

**State of New Mexico
Arch Hurley Conservancy District
Audited Financial Statement
December 31, 2016**

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

State of New Mexico
Arch Hurley Conservancy District
Official Roster

Board of Directors:

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

ADMINISTRATION

Franklin McCasland	District Manager
Donna Lafferty	Office Manager

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Arch Hurley Conservancy District
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Arch Hurley Conservancy District
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Financial Section

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of Arch Hurley Conservancy District (the District), as of and for the year ended December 31, 2016, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the financial statements of the District's fiduciary fund and the budgetary comparisons for the major debt service fund, presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended December 31, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the fiduciary fund of the District as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparisons for the major debt service fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that Schedule of the Proportionate Share of Net Pension Liability on Page 33 and the Schedule of Contributions on page 34 and the notes to the Required Supplementary Information on pages 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during my audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Supporting Schedule of Deposits and Security Requirements and Schedule of Memorandum of Understanding on pages 42 and 43 required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements and are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supporting Schedule of Deposits and Security Requirements and Schedule of Memorandum of Understanding on page 42 and 43, required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Vendor Information on page 44 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dan Austin CPA PC
Ruidoso, New Mexico
May 25, 2017

Basic Financial Statements

State of New Mexico
Arch Hurley Conservancy District
Statement of Net Position
December 31, 2016

	Governmental Activities
ASSETS	
Current Assets	
Cash and Equivalents	\$ 356,944
Investments	720,000
Receivables-Assessments	71,264
Receivables-Advolorem Tax	107,756
Inventories	14,289
Total Current Assets	<u>1,270,253</u>
Noncurrent Assets	
Net Capital Assets	<u>327,906</u>
Total Noncurrent Assets	<u>327,906</u>
Deferred Outflows of Resources	
Post Measurement Date Contributions - Employer	58,582
Changes in Proportionate of Pension Contributions	<u>12,509</u>
Total Deferred Outflows of Resources	<u>71,091</u>
Total Assets and Deferred Outflows	<u>\$ 1,669,250</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 12,975
Payroll Tax Payable	5,592
Accrued Wages payable	9,384
Water Credit Prior Years Refundable	9,715
Advanced Collections - Other	-
Deposits - Security and Uniforms	4,300
Employee Flower Payable	482
Accrued Compensated Absences	16,424
Note Payable - Current Portion	<u>26,226</u>
Total Current Liabilities	<u>85,098</u>
Noncurrent Liabilities	
Incremental land value credits	198,509
Note Payable - Due more than one year	1,036,880
Net Pension Payable	<u>463,912</u>
Total Noncurrent Liabilities	<u>1,699,301</u>
Total Liabilities	<u>1,784,399</u>
Deferred Inflows of Resources	
Unavailable Revenues - Advance Collections	103,212
Deferred Inflows-Property Taxes	101,767
Difference Between Expected and Actual earnings-Pensions	1,468
Change in Assumptions-Net Pension Liability	181
Net Difference between projected and actual investments-Pensions	<u>10,276</u>
Total Deferred Inflows	<u>216,904</u>
Net Position	
Net Investment in Capital Assets	327,906
Restricted For:	
Debt Service	12,516
Unrestricted	<u>(672,475)</u>
Total Net Position	<u>(332,053)</u>
Total Liabilities, Net Position and Deferred Inflows	<u>\$ 1,669,250</u>

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

State of New Mexico
 Arch Hurley Conservancy District
 Statement of Activities
 For The Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues		Revenue And	
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Changes In Net Position
				Governmental Activities	
Primary Government:					
Governmental Activities:					
General Government	\$ 13,305	\$ -	\$ -	\$ -	\$ (13,305)
Operational Expenses	997,346	502,530	-	50,000	(444,816)
Debt Service Interest	32,793	-	-	-	(32,793)
Depreciation	48,581	-	-	-	(48,581)
Total Governmental Activities	<u>1,092,025</u>	<u>502,530</u>	<u>-</u>	<u>50,000</u>	<u>(539,495)</u>
General Revenues:					
Property Taxes, Levied for General Purposes					372,312
Land Assessments					578,465
Interest					<u>11,248</u>
Total General Revenues					<u>962,025</u>
Change In Net Position					422,530
Net Position - Beginning					<u>(754,583)</u>
Net Position - Ending					<u>\$ (332,053)</u>

