
STATE OF NEW MEXICO
Arch Hurley Conservancy District
December 31, 2015

Financial Statements and Supplementary Information
As Of And For The Year Ended December 31, 2015
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, 2015

Board of Directors

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

Administrative Officials

Franklin McCasland	District Manager
Donna Lafferty	Office Manager

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STATE OF NEW MEXICO
ARCH HURLEY CONSERVANCY DISTRICT

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ARCH HURLEY CONSERVANCY DISTRICT

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Financial Section

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Independent Auditor's Report

Mr. Timothy M. Keller
State Auditor of the State of New Mexico
Board Members of Arch Hurley Conservancy District

Mr. Keller 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, 2015, 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 fiduciary fund and the budgetary comparisons for the major debt service fund, presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended December 31, 2015, 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, 2015, 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 fiduciary fund of the District as of December 31, 2015, 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.

Accounting principles generally accepted in the United States of America require that Schedules A-1 and A-2 and notes to the Required Supplementary Information on pages 37-39 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 Supporting Schedules I, II, and III required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

Supporting Schedules, I, II and III 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Supporting Schedules I, II, and III required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Schedule IV and V has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 31, 2016 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 31, 2016

Basic Financial Statements

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STATE OF NEW MEXICO
ARCH HURLEY CONSERVANCY DISTRICT

Statement of Net Position
December 31, 2015

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents (includes cash on hand of \$200 in general fund)	\$ 258,289
Investments	670,000
Receivables (net)	
Assessments	71,704
Other	150
Due from treasurer - ad valorem taxes	99,376
Inventories	<u>9,338</u>
Total current assets	1,108,857
Noncurrent assets	
Capital assets	
Capital assets	1,386,571
Less accumulated depreciation	<u>(1,066,247)</u>
Total noncurrent assets	<u>320,324</u>
Total assets	<u>1,429,181</u>
DEFERRED OUTFLOWS OF RESOURCES	
Employer contributions subsequent to the measurement date	<u>53,525</u>
Total assets and deferred outflows of resources	<u>\$ 1,482,706</u>

See notes to financial statements

STATE OF NEW MEXICO
 ARCH HURLEY CONSERVANCY DISTRICT

Statement of Net Position
 December 31, 2015

	<u>Governmental Activities</u>
LIABILITIES	
Current liabilities	
Payroll tax payable	3,501
Accrued wages payable	21,285
Accounts payable	11,986
Note payable - current portion	25,462
Compensated absences	22,939
Security / uniform deposits	5,700
Water credit prior years refundable	44,793
Advanced collections other	10
Employee flower fund	731
	<hr/>
Total current liabilities	136,407
Noncurrent liabilities	
Incremental land value credits	199,041
Note payable - due in more than one year	1,067,642
Net pension liabilities	338,567
	<hr/>
Total noncurrent liabilities	1,605,250
	<hr/>
Total liabilities	1,741,657
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues - advance collections	266,904
Deferred income - ad valorem taxes	96,043
Actuarial experience	229
Investment experience	132,456
	<hr/>
Total deferred inflows of resources	495,632
NET POSITION	
Net investment in capital assets	320,324
Restricted for	
General	19,150
Debt service	15,465
Unrestricted	(1,109,522)
	<hr/>
Total net position	(754,583)
	<hr/>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,482,706</u>

See notes to financial statements

STATE OF NEW MEXICO
ARCH HURLEY CONSERVANCY DISTRICT

Statement of Activities
For the year ended December 31, 2015

Functions / Programs	Expenses	Program Revenues			Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Salaries	\$ 454,909	\$ -	\$ -	\$ -	\$ (454,909)
Professional services/staff development	26,440	-	-	-	(26,440)
Unemployment insurance	2,310	-	-	-	(2,310)
Office supplies	6,260	-	-	-	(6,260)
Shop supplies	16,832	-	-	-	(16,832)
Building repairs	18,187	-	-	-	(18,187)
Office equipment repairs	1,119	-	-	-	(1,119)
Vehicle operation/maintenance	58,110	4,800	-	-	(53,310)
Irrigation operation/maintenance	38,798	2,690	-	-	(36,108)
Heavy equipment operation/maintenance	64,436	16,576	-	-	(47,860)
Utilities	46,366	-	-	-	(46,366)
PERA - AHCD portion	50,073	-	-	-	(50,073)
FICA - AHCD portion	33,933	-	-	-	(33,933)
Health insurance - AHCD portion	52,757	-	-	-	(52,757)
Insurance - liability and property	59,930	-	-	-	(59,930)
Board of director fee	2,400	-	-	-	(2,400)
Insurance - worker's compensation	14,842	-	-	-	(14,842)
Surety bond	653	-	-	-	(653)
Election costs	1,235	-	-	-	(1,235)
Safety equipment	3,585	-	-	-	(3,585)
Dues and subscriptions	1,940	-	-	-	(1,940)
Chemical control	17,863	-	-	-	(17,863)
Miscellaneous	728	-	-	-	(728)
Water sales accruing US	4,290	-	-	-	(4,290)
Full cost water due BOR	7,826	-	-	-	(7,826)
Capital assets <\$5,000	7,500	-	-	-	(7,500)
Annual contract payment - interest	33,535	-	-	-	(33,535)
Depreciation	82,770	-	-	-	(82,770)
Total expenditures	\$ 1,109,627	\$ 24,066	\$ -	\$ -	\$ (1,085,561)
General revenues:					
					\$ 345,643
					537,146
					4,140
					7,860
					24,983
					559
					<u>920,331</u>
					(165,230)
					(220,469)
					<u>(368,884)</u>
					<u>(589,353)</u>
					<u>\$ (754,583)</u>

