	147,716	143,559	291,275
2024-2028	171,243	120,032	291,275
2029-2033	198,517	92,758	291,275
2034-2038	230,136	61,139	291,275
2039-2043	<u>266,791</u>	<u>24,484</u>	<u>291,275</u>
Total	<u>\$ 1,141,824</u>	<u>\$ 605,826</u>	<u>\$ 1,747,650</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 <http://www.pera.state.nm.us>.

Funding Policy : Plan members whose annual salary is \$20,000 or less are required by statute to contribute 13.15% of their gross salary. Plan members whose annual salary is over \$20,000 are required to contribute 14.65%. The District is required to contribute the following percentage of the gross covered salary: 9.15% for full-time employees. The contribution requirements of plan members and the District are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to PERA for the years ending December 31, 2013, 2012 and 2011 were \$71,058, \$69,925, and \$67,465, respectively, which equal the amount of the required contributions for each fiscal year.

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 \$107,878 at December 31, 2013 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. A provision for contingencies related to Interstate Streams Commission has not been provided for, as the District does not expect any losses on these loans. As of December 31, 2013 the liability was paid off.

NOTE 15. Contingencies

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

NOTE 16. Concentrations

Approximately 85% of the District's revenues are derived from assessments and ad valorem taxes. Reduction or interruption of these revenue sources is not expected; however, if reduction or interruption occurred, it would have a material impact on the operations of the District. The District also depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the District is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and federal and State appropriations.

Note 17. Related Party Transactions

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

NOTE 18. Subsequent 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, 2013. 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, 2013. 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 19. Subsequent Events Review

Arch Hurley Conservancy District has evaluated subsequent events through May 29, 2014, which is the date the financial statements were dated.

NOTE 20. 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, 2014
D. Individual Bonded and Amount of Coverage per Employee	\$300,000 (\$3,000 deductible)
E. Coverage	employee dishonesty

NOTE 21. Prior Period Adjustment

A prior period adjustment was made to correct the net assets on the government wide financial statements in the amount of (\$1,534). An adjustment in the amount of (\$1,533) was made to remove obsolete assets from capital assets that had not been completely depreciated. An adjustment in the amount of (\$1) was made to correct a rounding difference.

General fund balance was increased \$1,978 to correct an receivable that was recorded in the wrong fund in the prior year. The Debt Service fund balance was decreased (\$1,979) to correct an receivable recorded in the wrong fund in a prior year.

NOTE 22. Deficit Fund Balance

The Debt Service Fund has a negative Fund Balance in the amount of \$118,854 due to a prior year transfer of \$200,000 to the Operating and Maintenance Fund.

NOTE 23. Deficit Net Position

The District has a deficit Net Position in the amount of \$594,645 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, 2013 the total due on the construction obligation was \$1,141,824. This results in liabilities exceeding assets in the amount of \$594,645 .

Supplementary Information Related to
Major Governmental Funds

STATE OF NEW MEXICO
 ARCH HURLEY CONSERVANCY DISTRICT

Debt Service Fund
 Statement of Revenue, Expenditures and Changes in Cash
 Balances - Budget and Actual (Non - GAAP Budgetary Basis)
 Year Ended December 31, 2013

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem taxes	\$ 17,800	\$ 17,800	\$ 18,098	\$ 298
Assessment revenues	39,000	39,000	36,054	(2,946)
Other:				
Interest income	650	650	983	333
Miscellaneous income	2,550	2,550	-	(2,550)
Total revenues	<u>60,000</u>	<u>60,000</u>	<u>55,135</u>	<u>(4,865)</u>
Expenditures:				
Current:				
Annual contract principal payment	25,000	25,000	23,301	1,699
Annual contract interest payment	35,000	35,000	34,954	46
Total expenditures	<u>60,000</u>	<u>60,000</u>	<u>58,255</u>	<u>1,745</u>
Excess (deficiency) revenues over expenditures	-	-	(3,120)	(3,120)
Other financing sources (uses):				
Prior period adjustment	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	(3,120)	3,120
Cash balance, beginning	-	-	86,370	86,370
Cash balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,250</u>	<u>\$ 83,250</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (3,120)	
Adjustment to revenues for accruals and other deferrals			(6,918)	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			<u>\$ (10,038)</u>	