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

State of New Mexico
Arch Hurley Conservancy District
Balance Sheet - Government Funds
December 31, 2016

	General Fund	Debt Service Funds	Totals Governmental Funds
Assets			
Cash	\$ 340,841	\$ 16,103	\$ 356,944
Investments	525,000	195,000	720,000
Receivable-Assessments	66,451	4,813	71,264
Receivable-Ad Valorem	102,334	5,422	107,756
Inventory	14,289	-	14,289
Total Assets	\$ 1,048,915	\$ 221,338	\$ 1,270,253
Liabilities			
Accounts Payable	\$ 12,975	\$ -	\$ 12,975
Payroll Tax Payable	5,592	-	5,592
Accrued Wages payable	9,384	-	9,384
Water Credit Prior Years Refundable	9,715	-	9,715
Distributed Incremental Land Value Credits	-	198,509	198,509
Deposits - Security and Uniforms	4,300	-	4,300
Employee Flower Payable	482	-	482
Total Liabilities	42,448	198,509	240,957
Deferred Inflows of Resources			
Deferred Inflows - Ad Valorem Tax	101,767	-	101,767
Unavailable Revenues - Advanced Collections	92,899	10,313	103,212
Total Deferred Inflows of Resources	194,666	10,313	204,979
Fund Balances			
Nonspendable			
Inventory	14,289	-	14,289
Restricted For:			
Debt Service	-	12,516	12,516
Unassigned For:			
General Fund	797,512	-	797,512
Total Fund Balances	811,801	12,516	824,317
Total Liabilities deferred inflows of Resources and Fund Balances	\$ 1,048,915	\$ 221,338	\$ 1,270,253

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

State of New Mexico
Arch Hurley Conservancy District
Reconciliation of Total Governmental Fund Balance
To Net Position of Governmental Activities
December 31, 2016

Total Governmental Fund Balance	\$ 824,317
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	327,906
Deferred Inflow of Post Measurement Pension Contributions on government wide statements	58,582
Deferred Inflow of Change in Proportionate Share of Pension Contributions on government wide statements	12,509
Deferred Outflows and Inflows related to Pensions:	
Change in Pension Assumptions	(181)
Change in Expected and actual investment experience	(10,276)
Change in Expected and actual investment earnings	(1,468)
Compensated absences payable not reported as liabilities on the governmental fund statements	(16,424)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Construction Obligation to United States Government	(1,063,106)
Net Pensions Payable	<u>(463,912)</u>
Net Position of Governmental Activities	<u>\$ (332,053)</u>

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

State of New Mexico
Arch Hurley Conservancy District
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For The Year Ended December 31, 2016

	General Fund	Debt Service Fund	Totals Governmental Funds
Revenues			
Property Taxes, Levied for General Purpose	\$ 353,642	\$ 18,670	\$ 372,312
Land Assessments	538,799	39,666	578,465
Big Mesa and NM Parks Water Charge	4,311	-	4,311
Water Delivery Charges	468,064	-	468,064
Interest	9,742	1,506	11,248
Big Mesa Administration	1,122	-	1,122
Grant Revenues	50,000	-	50,000
Custom Work	13,519	-	13,519
Miscellaneous	15,514	-	15,514
Total Revenues	1,454,713	59,842	1,514,555
Expenditures			
General Government	13,305	-	13,305
Irrigation Water Distribution	1,016,842	-	1,016,842
Capital Outlay	56,163	-	56,163
Debt Service-Principal	-	29,998	29,998
Debt Service-Interest	-	32,793	32,793
Total Expenditures	1,086,310	62,791	1,149,101
Excess (Deficiency) Of Revenues Over Expenditures	368,403	(2,949)	365,454
Other Financing Sources (Uses):			
Operating Transfers, Net	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	368,403	(2,949)	365,454
Beginning Fund Balance	443,398	15,465	458,863
Beginning Fund Balance as Restated	443,398	15,465	458,863
Fund Balance (Deficit) At End Of Year	\$ 811,801	\$ 12,516	\$ 824,317