See notes to financial statements

STATE OF NEW MEXICO
ARCH HURLEY CONSERVANCY DISTRICT

Balance Sheet - Governmental Funds
December 31, 2015

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash (includes cash on hand of \$200 in general fund)	\$ 238,158	\$ 20,131	\$ 258,289
Investments	475,000	195,000	670,000
Receivable, (net of allowance for uncollectible accounts):			
Assessments	66,018	5,686	71,704
Due from County Treasurer - ad valorem taxes	94,396	4,980	99,376
Other	150	-	150
Inventory	9,338	-	9,338
 Total assets	 <u>\$ 883,060</u>	 <u>225,797</u>	 <u>\$ 1,108,857</u>
LIABILITIES			
Payroll tax payable	\$ 3,501	\$ -	\$ 3,501
Accrued wages payable	21,285	-	21,285
Accounts payable	11,986	-	11,986
Security / uniform deposits	5,700	-	5,700
Water credit prior years refundable	44,793	-	44,793
Advance collections other	10	-	10
Employee flower fund	731	-	731
Distributed incremental land value credits - unapplied on assessment rolls	-	199,041	199,041
 Total liabilities	 <u>88,006</u>	 <u>199,041</u>	 <u>287,047</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - advance collections	260,415	6,489	266,904
Deferred revenue - ad valorem taxes	91,241	4,802	96,043
 Total deferred inflow of resources	 <u>351,656</u>	 <u>11,291</u>	 <u>362,947</u>
FUND BALANCE			
Nonspendable:			
Inventory	9,338	-	9,338
Restricted for:			
General	19,150	-	19,150
Debt Service	-	15,465	15,465
Unassigned for:			
General	414,910	-	414,910
 Total fund balance	 <u>443,398</u>	 <u>15,465</u>	 <u>458,863</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 883,060</u>	 <u>\$ 225,797</u>	 <u>\$ 1,108,857</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, 2015

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

Fund balances - total governmental funds		\$	458,863
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds			
Capital assets	\$	1,386,571	
Accumulated depreciation		<u>(1,066,247)</u>	320,324
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds			
Deferred outflows of resources related to employer contribution subsequent to the measurement date		53,525	
Deferred inflows of resources related to actuarial experience		(229)	
Deferred inflows of resources related to investment experience		<u>(132,456)</u>	(79,160)
Certain liabilities, including accrued compensated absences, bonds payable, lease purchase notes and net pension liability, 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		(1,093,104)	
Net pension liability		(338,567)	
Compensated absences		<u>(22,939)</u>	<u>(1,454,610)</u>
Net position of governmental activities in the Statement of Net Position			<u>\$ (754,583)</u>

See notes to financial statements

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, 2015

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues:			
Ad valorem taxes	\$ 328,065	\$ 17,578	\$ 345,643
Assessments	497,480	39,666	537,146
Big Mesa and NM Parks water	4,140	-	4,140
Water sales / special contracts	6,454	-	6,454
Interest	7,232	628	7,860
Big Mesa - administration	1,036	-	1,036
Surplus equipment	26,976	-	26,976
Custom work	16,576	-	16,576
Miscellaneous	559	-	559
	<u>888,518</u>	<u>57,872</u>	<u>946,390</u>
Total revenues			
Expenditures:			
Current:			
General	13,607	-	13,607
Irrigation water distribution	1,017,550	-	1,017,550
Debt service:			
Annual contract principal payment	-	24,720	24,720
Annual contract interest payment	-	33,535	33,535
	<u>1,031,157</u>	<u>58,255</u>	<u>1,089,412</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	(142,639)	(383)	(143,022)
Other financing sources (uses):			
Operating transfers in (out)	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)			
Net change in fund balances	(142,639)	(383)	(143,022)
Fund balance, beginning of year	553,822	13,345	567,167
Prior period adjustment	32,215	2,503	34,718
	<u>586,037</u>	<u>15,848</u>	<u>601,885</u>
Fund balance, beginning of year, restated			
Fund balance, end of year	<u>\$ 443,398</u>	<u>\$ 15,465</u>	<u>\$ 458,863</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, 2015

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

Net change in fund balance - total governmental funds	\$	(143,022)
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Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays for the period.

Current year capital expenditures capitalized	\$	48,981	
Depreciation expense		(82,770)	
Gain (loss) sale of capital assets		<u>(1,993)</u>	(35,782)

The issuance of long-term debt (e.g., notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Note payable principal	24,720
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Expenditures in the statement of activities that do not provide current financial resources are not reported as expenditures in the funds.

Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Pension expense	(14,125)	
Compensated absences	<u>2,979</u>	<u>(11,146)</u>

Change in net position of governmental activities	\$	<u>(165,230)</u>
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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, 2015

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Ad valorem taxes	\$ 336,350	\$ 336,350	\$ 361,363	\$ 25,013
Assessments	497,500	497,500	470,676	(26,824)
Big Mesa and NM Parks water	6,000	6,000	4,140	(1,860)
Water delivery	220,000	220,000	-	(220,000)
Water sales / special contracts	-	-	167,722	167,722
Interest	5,000	5,000	7,233	2,233
Big Mesa - administration	-	-	1,036	1,036
Legislative capital outlay	100,000	100,000	-	(100,000)
Federal grant	200,000	200,000	-	(200,000)
Insurance recoveries	19,150	19,150	26,976	7,826
Custom work	50,000	50,000	16,576	(33,424)
Miscellaneous	60,000	60,000	560	(59,440)
Total revenues	1,494,000	1,494,000	1,056,282	(437,718)
Expenditures:				
Current:				
General account:				
Office supplies	6,500	6,500	6,260	240
Office equipment repairs	1,800	1,800	1,120	680
Election costs	1,000	1,000	1,235	(235)
Board of directors fee	2,400	2,400	2,400	-
Surety bond	900	900	653	247
Dues and subscriptions	3,400	3,400	1,941	1,459
Irrigation water distribution:				
Salaries	450,000	450,000	453,392	(3,392)
Professional services/staff development	55,000	55,000	26,240	28,760
Unemployment insurance	23,000	23,000	1,074	21,926
Shop supplies	18,000	18,000	17,456	544
Building repairs	30,000	30,000	19,006	10,994
Vehicle operation/maintenance	88,000	88,000	52,592	35,408
Irrigation operation/maintenance	40,000	40,000	38,959	1,041
Heavy equipment operations/maintenance	121,000	121,000	61,921	59,079
Strategic plan	15,000	15,000	-	15,000
Utilities	60,000	60,000	44,991	15,009
PERA - AHCD portion	43,000	43,000	35,948	7,052
FICA - AHCD portion	35,000	35,000	33,933	1,067
Health insurance - AHCD portion	57,500	57,500	40,993	16,507
Liability/auto/property insurance	60,000	60,000	59,930	70
Workmen's compensation insurance	20,000	20,000	15,983	4,017
Custom work	5,000	5,000	-	5,000
Safety equipment	6,000	6,000	3,333	2,667
Chemical control	20,000	20,000	17,863	2,137
Miscellaneous	500	500	-	500
Water sales accruing US	6,000	6,000	4,290	1,710

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, 2015

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Expenditures continued:				
Full cost water due BOR	20,000	20,000	7,826	12,174
BOR inspections / compliance costs	5,000	5,000	-	5,000
Governmental grants	200,000	200,000	-	200,000
Capital outlay < \$5,000	100,000	100,000	7,500	92,500
Capital outlay >\$5,000	-	-	48,981	(48,981)
Total expenditures	<u>1,494,000</u>	<u>1,494,000</u>	<u>1,005,820</u>	<u>488,180</u>
Excess (deficiency) revenues over expenditures	-	-	50,462	50,462
Other financing sources (uses):				
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	50,462	50,462
Cash balance, beginning	<u>-</u>	<u>-</u>	<u>662,696</u>	<u>662,696</u>
Cash balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 713,158</u>	<u>\$ 713,158</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 50,462	
Adjustment to revenues for accruals and other deferrals			(167,764)	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(25,337)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (142,639)</u>	

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, 2015

	<u>Totals</u>
<u>ASSETS</u>	
Cash	\$ 110,775
Interstate Stream Commission - loans receivable	<u>63,105</u>
Total assets	<u>\$ 173,880</u>
 <u>NET POSITION</u>	
Net Position	<u>\$ 173,880</u>
Total net position	<u>\$ 173,880</u>

See notes to financial statements

Statement of Changes in Fiduciary Net Position
Private Purpose Trust
For the year ended December 31, 2015

	<u>Totals</u>
ADDITIONS	
Interest income	<u>\$ 3,177</u>
Total additions	3,177
DEDUCTIONS	
Miscellaneous expense	<u>-</u>
Total deductions	<u>-</u>
Change in net position	3,177
Net Positions - beginning of the year	<u>170,703</u>
Net Position - end of the year	<u><u>\$ 173,880</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.

During the year ended

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

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

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

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

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

A. Financial Reporting Entity

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

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No.'s 14 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* and Statement No. 65, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position*.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Water assessment taxes are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual

accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, subject to the availability criterion. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, subject to the availability criterion. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

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

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

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

The District reports the following governmental funds:

General Fund

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

Debt Service Fund

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

Fiduciary Funds

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

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

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

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

Equipment	8 to 25 years
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Accrued Expenses: Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through December 31, 2015.

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.