See notes to financial statements

STATE OF NEW MEXICO
 ARCH HURLEY CONSERVANCY DISTRICT

Combining Balance Sheet - General Fund
 December 31, 2013

	<u>General</u>	<u>Operations & Maintenance</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash (includes cash on hand of \$200 in operations and maintenance fund)	\$ 30,886	\$ 138,964	\$ 169,850
Investments	-	475,000	475,000
Receivable, (net of allowances for uncollectible)			
Due from County Treasurer- ad valorem taxes	1,092	100,313	101,405
Assessments	3,791	160,304	164,095
Interest receivable	-	319	319
Other	-	1,566	1,566
Inventory	-	8,355	8,355
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 35,769</u>	<u>\$ 884,821</u>	<u>\$ 920,590</u>
 <u>LIABILITIES, OTHER CREDITS AND FUND BALANCE</u>			
Liabilities			
Accrued payroll and payroll taxes	\$ -	\$ 17,248	\$ 17,248
Accounts payable	-	13,475	13,475
Security / uniform deposits	-	5,500	5,500
Advance collections for water and assessments	2,902	177,647	180,549
Income deferred ad valorem taxes	2,814	179,521	182,335
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and other credits	<u>5,716</u>	<u>393,391</u>	<u>399,107</u>
Fund balance			
Nonspendable:			
Inventory	-	8,355	8,355
Designated:			
For subsequent year's budget -			
water, assessments and ad valorem taxes	5,716	357,168	362,884
Unassigned:			
Petty cash	-	200	200
Undesignated	24,337	125,707	150,044
	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>30,053</u>	<u>491,430</u>	<u>521,483</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, other credits and fund balance	<u>\$ 35,769</u>	<u>\$ 884,821</u>	<u>\$ 920,590</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, 2013

	General	Operations & Maintenance	Totals
Revenues:			
Taxes:			
Ad valorem taxes	\$ 2,450	\$ 112,681	\$ 115,131
Assessment revenues	11,156	445,005	456,161
Charges for services:			
Big Mesa - administration charge	-	950	950
Custom work	-	58,935	58,935
Other:			
Big Mesa and NM Parks water charge	-	5,105	5,105
Rent	-	4,650	4,650
Interest income	143	9,939	10,082
Insurance recoveries	-	5,167	5,167
Scrap sales	-	18,069	18,069
Miscellaneous income	122	1,290	1,412
	<u>13,871</u>	<u>661,791</u>	<u>675,662</u>
Total revenues			

Expenditures:

Current:

Salaries and payroll taxes	-	341,270	341,270
Professional services/staff development	-	32,467	32,467
Office supplies and expenditures	6,869	-	6,869
Office equipment and repairs	1,869	-	1,869
Shop supplies and expenditures	-	17,536	17,536
Building repairs	-	23,839	23,839
Vehicle operation/maintenance expenditure	-	50,701	50,701
Irrigation operation/maintenance	-	34,717	34,717
Heavy equipment operations/maintenance	-	71,012	71,012
Strategic plan	-	7,251	7,251
Utilities	-	49,004	49,004
PERA - AHCD portion	-	29,156	29,156
FICA - AHCD portion	-	25,338	25,338
Health insurance - AHCD portion	-	27,230	27,230
Insurance - liability and property	-	56,057	56,057
Insurance - Worker's compensation	-	18,665	18,665
Election costs	237	-	237
Board of director fee	2,400	-	2,400
Safety equipment and expenditures	-	5,851	5,851
Chemical control	-	17,255	17,255
Miscellaneous expenditures	-	1,119	1,119
Surety bond	886	-	886
Dues and subscriptions	2,840	-	2,840
Donations / sponsorships	98	-	98
Water sales accruing US	-	5,063	5,063
Federal grant expenditures	-	-	-

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, 2013

	<u>General</u>	<u>Operations & Maintenance</u>	<u>Totals</u>
Expenditures (continued):			
Full cost water - due BOR		-	-
Capital assets	-	16,500	16,500
	<u>15,199</u>	<u>830,031</u>	<u>845,230</u>
Total expenditures			
Excess (deficiency) of revenue over expenditures	(1,328)	(168,240)	(169,568)
Fund balance beginning of year	31,381	657,692	689,073
Prior period adjustment	-	1,978	1,978
	<u>31,381</u>	<u>659,670</u>	<u>691,051</u>
Fund balance beginning of year, restated			
Fund balance, end of year	<u>\$ 30,053</u>	<u>\$ 491,430</u>	<u>\$ 521,483</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 Cash
 Balances - Budget and Actual (Non - GAAP Budgetary Basis)
 For the year ended December 31, 2013