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

State of New Mexico
Arch Hurley Conservancy District
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of Governmental Funds to
the Statement of Activities
December 31, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ 365,454
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense was more than capital outlays in the current period.</p>	
Depreciation Expense	(48,581)
Capital Outlay	56,163
Net change in compensated absences payable for governmental funds	6,515
Net change in pension contributions and pension expense	12,981
Principal payments on Long-term Debt reported as as expenditure in the Government Funds	<u>29,998</u>
Change in Net Position of Governmental Activities	<u>\$ 422,530</u>

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

State of New Mexico
Arch Hurley Conservancy District
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budgeted to Actual (Non-GAAP Budgetary Basis) - General Fund
For The Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
Taxes Ad Valorem	\$ 359,675	\$ 359,675	\$ 353,642	\$ (6,033)
Land Assessments	538,700	538,700	538,799	99
Big Mesa Permits	6,000	6,000	4,311	(1,689)
Full Cost Water	20,000	20,000	16,412	(3,588)
Water Delivery Charges	200,000	200,000	451,652	251,652
Legislative Capital Outlay	200,000	200,000	50,000	(150,000)
Custom Work	25,000	25,000	13,519	(11,481)
Miscellaneous	60,000	60,000	16,636	(43,364)
Interest	4,100	4,100	9,742	5,642
Grants	200,000	200,000	-	(200,000)
Transfer Reserves	(10,475)	(10,475)	-	10,475
	-	-	-	-
Total Revenue	1,603,000	1,603,000	1,454,713	\$ (148,287)
Budgeted Cash Balance	713,158	713,158		
Total Revenue And Cash	\$ 2,316,158	\$ 2,316,158		
EXPENDITURES:				
General Government:				
Office Supplies	\$ 7,500	\$ 7,500	6,563	937
Office Equipment	1,800	1,800	1,112	688
Board of Directors Fees	2,400	2,400	2,400	-
Surety Bond	900	900	969	(69)
Dues and Subscriptions	3,400	3,400	2,261	1,139
Irrigation Water Distribution:				
Salaries	490,000	490,000	507,893	(17,893)
Professional Services	55,000	55,000	36,862	18,138
Unemployment Insurance	5,000	5,000	71	4,929
Shop Supplies	18,000	18,000	14,913	3,087
Building Repairs	30,000	30,000	17,716	12,284
Vehicle Operation/Repair	95,000	95,000	60,125	34,875
Irrigation Operations/Maintenance	40,000	40,000	42,676	(2,676)
Heavy Equipment Operation/Maintenance	110,500	110,500	88,539	21,961
Strategic Plan	15,000	15,000	-	15,000
Utilities	60,000	60,000	48,097	11,903
PERA	47,000	47,000	38,301	8,699
FICA Tax	37,500	37,500	23,708	13,792
Health Insurance	57,500	57,500	39,165	18,335
Liability Insurance	60,000	60,000	59,769	231
Work Comp Insurance	20,000	20,000	16,192	3,808
Legislative Capital Outlay	200,000	200,000	56,163	143,837
Custom Work	5,000	5,000	4,426	574
Safety Equipment	6,000	6,000	4,121	1,879
Chemical Control	20,000	20,000	8,916	11,084
Compliance	500	500	-	500
Full Cost Water Due BOR	26,000	26,000	5,352	20,648
BOR Inspections	5,000	5,000	-	5,000
Capital Outlay >\$5000	200,000	200,000	-	200,000
Total Expenditures	1,619,000	1,619,000	1,086,310	532,690
OTHER FINANCING SOURCES (USES)				
Operating Transfers (Net)	-	-	-	-
Total Expenditures And Other Financing Sources	\$ 1,619,000	\$ 1,619,000	1,086,310	\$ 532,690
Total Revenues (Expenditures and Other Financing Sources and Uses)			368,403	
Reconciliation to GAAP Basis				
Changes in Receivables			-	
Changes in Accounts Payable			-	
Excess (Deficiency) of Revenues over expenditures			\$ 368,403	

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

**State of New Mexico
Arch Hurley Conservancy District
Statement of Fiduciary Assets and Liabilities
Private Purpose Trust
For The Year Ended December 31, 2016**

ASSETS

Cash	\$	128,987
Interstate Stream Commission - Loans Receivable		<u>47,505</u>
Total Assets	\$	<u><u>176,492</u></u>

Net Position

Net Position	\$	<u>176,492</u>
Total Net Position	\$	<u><u>176,492</u></u>

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

State of New Mexico
Arch Hurley Conservancy District
Schedule of Changes in Fiduciary Net Position
Private Purpose Trust
December 31, 2016

	<u>Totals</u>
Additions:	
Interest Income	<u>\$ 2,612</u>
Total Additions	2,612
Deductions:	
Miscellaneous	<u>-</u>
Total Deductions	<u>-</u>
Change in Net Position	2,612
Net Position - Beginning of Year	<u>173,880</u>
Net Position - End of Year	<u>\$ 176,492</u>

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

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, 2016.