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

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

In addition, the District has two types of items present on the Statement of Net Position which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the items, changes in proportion and differences between District contributions and proportionate share of contributions, \$229 and net difference between projected and actual earnings, \$132,456 are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

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

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

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

The amount of paid vacation time employees receives 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.

Pensions

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

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

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

Budgets for the General and Debt Service funds are adopted on a basis inconsistent with generally accepted accounting principles (GAAP). The budgets are prepared using the cash basis of accounting. Budgetary comparisons for the various funds in this report are on the non-GAAP budgetary basis.

The District follows the following procedures in establishing data reflected in the financial statements:

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

The original budget, approved by the District's Board and the Local Government Division, may be subsequently amended if approved by the District's Board and the Local Government Division. Actual expenditures for each budget may not legally exceed the appropriations in total, including budgeted beginning cash balances. The District's budget for the fiscal year ended December 31, 2015, 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, 2015.

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

The collateral pledged is listed on page 48-49 of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing negotiable order of withdrawal (NOW) accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy regarding custodial credit risk is to comply with its Resolution and with Section 6-10-17,

NMSA (1978 Comp). As of December 31, 2015, 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, 2015 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, 2015 are as follows:

	General	Debt Service	Total
Receivables:			
Assessments	\$ 67,473	\$ 5,718	\$ 73,191
Allowance for uncollectible	(1,455)	(32)	(1,487)
Total assessments	66,018	5,686	71,704
Ad Valorem tax	94,396	4,980	99,376
Other receivable	150	-	150
Total receivables	<u>\$ 160,564</u>	<u>\$ 10,666</u>	<u>\$ 171,230</u>

NOTE 5. Capital Assets

A summary of capital assets and changes occurring during the year ended December 31, 2015.

	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	1,346,811	48,981	(44,225)	1,351,567
Total capital assets at historical cost	<u>1,381,815</u>	<u>48,981</u>	<u>(44,225)</u>	<u>1,386,571</u>
Less accumulated depreciation				
Equipment	(1,025,709)	(82,770)	42,232	(1,066,247)
Capital assets, net	<u>\$ 356,106</u>	<u>\$ (33,789)</u>	<u>\$ (1,993)</u>	<u>\$ 320,324</u>

Capital assets net of accumulated depreciation, at December 31, 2015 appears in the Statement of Net Position. Depreciation expense was unallocated.

Note 6. Assessments and Ad Valorem Taxes

Assessments

Lands within the Conservancy District boundaries are statutorily classified into 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 2015 was \$13.00 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 are provided by statute. The Conservancy Board of Directors, subject to the approval of the Secretary of the Interior and confirmation by the Conservancy Court, adopts a resolution establishing the apportionment between the classes "A" and "B" lands. The apportionment may be modified in a like manner, but not more often than once every five years.

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

Ad Valorem Taxes

Ad valorem taxes are levied on all Class "B" lands within the District and attach as an enforceable lien as of January 1; however, the taxes may be paid in two installments (1/2 of total each) prior to December 10 and May 10 of the following year. For 2015, the levy amounted to 5.268 mils. These taxes are collected by the County Treasurer and remitted to the district.

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

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

The balances in these three accounts are as follows:

	General	Debt Service	Total
Advance collection of assessments	\$ 5,608	\$ 412	\$ 6,020
Advance collection ad valorem tax	115,459	6,077	121,536
Advance collection of water	139,348	-	139,348
Total	<u>\$ 260,415</u>	<u>\$ 6,489</u>	<u>\$ 266,904</u>

Note 8. Incremental Land Value Credits

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

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

NOTE 9. Long-term Debt

During the year ended December 31, 2015, 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	\$ 1,117,824	\$ -	\$ (24,720)	\$ 1,093,104
Compensated absences payable	25,918	22,467	(25,446)	22,939
Total	<u>\$ 1,143,742</u>	<u>\$ 22,467</u>	<u>\$ (50,166)</u>	<u>\$ 1,116,043</u>

	Due Within One Year	Amounts Considered Long-Term
Construction obligation	\$ 25,462	\$ 1,067,642
Compensated absences payable	22,939	-
Total	<u>\$ 48,401</u>	<u>\$ 1,067,642</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 2015 which was paid in 2015 was \$58,255. Of the \$58,225, \$24,720 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
2016	25,462	32,793	58,255
2017	26,226	32,029	58,255
2018	27,013	31,242	58,255
2019	27,823	30,432	58,255
2020	28,658	29,597	58,255
Subtotal	<u>135,182</u>	<u>156,093</u>	<u>291,275</u>
2021-2025	156,712	134,563	291,275
2026-2030	181,672	109,603	291,275
2031-2035	210,607	80,668	291,275
2036-2040	244,151	47,124	291,275
2041-2043	<u>164,780</u>	<u>9,985</u>	<u>174,765</u>
Total	<u>\$ 1,093,104</u>	<u>\$ 538,036</u>	<u>\$ 1,631,140</u>