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem taxes	\$ 4,800	\$ 4,800	\$ 5,122	\$ 322
Assessment revenues	11,200	11,200	11,130	(70)
Other:				
Interest income	-	-	143	143
Miscellaneous	-	-	122	122
Total revenue	<u>16,000</u>	<u>16,000</u>	<u>16,517</u>	<u>517</u>
Expenditures:				
Current:				
Office supplies and expenditures	6,800	6,800	6,869	(69)
Office equipment and repairs	2,000	2,000	1,867	133
Election costs	1,000	1,000	237	763
Board of directors fee	2,400	2,400	2,400	-
Surety bond	600	600	886	(286)
Dues and subscriptions	3,000	3,000	2,840	160
Donations / sponsorships	200	200	100	100
Total expenditures	<u>16,000</u>	<u>16,000</u>	<u>15,199</u>	<u>801</u>
Excess (deficiency) revenues over expenditures	-	-	1,318	1,318
Cash balance, beginning of year	-	-	29,568	29,568
Prior period adjustment	-	-	-	-
Cash balance, beginning of year, restated	<u>-</u>	<u>-</u>	<u>29,568</u>	<u>29,568</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,886</u>	<u>\$ 30,886</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 1,318	
Adjustment to revenues for accruals and other deferrals			(2,646)	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			<u>\$ (1,328)</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 Cash
Balances - Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended December 31, 2013

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes:				
Ad valorem taxes	\$ 277,650	\$ 277,650	\$ 278,120	\$ 470
Assessment revenues	445,000	445,000	366,227	(78,773)
Charges for services:				
Big Mesa - administration charge	-	-	950	950
Custom work	25,000	25,000	58,935	33,935
Other:				
Big Mesa and NM Parks water charge	5,500	5,500	5,105	(395)
Rent	200,000	200,000	4,650	(195,350)
Interest income	10,000	10,000	10,492	492
Insurance recoveries	-	-	5,167	5,167
Scrap sales	-	-	18,069	18,069
Federal grants	200,000	200,000	-	(200,000)
Full cost water	20,000	20,000	-	(20,000)
Miscellaneous income	56,850	56,850	1,290	(55,560)
Total revenues	<u>1,240,000</u>	<u>1,240,000</u>	<u>749,005</u>	<u>(490,995)</u>
Expenditures:				
Current:				
Irrigation water distribution:				
Salaries and payroll taxes	412,000	412,000	340,223	71,777
Professional services/staff development	55,000	55,000	32,067	22,933
Shop supplies and expenditures	15,000	15,000	16,826	(1,826)
Building repairs	30,000	30,000	22,805	7,195
Vehicle operation/maintenance expenditure	72,500	72,500	56,906	15,594
Irrigation operation/maintenance	25,000	25,000	35,046	(10,046)
Heavy equipment operations/maintenance	78,500	78,500	77,809	691
Strategic plan	15,000	15,000	7,251	7,749
Utilities	55,000	55,000	45,303	9,697
PERA - AHCD portion	38,000	38,000	29,156	8,844
FICA - AHCD portion	31,500	31,500	25,338	6,162
Health insurance - AHCD portion	43,500	43,500	29,369	14,131
Insurance - liability and property	67,500	67,500	56,057	11,443
Insurance - workmen's compensation	30,000	30,000	19,928	10,072
Custom work	5,000	5,000	-	5,000
Safety equipment and expenditures	4,000	4,000	5,417	(1,417)
Chemical control	20,000	20,000	17,255	2,745
Miscellaneous expenditures	500	500	1,248	(748)
Water sales accruing US	5,500	5,500	5,063	437
Federal grant expenditures	200,000	200,000	-	200,000

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 Cash
 Balances - Budget and Actual (Non - GAAP Budgetary Basis)
 For the year ended December 31, 2013