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

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

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

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

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

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

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

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

The amount of paid vacation time employees 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.

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 non-routine 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, 2016 amounted to \$1,205,932 as noted on page 42 of this report.

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

The collateral pledged is listed on page 42 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, 2016, 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, 2016 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, 2016 are as follows:

	General	Debt Service	Total
Reivables:			
Assessments	\$ 67,906	\$ 4,845	\$ 72,751
Allowance for Uncollectible	<u>(1,455)</u>	<u>(32)</u>	<u>(1,487)</u>
Total Assessments	66,451	4,813	71,264
Ad Valorem Tax	<u>102,334</u>	<u>5,422</u>	<u>107,756</u>
Total Receivables	<u>\$ 168,785</u>	<u>\$ 10,235</u>	<u>\$ 179,020</u>

Note 5. Capital Assets

A summary of capital assets and changes occurring during the year ended December 31, 2016:

Capital Assets Not Being Depreciated			
Tucumcari Lake	\$ 15,004	\$ -	\$ 15,004
Dry Lake	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total Capital Assets Not Being Depreciated	<u>35,004</u>	<u>-</u>	<u>35,004</u>
Other Capital Assets			
Equipment	<u>1,351,567</u>	<u>56,163</u>	<u>1,407,730</u>
Total Capital Assets Being Depreciated	<u>1,351,567</u>	<u>56,163</u>	<u>1,407,730</u>
Less Accumulated Depreciaton			
Equipment	<u>(1,066,247)</u>	<u>(48,581)</u>	<u>(1,114,828)</u>
Capital Assets, Net	<u>\$ 320,324</u>	<u>\$ 7,582</u>	<u>\$ 327,906</u>

Capital assets net of accumulated depreciation, at December 31, 2016 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 2016 was \$14.00 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 2016, the levy amounted to 5.432 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	\$ 92,899	\$ 10,313	\$ 103,212
Advance Collection of Ad Valorem Tax	<u>101,767</u>	<u>-</u>	<u>101,767</u>
Total	<u>\$ 194,666</u>	<u>\$ 10,313</u>	<u>\$ 204,979</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". Credit Outstanding were \$198,508 as of December 31, 2016.

Note 9. Long-term Debt

During the year ended December 31, 2016, the following changes occurred in the liabilities reported in the government-wide statement of net position:

Long-term debt transactions are as follows:

	Balance	Additions	(Reductions)	Ending Balance
Construction Obligation	\$ 1,093,104	\$ -	\$ (29,998)	\$ 1,063,106
Compensated Absence	<u>22,939</u>	<u>16,424</u>	<u>(22,939)</u>	<u>16,424</u>
	<u>\$ 1,116,043</u>	<u>\$ 16,424</u>	<u>\$ (52,937)</u>	<u>\$ 1,079,530</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 2016 which was paid in 2016 was \$58,255. Of the \$58,225, \$29,998 was the principal payment.

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

	Principal	Interest	Total
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
2021	29,517	28,738	58,255
2022-2026	161,413	129,862	291,275
2026-2030	187,122	104,153	291,275
2032-2036	216,926	74,349	291,275
2037-2041	251,477	39,798	291,275
2042-2043	106,931	5,041	111,972
	<u>\$ 1,063,106</u>	<u>\$ 505,241</u>	<u>\$ 1,568,347</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, 2015 available at [HTTP://www.pera.org](http://www.pera.org).

Contributions. The contribution requirements of defined benefit plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY15 annual audit report at [http://osanm.org/media/audits/366 Public Employees Retirement Association 2015.pdf](http://osanm.org/media/audits/366%20Public%20Employees%20Retirement%20Association%202015.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 \$58,582

,301 and there was no employer paid member benefits that were "picked up" by the employer for the year ended June 30, 2016.