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

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

NOTE 11. Public Employees Retirement Association (PERA) Plan

General Information about the Pension Plan

Plan description. The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees

Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

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

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at: http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Contributions. The contribution requirements of defined benefit plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf. The PERA coverage options that apply to the District is the: Municipal General Division. Statutorily required contributions to the pension plan from the District were \$53,525 and there was no employer paid member benefits that were "picked up" by the employer for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The District's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General, at June 30, 2015, the District reported a liability of \$338,567 for its proportionate share of the net pension liability. At June 30, 2014, the District's proportion was 0.0434 percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the District recognized PERA Fund Division Municipal General pension expense of \$14,125. At June 30, 2015, the District reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

STATE OF NEW MEXICO
ARCH HURLEY CONSERVANCY DISTRICT
Notes to the Financial Statements
As of December 31, 2015

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 229
Change in assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	132,456
Change in proportion and difference between District contribution and proportionate share of contributions	-	-
District's contribution subsequent to the measurement date	53,525	-
Totals	<u>\$ 53,525</u>	<u>\$ 132,685</u>

\$53,525 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,		
2016	\$	33,171
2017		33,171
2018		33,171
2019		33,171
2020		1
Thereafter		-

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Lever percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.75% annual rate, net of investment expense
Payroll growth	3.50% annual rate
Projected salary increase	3.50% to 14.25% annual rate
Includes inflation at	3.00% annual rate

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

STATE OF NEW MEXICO
 ARCH HURLEY CONSERVANCY DISTRICT
 Notes to the Financial Statements
 As of December 31, 2015

All Funds - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.10%	5.00%
International Equity	24.80%	5.20%
Private Equity	7.00%	8.20%
Core and Global Fixed Income	26.10%	1.85%
Fixed Income Plus Sectors	5.00%	4.80%
Real Estate	5.00%	5.30%
Absolute Return	7.00%	5.70%
Total	4.00%	4.15%
	100.00%	

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

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

PERA Fund Division Municipal General

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Proportionate share of the net pension liability	\$ 638,274	\$ 338,567	\$ 107,028

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at: <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan.

As of June 30, 2015 the District had no outstanding payable to PERA.

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 \$99,376 at December 31, 2015 was recorded by the District based on the applicable assessed valuation, the related mill levy rates and other information provided.

NOTE 14. Agreement with Interstate Stream Commission

Pursuant to an agreement with the Interstate Stream Commission, the District has agreed to act as a conduit for loans to individuals for the specific purposes of improving water distribution and promoting water conservation. The terms of the loan to the District provide for repayment over a period of 20 years at an interest rate of 2½%. The District loans these funds in

turn to property owners at available rates of between 3% and 4%. The agreement permits the District to charge the funds for reasonable and documented administrative costs. This activity is reported in the Private Purpose Trust Fund.

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, 2015 the liability was paid off.

NOTE 15. Contingencies

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

NOTE 16. Concentrations

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

Note 17. Related Party Transactions

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

NOTE 18. Subsequent Pronouncements

In February 2015, GASB Statement No. 72 Fair Value Measurement and Application, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 73 Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. The District is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The District is still evaluating how this pronouncement will affect the financial statements

In June 2015, GASB Statement No. 76: The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements

In August 2015, GASB Statement No. 77 Tax Abatement Disclosures, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

NOTE 19. Subsequent Events Review

Arch Hurley Conservancy District has evaluated subsequent events through May 31, 2016, 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, 2016
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 increase the fund balance of the General Fund in the amount of \$32,215 and Debt Service Fund in the amount of \$2,503. The county provided the Districted corrected information on the amount of ad valorem taxes collected that applied to the year beginning January 1, 2015. An adjustment was also made to the beginning net position for the implementation of GASB 68.

Beginning Net Position	\$	(220,469)
Adjust ad valorem tax to amount received		34,718
GASB 68		
Net pension liability		<u>(403,612)</u>
Beginning Net Position, Restated	\$	<u><u>(589,363)</u></u>

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, 2015

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 17,700	\$ 17,700	\$ 19,745	\$ 2,045
Assessments	39,000	39,000	36,596	(2,404)
Interest income	750	750	628	(122)
Miscellaneous income	2,550	2,550	-	(2,550)
Total revenues	<u>60,000</u>	<u>60,000</u>	<u>56,969</u>	<u>(3,031)</u>
Expenditures:				
Current:				
Annual contract principal payment	25,000	25,000	24,720	280
Annual contract interest payment	35,000	35,000	33,535	1,465
Total expenditures	<u>60,000</u>	<u>60,000</u>	<u>58,255</u>	<u>1,745</u>
Excess (deficiency) revenues over expenditures	-	-	(1,286)	(1,286)
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	(1,286)	1,286
Cash balance, beginning	-	-	216,417	216,417
Cash balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 215,131</u>	<u>\$ 215,131</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (1,286)	
Adjustment to revenues for accruals and other deferrals			903	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			<u>\$ (383)</u>	

See notes to financial statements

Required Supplementary Information

STATE OF NEW MEXICO
 ARCH HURLEY CONSERVANCY DISTRICT
 Schedule of Proportionate Share of the Net Pension Liability
 Public Employee Retirement Association (PERA) Pension Plan
 Last 10 Fiscal Years*

Schedule A-1

Municipal General Division	<u>2015</u>
The District's proportion of the net pension liability (asset)	0.04340%
The District's proportionate share of the net pension liability (asset)	\$ 338,567
The District's covered-employee payroll	\$ 365,836
The District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	92.55%
Plan fiduciary net position as a percentage of the total pension liability	81.29%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The District will present information for those years for which information is available.