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Expenditures (continued):				
Full cost water - due BOR	20,000	20,000	4,872	15,128
Capital outlay	16,500	16,500	16,500	-
				-
Total expenditures	<u>1,240,000</u>	<u>1,240,000</u>	<u>844,439</u>	<u>395,561</u>
Excess (deficiency) revenues over (under) expenditures	-	-	(95,434)	(95,434)
Cash balance, beginning of year	-	-	709,160	709,160
Prior period adjustment	-	-	238	238
Cash balance, beginning of year, restated	-	-	<u>709,398</u>	<u>709,398</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 613,964</u>	<u>\$ 613,964</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (95,434)	
Adjustment to revenues for accruals and other deferrals			(87,214)	
Adjustment to expenditures for payables, prepaids and other accruals			<u>14,408</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (168,240)</u>	

See notes for financial statements

Other Supplemental Information

STATE OF NEW MEXICO
 ARCH HURLEY CONSERVANCY DISTRICT

Bank Reconciliation - All Accounts
 For the Year Ended December 31, 2013

	<u>Beginning Cash</u>	<u>Receipts</u>	<u>Distributions</u>	<u>Net Cash at Year End</u>
Arch Hurley Conservancy District				
General	\$ 29,568	\$ 16,517	\$ (15,199)	\$ 30,886
Operations and Maintenance	709,398	749,005	(844,439)	613,964
Debt Service	<u>86,370</u>	<u>55,135</u>	<u>(58,255)</u>	<u>83,250</u>
Total governmental funds	825,336	820,657	(917,893)	728,100
Private Purpose Trust	<u>32,983</u>	<u>103,665</u>	<u>(64,044)</u>	<u>72,604</u>
Total Arch Hurley Conservancy District	<u>\$ 858,319</u>	<u>\$ 924,322</u>	<u>\$ (981,937)</u>	<u>\$ 800,704</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	\$ 210,665
Operations and Maintenance	C D	Tucumcari Federal Savings & Loan Assn	225,000
Operations and Maintenance	C D	Quay Schools Federal Credit Union	100,000
Operations and Maintenance	C D	Everyone's Federal Credit Union	150,000
Debt Service	C D	Everyone's Federal Credit Union	<u>50,000</u>
Total governmental funds bank balances			735,665
Private Purpose Trust	Checking	First National Bank of New Mexico	<u>72,604</u>
Total bank balances			<u>\$ 808,269</u>

Total bank balances	\$ 808,269
Reconciling items - outstanding deposits	-
Reconciling items - outstanding checks	<u>(7,565)</u>
Subtotal bank balance and reconciling items	<u>800,704</u>
Total cash	800,704
Less private purpose trust	<u>(72,604)</u>
Cash - Statement of Net Position	<u>\$ 728,100</u>

STATE OF NEW MEXICO
ARCH HURLEY CONSERVANCY DISTRICT

Schedule of Depository Collateral
December 31, 2013

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 <u>Demand Deposit</u>	Tucumcari Federal Savings & Loan Assn. Tucumcari, NM <u>Time Deposits</u>	Quay Schools Federal Credit Union Tucumcari, NM <u>Time Deposits</u>	Everyone's Federal Credit Union Tucumcari, NM <u>Time Deposits</u>
Total amount on deposit on December 31, 2013				
Demand deposits				
Arch Hurley Conservancy District - General	\$ 210,665	\$ -	\$ -	\$ -
Arch Hurley Conservancy District - Interstate Stream Commission	72,604			
Time deposits				
Arch Hurley Conservancy District		225,000	100,000	200,000
Total deposited	283,269	225,000	100,000	200,000
Less FDIC and NCUA coverage	(250,000)	(225,000)	(100,000)	(200,000)
Total uninsured public funds	33,269	-	-	-
100 Percent collateral requirement	33,269	-	-	-
Pledged securities:				
Vining Sparks - listed below	288,918	-	-	-
Over (under)	<u>\$ 255,649</u>	<u>\$ -</u>	<u>\$ -</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 \$95,680 held at FHLB.

University of New Mexico Community College, CUSIP 914684BK0, maturity date 08-01-2015, market value \$133,188, held at FHLB.

Roy New Mexico School District Number 003, CUSIP 780040BA8, maturity date 10-01-2014, market value \$15,563, held at FHLB.

Roy New Mexico School District Number 003, CUSIP 780040BD2, maturity date 10-01-2017, market value \$16,640, held at FHLB.

Roy New Mexico School District Number 003, CUSIP 780040BE0, maturity date 10-01-2018, market value \$16,721, held at FHLB.

Roy New Mexico School District Number 003, CUSIP 780040BF7 maturity date 10-01-2019, market value \$11,126, held at FHLB.