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, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

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, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 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, 2016, the District reported a liability of \$463,912 for its proportionate share of the net pension liability. At June 30, 2015, the District's proportion was 0.0434 percent, which was unchanged from its proportion measured as of June 30, 2014, due to the insignificance of the difference.

For the year ended June 30, 2016, the District recognized PERA Fund - General, pension expense of \$21,626. At June 30, 2016, the District reported PERA Fund Division - General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 10,276
Change of assumptions	-	181
Changes in Proportionionate Share of Contributions	12,509	-
Net Difference between projected and actual earnings on pension investments	-	1,468
District contributions subsequent to the measurement date	<u>58,582</u>	<u>-</u>
Total	<u>\$ 71,091</u>	<u>\$ 11,925</u>

\$58,582 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date June 30, 2015 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

2017	\$ (12,287)
2018	(12,287)
2019	(12,287)
2020	24,937
2021	-
There After	-

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 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, 2016 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
• Investment of rate of return	7.75% annual rate, net of investment expense
• Payroll growth	3.50% annual rate
• Projected benefit payment	100 Years
• Projected salary increases	3.50% to 14.25% annual rate
• Includes inflation at	3.00% annual rate

• Mortality Assumption	RP-2000 Mortality Tables (Combined table for Healthy post retirements, Employee table for active members, and disabled table of disabled retirees before retirement age) with projection to 2018 using Scale AA.
• Experience Study Dates	July 1, 2008 to June 30, 2013

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

ALL FUNDS - Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	21.1%	5.00%
International Equity	24.8	5.20
Private Equity	7.0	8.20
Core and Global Fixed Income	26.1	1.85
Fixed Income Plus Sectors	5.0	4.80
Real Estate	5.0	5.30
Real Assets	7.0	5.70
Absolute Return	4.0	4.15
Total	100.0%	

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 - General	1 % Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 789,858	\$463,912	\$192,910

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, 2016 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 \$108,423 at December 31, 2016 was recorded by the District based on the applicable assessed valuation, the related mill levy rates and other information provided.

Note 14. Agreement with Interstate Stream Commission

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

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, 2016 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 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

Note 19. Subsequent Events Review

Arch Hurley Conservancy District has evaluated subsequent events through May 25, 2017, 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:

A Name of Company	The Ohio Casualty Insurance Co. 136 No. Third Street Hamilton, Ohio 45025
B. Bond number	1-850-435
C. Expiration date:	4-15-17
D. Individual Bonded and Amount of Coverage per Employee	\$300,000
E. Coverage	Employee Dishonesty

Supplementary Information Related To

Major Governmental Funds

State of New Mexico
Arch Hurley Conservancy District
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budgeted to Actual (Non-GAAP Budgetary Basis)
Debt Service Fund
For The Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE				
Taxes-Ad Valorem	\$ 56,825	\$ 56,825	\$ 58,337	\$ (1,512)
Interest	700	700	1,508	(808)
Miscellaneous	<u>2,475</u>	<u>2,475</u>	<u>-</u>	<u>(2,475)</u>
Total Revenue	60,000	60,000	<u>59,845</u>	<u>\$ (4,795)</u>
Budgeted Cash Balance fund	<u>215,131</u>	<u>215,131</u>		
Total Revenue And Cash	<u>\$ 275,131</u>	<u>\$ 275,131</u>		
EXPENDITURES				
Debts Service - Principal	\$ 30,000	\$ 30,000	29,998	2
Debt Service - Interest	<u>34,500</u>	<u>34,500</u>	<u>32,793</u>	<u>1,707</u>
Total Expenditures	64,500	64,500	62,791	1,709
OTHER FINANCING SOURCES (USES)				
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures And Other Financing Sources	<u>\$ 64,500</u>	<u>\$ 64,500</u>	<u>62,791</u>	<u>\$ 1,709</u>
Total Revenues (Expenditures and Other Financing Sources and Uses)			(2,946)	
Reconciliation to GAAP Basis Changes in Receivables			<u>(3)</u>	
Excess (Deficiency) of Revenues over expenditures			<u>\$ (2,949)</u>	

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

Required Supplementary Information

State of New Mexico
Arch Hurley Conservancy District
 Schedule of the Proportionate Share of Net Pension Liability-General
 Pension Plan-Last 10 Fiscal Years
 December 31, 2016

	<u>2015</u>	<u>2016</u>
District portion of net pension liability (asset)	0.04340%	0.04340%
District proportionate share of the net pension liability (asset)	\$ 338,567	\$ 463,912
District covered-employee payroll	\$ 365,836	\$ 401,054
District proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	93%	116%
Plan fiduciary net position as a percentage of total pension liability	81.29%	81.29%

** The amounts presented were determined as of June 30, 2016. The Schedule is presented to illustrate the requirement to show information for 10 years. However, until all full 10 trend is compiled the Arch Hurley Conservancy District will present information for those years for information which is available.