See notes to required supplementary information

STATE OF NEW MEXICO
 ARCH HURLEY CONSERVANCY DISTRICT
 Schedule of Contributions
 Last 10 Fiscal Years*

Schedule A-2

	<u>2015</u>
Municipal General Division	
Contractually required contribution	\$ 53,525
Contributions in relation to the contractually required contribution	<u>53,525</u>
Contribution deficiency (excess)	<u>\$ -</u>
The District's covered-employee payroll	\$ 377,301
Contributions as a percentage of covered-employee payroll	14.19%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The District will present information for those years for which information is available.

See notes to required supplementary information

Changes of benefit terms.

The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2014 report is available at http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf.

The summary of Key Findings for the PERA Fund (on page 2 of the report) states "based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

STATE OF NEW MEXICO
ARCH HURLEY CONSERVANCY DISTRICT

Combining Balance Sheet - General Fund
December 31, 2015

	General	Operations & Maintenance	Totals
<u>ASSETS</u>			
Cash (includes cash on hand of \$200 in operations and maintenance fund)	\$ 36,354	\$ 201,804	\$ 238,158
Investments	-	475,000	475,000
Receivable, (net of allowances for uncollectible)			
Assessments	1,606	64,412	66,018
Due from County Treasurer- ad valorem taxes	995	93,401	94,396
Other	-	150	150
Inventory	-	9,338	9,338
 Total assets	 <u>\$ 38,955</u>	 <u>\$ 844,105</u>	 <u>\$ 883,060</u>
<u>LIABILITIES</u>			
Payroll tax payable	\$ -	\$ 3,501	\$ 3,501
Accrued wages payable	-	21,285	21,285
Accounts payable	-	11,986	11,986
Security / uniform deposits	-	5,700	5,700
Water credit prior years refundable	2	44,791	44,793
Advance collections other	-	10	10
Employee flower fund	-	731	731
 Total liabilities	 <u>2</u>	 <u>88,004</u>	 <u>88,006</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenues - advance collections	1,215	259,200	260,415
Deferred income - ad valorem taxes	960	90,281	91,241
 Total deferred inflow of resources	 <u>2,175</u>	 <u>349,481</u>	 <u>351,656</u>
<u>FUND BALANCE</u>			
Nonspendable			
Inventory	-	9,338	9,338
Restricted for			
General	-	19,150	19,150
Debt service	-	-	-
Unassigned for			
General	36,778	378,132	414,910
 Total fund balance	 <u>36,778</u>	 <u>406,620</u>	 <u>443,398</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$ 38,955</u>	 <u>\$ 844,105</u>	 <u>\$ 883,060</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, 2015

	General	Operations & Maintenance	Totals
Revenues:			
Ad valorem taxes	\$ 3,594	\$ 324,471	\$ 328,065
Assessments	11,156	486,324	497,480
Big Mesa and NM Parks water	-	4,140	4,140
Water sales / special contracts	-	6,454	6,454
Interest	59	7,173	7,232
Big Mesa - administration	-	1,036	1,036
Surplus equipment	-	26,976	26,976
Custom work	-	16,576	16,576
Miscellaneous	-	559	559
	<u>14,809</u>	<u>873,709</u>	<u>888,518</u>
Total revenues			
Expenditures:			
Current:			
Salaries	-	457,888	457,888
Professional services/staff development	-	26,440	26,440
Unemployment insurance	-	2,310	2,310
Office supplies	6,260	-	6,260
Shop supplies	-	16,832	16,832
Building repairs	-	18,187	18,187
Office equipment repairs	1,119	-	1,119
Vehicle operation/maintenance	-	58,110	58,110
Irrigation operation/maintenance	-	38,798	38,798
Heavy equipment operations/maintenance	-	64,436	64,436
Election costs	1,235	-	1,235
Utilities	-	46,366	46,366
PERA - AHCD portion	-	35,948	35,948
FICA - AHCD portion	-	33,933	33,933
Health insurance - AHCD portion	-	52,757	52,757
Liability/auto/property insurance	-	59,930	59,930
Board of director fee	2,400	-	2,400
Worker's compensation insurance	-	14,842	14,842
Surety bond	653	-	653
Custom work	-	-	-
Safety equipment	-	3,585	3,585
Dues and subscriptions	1,940	-	1,940
Chemical control	-	17,863	17,863
Miscellaneous	-	728	728
Water sales accruing US	-	4,290	4,290
Full cost water due BOR	-	7,826	7,826
Capital outlay < \$5,000	-	7,500	7,500
Capital outlay > \$5,000	-	48,981	48,981
	<u>13,607</u>	<u>1,017,550</u>	<u>1,031,157</u>
Total expenditures			
Excess (deficiency) of revenue over expenditures	1,202	(143,841)	(142,639)