This Page Intentionally Blank

STATE OF NEW MEXICO
ARCH HURLEY CONSERVANCY DISTRICT

Schedule of Memorandum of Understanding
As of December 31, 2013

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 are reported: Each entity reports its own.

Compliance Section

Sandra Rush

Certified Public Accountant PC

1101 E Llano Estacado • Clovis, New Mexico 88101 • 505-763-2245

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 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, 2013, 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 29, 2014.

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. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that I consider to be significant deficiencies. 2013-01, 2013-02 and 2013-03

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2013-01, 2013-02 and 2013-03.

The District's Responses to Findings

The District's responses to the findings identified in my audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

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

Clovis, New Mexico

May 29, 2014

STATE OF NEW MEXICO
ARCH HURLEY CONSERVANCY DISTRICT

For The Year Ended December 31, 2013
Schedule of Findings and Responses

Prior Year Findings

None

Current Year Findings

2013-01 PERA Pension Plan - Significant Deficiency - Compliance and Internal Control

Condition

The District is a member of the Public Employees Retirement Act (PERA) provided by the state of New Mexico. As part of my audit procedures, I tested the amounts remitted to PERA in order to ascertain compliance with the required contribution requirements. I selected six months of the fiscal year, and discovered the District withheld and remitted the incorrect amount for all six months. July 1, 2013 the rate for employees earning more than \$20,000 increased to 14.65%. The District continued to withhold at the prior rate of 13.65%. This resulted in under withholding a total of \$2,016.24 for the six months.

Criteria

Chapter 10, Article 11 NMSA 1978 referred to as the Public Employees Retirement Act (Act) provides statutory guidance regarding the benefit program.

Effect

Noncompliance with the Act and the NMAC could subject officials and employees to punitive actions defined in New Mexico state statutes.

Cause

The payroll clerk was unaware the rate increased July 1, 2013. Therefore the new rate was not made within the setup of the payroll software. When the monthly reports are prepared, the District's staff used the report generated by the payroll system and has not verified the correctness of the report.

Recommendation

I recommend the District accounting staff verify the correct rate is used to withhold from employee earnings. Since new rates become effective July 1, the payroll clerk should verify the rates for the first payroll in July and make the necessary changes in the payroll software. Further, I recommend all payroll reports be reviewed by someone not responsible for the preparation. The review should be documented.

Response

Arch Hurley Conservancy District was not notified by the State of New Mexico of any PERA withholding changes. The District's payroll department has adjusted the accounting software to the correct percentage. Payroll reports are reviewed by the office manager.

STATE OF NEW MEXICO
ARCH HURLEY CONSERVANCY DISTRICT

For The Year Ended December 31, 2013
Schedule of Findings and Responses

2013-02 Anti-Donation - Significant Deficiency - Compliance and Internal Control

Condition

There was a check issued to New Mexico 4-H Rodeo in the amount of \$100.00 as a donation.

Criteria

Article 9, Section 14 of the constitution of New Mexico. This provision prohibits the District from making direct grants of aid to entities or persons, despite the need or value of the project, unless the strict requirements of the provision are satisfied.

Effect

The District is not in compliance with Article 9, Section 14 of the constitution of New Mexico.

Cause

Management was unaware contributions could not be made to non-profit organizations.

Recommendation

I recommend donations not be made to anyone or any organization.

Response

The Arch Hurley Conservancy Board of Directors and Manager was unaware that this donation was not allowed. The Board and Manager have reimbursed the District the \$100 for the donation.

STATE OF NEW MEXICO
ARCH HURLEY CONSERVANCY DISTRICT

For The Year Ended December 31, 2013
Schedule of Findings and Responses

2013-03 Deficit Fund Balance - Significant Deficiency

Condition

The Debt Service fund had a deficient fund balance of \$118,854 at year end.

Criteria

6.20.2 NMAC and other state statutes prohibit any governmental agency from encumbering future funds.

Effect

The District spent funds that were not available for this fund. The operational fund will have to cover the negative balance.

Cause

In a prior year the District transfer of \$200,000 to the Operating and Maintenance Fund.

Recommendation

The District should maintain sufficient cash balance in the Debt Service fund to insure the fund does not have a negative fund balance.

Response

The District will discuss transferring cash back to the Debt Service fund.

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 29, 2014 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.