State of New Mexico

Arch Hurley Conservancy District

Schedule of Employer Contributions-PERA Fund Division-General

PERA Pension Plan-Last 10 Fiscal Years

December 31, 2016

	<u>2015</u>	<u>2016</u>
Contractually Required Contributions	\$ 53,525	\$ 58,582
Contributions in Relation to the Contractually Required Contribution	<u>(53,525)</u>	<u>(58,582)</u>
Cotribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
District Covered-Employee Payroll	<u>\$ 377,301</u>	<u>\$ 401,054</u>
Contributions as a Percentage of Covered-Employee Payroll	14.19%	14.61%

** The amounts presented were determined as of June 30, 2016. The Schedule is presented to illustrate the requirement to show information for 10 years. However, until all full 10 years trend is compiled the District will present information for those years for information which is available.

**State of New Mexico
Arch Hurley Conservancy District
Notes to Required Supplemental Information
December 31, 2016**

Changes in benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY 15 audit available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Changes in assumptions.

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

http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2015%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 .13% to the funded ratio. For details about changes in the actuarial assumptions see Appendix B on page 60 of the report.

Supplementary Information

State of New Mexico
 Arch Hurley Conservancy District
 Combining Balance Sheet - General Fund
 December 31, 2016

	General General	Operation/ Maintenance	Totals
Assets			
Cash	\$ 28,089	\$ 312,752	\$ 340,841
Investments	-	525,000	525,000
Receivable-Assessments	-	66,451	66,451
Receivable-Ad Valorem	1,084	101,250	102,334
Inventory	-	14,289	14,289
Total Assets	\$ 29,173	\$ 1,019,742	\$ 1,048,915
Liabilities			
Accounts Payable	\$ 775	\$ 12,200	\$ 12,975
Payroll Tax Payable	-	5,592	5,592
Accrued Wages payavle	-	9,384	9,384
Water Credit Prior Years Refundable	-	9,715	9,715
Deferred Inlows - Ad Valorem Tax	1,071	100,696	101,767
Unavailable Revenue- Advanced Collections	-	92,899	92,899
Deposits - Security and Uniforms	-	4,300	4,300
Employee Flower Fund Payable	-	482	482
Total Liabilities	1,846	235,268	237,114
Fund Balances			
Nonspendable			
Inventory	-	14,289	14,289
Restricted For:			
General Fund	-	-	-
Unassigned For:			
General Fund	27,327	770,185	797,512
Total Fund Balances	27,327	784,474	811,801
Total Liabilities deferred inflows of Resources and Fund Balances	\$ 29,173	\$ 1,019,742	\$ 1,048,915

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

State of New Mexico
Arch Hurley Conservancy District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
General Fund
For The Year Ended December 31, 2016

	General	Operation/ Maintenance	Totals
Revenues			
Property Taxes, Levied for General Purposes	\$ 3,729	\$ 349,913	\$ 353,642
Assessments	-	538,799	538,799
Big Mesa and NM Parks Water Charge	-	4,311	4,311
Water Delivery Charges	-	468,064	468,064
Interest	125	9,617	9,742
Big Mesa Administration	-	1,122	1,122
Grant Revenues	-	50,000	50,000
Custom Work	-	13,519	13,519
Miscellaneous	-	15,514	15,514
Total Revenues	3,854	1,450,859	1,454,713
Expenditures			
General Government	13,305	-	13,305
Irrigation Water Distribution	-	1,016,842	1,016,842
Capital Outlay	-	56,163	56,163
Total Expenditures	13,305	1,073,005	1,086,310
Excess (Deficiency) Of Revenues Over Expenditures	(9,451)	377,854	368,403
Other Financing Sources (Uses):			
Operating Transfers, Net	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	(9,451)	377,854	368,403
Beginning Fund Balance	36,778	406,620	443,398
Beginning Fund Balance as Restated	36,778	406,620	443,398
Fund Balance (Deficit) At End Of Year	\$ 27,327	\$ 784,474	\$ 811,801