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, 2015

	<u>General</u>	<u>Operations & Maintenance</u>	<u>Totals</u>
Other financing sources (uses):			
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,202	(143,841)	(142,639)
Fund balance beginning of year	34,378	519,444	553,822
Prior period adjustment	<u>1,198</u>	<u>31,017</u>	<u>32,215</u>
Fund balance beginning of year, restated	<u>35,576</u>	<u>550,461</u>	<u>586,037</u>
Fund balance, end of year	<u>\$ 36,778</u>	<u>\$ 406,620</u>	<u>\$ 443,398</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, 2015

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 4,800	\$ 4,800	\$ 3,945	\$ (855)
Assessments	11,200	11,200	10,439	(761)
Interest	-	-	59	59
Miscellaneous	-	-	-	-
Total revenue	<u>16,000</u>	<u>16,000</u>	<u>14,443</u>	<u>(1,557)</u>
Expenditures:				
Current:				
Office supplies	6,500	6,500	6,260	240
Office equipment repairs	1,800	1,800	1,120	680
Election costs	1,000	1,000	1,235	(235)
Board of directors fee	2,400	2,400	2,400	-
Surety bond	900	900	653	247
Dues and subscriptions	3,400	3,400	1,941	1,459
Total expenditures	<u>16,000</u>	<u>16,000</u>	<u>13,609</u>	<u>2,391</u>
Excess (deficiency) revenues over expenditures	-	-	834	834
Cash balance, beginning of year	-	-	35,520	35,520
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,354</u>	<u>\$ 36,354</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 834	
Adjustment to revenues for accruals and other deferrals			366	
Adjustment to expenditures for payables, prepaids and other accruals			<u>2</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 1,202</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, 2015

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 331,550	\$ 331,550	\$ 357,418	\$ 25,868
Assessments	486,300	486,300	460,237	(26,063)
Big Mesa and NM Parks water	6,000	6,000	4,140	(1,860)
Water delivery	220,000	220,000	-	(220,000)
Water sales / special contracts	-	-	167,722	167,722
Interest	5,000	5,000	7,174	2,174
Big Mesa - administration	-	-	1,036	1,036
Reclassification fees	-	-	-	-
Legislative capital outlay	100,000	100,000	-	(100,000)
Federal grant	200,000	200,000	-	(200,000)
Surplus equipment	19,150	19,150	26,976	7,826
Custom work	50,000	50,000	16,576	(33,424)
Miscellaneous	60,000	60,000	560	(59,440)
Total revenues	1,478,000	1,478,000	1,041,839	(436,161)
Expenditures:				
Current:				
Irrigation water distribution:				
Salaries	450,000	450,000	453,392	(3,392)
Professional services/staff development	55,000	55,000	26,240	28,760
Unemployment insurance	23,000	23,000	1,074	21,926
Shop supplies	18,000	18,000	17,456	544
Building repairs	30,000	30,000	19,006	10,994
Vehicle operation/maintenance	88,000	88,000	52,592	35,408
Irrigation operation/maintenance	40,000	40,000	38,959	1,041
Heavy equipment operations/maintenance	121,000	121,000	61,921	59,079
Strategic plan	15,000	15,000	-	15,000
Utilities	60,000	60,000	44,991	15,009
PERA - AHCD portion	43,000	43,000	35,948	7,052
FICA - AHCD portion	35,000	35,000	33,933	1,067
Health insurance - AHCD portion	57,500	57,500	40,993	16,507
Liability/auto/property insurance	60,000	60,000	59,930	70
Workmen's compensation insurance	20,000	20,000	15,983	4,017
Custom work	5,000	5,000	-	5,000
Safety equipment and expenditures	6,000	6,000	3,333	2,667
Chemical control	20,000	20,000	17,863	2,137
Miscellaneous expenditures	500	500	-	500
Water sales accruing US	6,000	6,000	4,290	1,710
Full cost water due BOR	20,000	20,000	7,826	12,174
BOR inspections/compliance costs	5,000	5,000	-	5,000

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, 2015

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Expenditures (continued):				
Governmental grants	200,000	200,000	-	200,000
Capital outlay < \$5,000	100,000	100,000	7,500	92,500
Capital outlay >\$5,000	-	-	48,981	(48,981)
Total expenditures	<u>1,478,000</u>	<u>1,478,000</u>	<u>992,211</u>	<u>485,789</u>
Excess (deficiency) revenues over (under) expenditures	-	-	49,628	49,628
Other financing sources (uses):				
Operating transfers	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	49,628	49,628
Cash balance, beginning of year	-	-	627,176	627,176
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 676,804</u>	<u>\$ 676,804</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 49,628	
Adjustment to revenues for accruals and other deferrals			(168,130)	
Adjustment to expenditures for payables, prepaids and other accruals			(25,339)	
Net change in fund balance (GAAP Basis)			<u>\$ (143,841)</u>	