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

State of New Mexico
Arch Hurley Conservancy District
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budgeted to Actual (Non-GAAP Budgetary Basis) - General
For The Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
Taxes-Ad Valorem	\$ -	\$ -	\$ 3,729	\$ 3,729
Other	-	-	125	125
	-	-	-	-
Total Revenue	-	-	<u>3,854</u>	<u>\$ 3,854</u>
Budgeted Cash Balance	<u>36,354</u>	<u>36,354</u>		
Total Revenue And Cash	<u>\$ 36,354</u>	<u>\$ 36,354</u>		
EXPENDITURES				
General Government:	-	-	-	-
Office Supplies	7,500	7,500	6,563	937
Office Equipment	1,800	1,800	1,112	688
Election Costs	-	-	-	-
Board of Directors Fees	2,400	2,400	2,400	-
Surety Bond	900	900	969	(69)
Dues and Subscriptions	<u>3,400</u>	<u>3,400</u>	<u>2,261</u>	<u>1,139</u>
	-	-	-	-
Total Expenditures	16,000	16,000	13,305	2,695
OTHER FINANCING SOURCES (USES)				
Operating Transfers (Net)	-	-	-	-
Total Expenditures And Other Financing Sources	<u>\$ 16,000</u>	<u>\$ 16,000</u>	13,305	<u>\$ 2,695</u>
Total Revenues (Expenditures and Other Financing Sources and Uses)			(9,451)	
Reconciliation to GAAP Basis				
Changes in Receivables			-	
Changes in Accrued Payroll			-	
Excess (Deficiency) of Revenues over expenditures			<u>\$ (9,451)</u>	

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

State of New Mexico
Arch Hurley Conservancy District
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budgeted to Actual (Non-GAAP Budgetary Basis) - Operations and Maintenance
For The Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
Taxes Ad Valorem	\$ 356,675	\$ 356,675	\$ 349,913	\$ (6,762)
Assessments	538,700	538,700	538,798	98
Big Mesa Permits	6,000	6,000	4,311	(1,689)
Full Cost Water	20,000	20,000	16,413	(3,587)
Water Delivery Charges	200,000	200,000	451,652	251,652
Legislative Capital Outlay	200,000	200,000	50,000	(150,000)
Custom Work	25,000	25,000	13,519	(11,481)
Miscellaneous	60,000	60,000	16,635	(43,365)
Interest	4,100	4,100	9,618	5,518
Grants	200,000	200,000	-	(200,000)
Transfer Reserves	(10,475)	(10,475)	-	10,475
	-	-	-	-
Total Revenue	1,600,000	1,600,000	1,450,859	\$ (149,141)
Budgeted Cash Balance	676,804	676,804		
Total Revenue And Cash	\$ 2,276,804	\$ 2,276,804		
EXPENDITURES				
General Government:				
Irrigation Water Distribution:				
Salaries	\$ 490,000	\$ 490,000	507,893	(17,893)
Professional Services	55,000	55,000	36,862	18,138
Unemployment Insurance	5,000	5,000	71	4,929
Shop Supplies	18,000	18,000	14,913	3,087
Building Repairs	30,000	30,000	17,716	12,284
Vehicle Operation/Repair	95,000	95,000	60,125	34,875
Irrigation Operations/Maintenance	40,000	40,000	42,676	(2,676)
Heavy Equipment Operation/Maintenance	110,500	110,500	88,539	21,961
Strategic Plan	15,000	15,000		15,000
Utilities	60,000	60,000	48,097	11,903
PERA	47,000	47,000	38,301	8,699
FICA Tax	37,500	37,500	23,708	13,792
Health Insurance	57,500	57,500	39,165	18,335
Liability Insurance	60,000	60,000	59,769	231
Work Comp Insurance	20,000	20,000	16,192	3,808
Legislative Capital Outlay	200,000	200,000	56,163	143,837
Custom Work	5,000	5,000	4,426	574
Safety Equipment	6,000	6,000	4,121	1,879
Chemical Control	20,000	20,000	8,916	11,084
Compliance	500	500	-	500
Full Cost Water Due BOR	26,000	26,000	5,352	20,648
BOR Inspections	5,000	5,000	-	5,000
Capital Outlay	200,000	200,000	-	200,000
	-	-	-	-
Total Expenditures	1,603,000	1,603,000	1,073,005	529,995
OTHER FINANCING SOURCES (USES)				
Operating Transfers (Net)	-	-	-	-
Total Expenditures And Other Financing Sources	\$ 1,603,000	\$ 1,603,000	1,073,005	\$ 529,995
Total Revenues (Expenditures and Other Financing Sources and Uses)			377,854	
Reconciliation to GAAP Basis				
Changes in Accounts Payable			-	
Changes in Accrued Payroll			-	
Excess (Deficiency) of Revenues over expenditures			\$ 377,854	