See notes for financial statements

Other Supplemental Information

Bank Reconciliation - All Accounts
 For the Year Ended December 31, 2015

	<u>Beginning Cash</u>	<u>Receipts</u>	<u>Distributions</u>	<u>Net Cash at Year End</u>
Arch Hurley Conservancy District				
General	\$ 35,520	\$ 14,443	\$ (13,609)	\$ 36,354
Operations and Maintenance	627,176	1,041,839	(992,211)	676,804
Debt Service	<u>216,417</u>	<u>56,969</u>	<u>(58,255)</u>	<u>215,131</u>
Total governmental funds	879,113	1,113,251	(1,064,075)	928,289
Private Purpose Trust	<u>91,998</u>	<u>18,777</u>	<u>-</u>	<u>110,775</u>
Total Arch Hurley Conservancy District	<u>\$ 971,111</u>	<u>\$ 1,132,028</u>	<u>\$ (1,064,075)</u>	<u>\$ 1,039,064</u>

<u>Account Name</u>	<u>Account Type</u>	<u>Bank Name</u>	<u>Bank Amount</u>
Arch Hurley Conservancy District			
General/o and m/debt service	Checking	First National Bank of New Mexico	\$ 260,400
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	50,000
Debt Service	C D	Citizens Bank	<u>145,000</u>
Total governmental funds bank balances			930,400
Private Purpose Trust	Checking	First National Bank of New Mexico	<u>110,775</u>
Total bank balances			<u>\$ 1,041,175</u>
Total bank balances			\$ 1,041,175
Reconciling items - outstanding deposits			-
Reconciling items - outstanding checks			<u>(2,311)</u>
Subtotal bank balance and reconciling items			<u>1,038,864</u>
Petty cash in operations and maintenance			<u>200</u>
Total cash			1,039,064
Less private purpose trust			<u>(110,775)</u>
Cash - Statement of Net Position			<u>\$ 928,289</u>

STATE OF NEW MEXICO
 ARCH HURLEY CONSERVANCY DISTRICT

Schedule of Depository Collateral
 December 31, 2015

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, 2015				
Demand deposits				
Arch Hurley Conservancy District - General	\$ 260,400	\$ -	\$ -	\$ -
Arch Hurley Conservancy District - Interstate Stream Commission	110,775	-	-	-
Time deposits				
Arch Hurley Conservancy District	-	225,000	100,000	200,000
Total deposited	371,175	225,000	100,000	200,000
Less FDIC and NCUA coverage	(250,000)	(225,000)	(100,000)	(200,000)
Total uninsured public funds	121,175	-	-	-
100 Percent collateral requirement	121,175	-	-	-
Pledged securities:				
Vining Sparks - listed below	532,610	-	-	-
Over (under)	\$ 411,435	\$ -	\$ -	\$ -

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

Roswell New Mexico Independent School District, CUSIO 778550JA2 maturity date 08/01/2017, market value \$102,812, held by FHLB.

Southern Sandoval New Mexico Flood Ctl, CUSIP 843789EG9, maturity date 08/01/2020, market value \$216,675, held at FHLB.

Dulce New Mexico School District Number 21, CUSIP 264430HJ1, maturity date 03/01/2018, market value \$213,123, held at FHLB.

<u>Citizens Bank Tucumcari, NM Time Deposits</u>	<u>Totals</u>
\$ -	\$ 260,400
-	110,775
<u>145,000</u>	<u>670,000</u>
145,000	1,041,175
<u>(145,000)</u>	<u>(920,000)</u>
<u>-</u>	<u>121,175</u>
<u>-</u>	<u>121,175</u>
<u>-</u>	<u>532,610</u>
<u><u>\$ -</u></u>	<u><u>\$ 411,435</u></u>

Description: Quay County New Mexico Cooperative Weed Management Area

Purpose: To control weeds in Quay County

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

Participants:

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

Beginning date of agreement: 7/14/2009

Ending date: Ongoing

Total estimated cost of project: Unknown at this time

Amount District contributed in current year: -0-

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

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

Compliance Section

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. Timothy M. Keller
State Auditor of the State of New Mexico
Board Members of Arch Hurley Conservancy District

Mr. Keller and Members of the Board

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Arch Hurley Conservancy District (the District) as of and for the year ended December 31, 2015, and related notes to the financial statements, which collectively comprise the District's basic financial statements, and the budgetary comparison of the District presented as supplementary information, and have issued my report thereon dated May 31, 2016.

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.

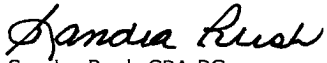
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Sandra Rush CPA PC
Clovis, New Mexico
May 31, 2016

STATE OF NEW MEXICO
ARCH HURLEY CONSERVANCY DISTRICT
Schedule of Findings and Responses
For The Year Ended December 31, 2015

Prior Year Findings

2013-01	PERA Pension Plan - Significant Deficiency	Resolved
2014-01	Internal Revenue Service Form 1099-MISC	Resolved

Current Year Findings

None

Financial Statement Preparation

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

Exit Conference

An exit conference was held on May 31, 2016 to discuss the financial report. Attending were U.V. Henson secretary treasurer, Franklin McCasland, district manager, Donna Lafferty, office manager and Tina Garcia, payroll clerk, Michelle Jaynes staff, and auditor Sandra Rush, CPA.