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

Other Supplemental Information

State of New Mexico
Arch Hurley Conservancy District
Schedule of Deposits and Security Requirements
December 31, 2016

Institution	Financial	Account Name	Account Type	Reconciled Balance	O/S Deposits		O/S Checks		Balance On Deposit 06-30-15	Depository Total	Depository Insurance	Not Insured By FDIC	Required Collateral	FMV of Collateral	Pledged Over(Short)
					Balance		Balance								
FNB New Mexico		Operations Checking	Non Int Checking	\$ 356,745	-	-	\$ 17,075	\$ 373,820							
FNB New Mexico		Debt Service	Non Int Checking	128,987	-	-	-	128,987							
Total FNB New Mexico									502,807	250,000	252,807		573,830	321,023	
Tucumcari FSL		Operations CD	CD	200,000	-	-	-	200,000							
Tucumcari FSL		Operations CD	CD	10,000	-	-	-	10,000							
Tucumcari FSL		Operations CD	CD	15,000	-	-	-	15,000							
Total Tucumcari FSL									225,000	225,000					
Everyone FCU		Operations CD	CD	100,000	-	-	-	100,000							
Everyone FCU		Operations CD	CD	100,000	-	-	-	100,000							
Total Everyone FCU									200,000	200,000					
Quay Schools FCU		Operations CD	CD	50,000	-	-	-	50,000							
Quay Schools FCU		Operations CD	CD	50,000	-	-	-	50,000							
Quay Schools FCU		Operations CD	CD	50,000	-	-	-	50,000							
Total Quay Schools FCU									150,000	150,000					
Citizens Bank		Debt Service CD	CD	145,000	-	-	-	145,000							
Total Citizen's Bank									145,000	145,000					
Total				1,205,732				1,222,807	1,222,807	970,000	252,807		573,830	321,023	
Petty Cash and Returned Checks				200											
Total				1,205,932											

Deposit Security

Description	ID #	Par	Amount	Maturity Date
First National Bank-New Mexico				
SBA POOL	1610310054	\$ 494,597	\$ 573,830	10/25/2039
Total			\$ 573,830	

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

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

STATE OF NEW MEXICO

ARCH HURLEY CONSERVANCY DISTRICT

Schedule of Memorandum of Understanding as of December
31, 2016

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.

State of New Mexico
 Arch Hurley Conservancy District
 Vendor Schedule
 December 31, 2016

RFB#/RFP# (if applicable)	Type of Procurement	Vendor Name	Did Vendor Win Contract?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Physical address of vendor (City, State)	Did the Vendor provide documentation of eligibility for in-state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work	If the procurement is attributable to a Component Unit, Name of Component Unit

None

Compliance Section

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Arch Hurley Conservancy District (the District) as of and for the year ended December 31, 2016, 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 25, 2017.

Internal Control Over Financial Reporting

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

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

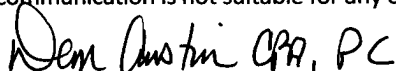
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit we did not identify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

Compliance and Other Matters

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

Purpose of this Report

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



Dan Austin CPA, PC
Ruidoso, New Mexico
May 25, 2017

**STATE OF NEW MEXICO
ARCH HURLEY CONSERVANCY DISTRICT
Schedule of Findings and Responses
For The Year Ended December 31, 2016**

Prior Year Findings

None

Current Year Findings

None

Financial Statement Preparation

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

Exit Conference

An exit conference was held on May 30, 2017 to discuss the financial report. Attending were Robert Lopez, Vice President, Donna Lafferty, office manager and Tina Garcia, payroll clerk, and auditor Dan Austin, CPA.