



STATE OF NEW MEXICO
PECOS VALLEY ARTESIAN CONSERVANCY DISTRICT
ROSWELL, NEW MEXICO

ANNUAL FINANCIAL REPORT
June 30, 2014

De'Aun Willoughby CPA, PC
Certified Public Accountant
Clovis, New Mexico



STATE OF NEW MEXICO
PECOS VALLEY ARTESIAN CONSERVANCY DISTRICT
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 For the Year Ended June 30, 2014

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BOARD OF DIRECTORS

Bill Netherlin	Chairman
Greg Alpers	Vice-Chairman
Richard Smith	Secretary/Treasurer
Mike Fallwell	Assistant Secretary/Treasurer
Dwight Menefee	Member

ADMINISTRATIVE STAFF

Aaron Bullock	Manager
Patty Barresi	Secretary

De'Aun Willoughby CPA, PC

Certified Public Accountant

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Independent Auditor's Report

Mr. Hector Balderas
State Auditor of the State of New Mexico
Board of Supervisors of the Pecos Valley Artesian Conservancy District

Mr. Balderas and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and the budgetary comparisons for the general fund of the Pecos Valley Artesian Conservancy District (District), as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the District's basic financial statements 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 of 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 of the District as of June 30, 2014, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2014, 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.



Clovis, New Mexico
September 24, 2014

STATE OF NEW MEXICO
PECOS VALLEY ARTESIAN CONSERVANCY DISTRICT
 Government-Wide Statement of Net Position
 June 30, 2014

ASSETS

Current Assets

Cash in Banks	\$ 9,382,179
Property Taxes Receivable	128,917
Interest Receivable	45,168
Inventory	56,008
Prepaid Expenses	39,981
Current Amount of Notes Receivable	278,873
Total Current Assets	<u>9,931,126</u>

Non-current Assets

Capital Assets

Land	61,405
Water Rights	3,959,628
Construction in Progress	48,695
Buildings & Improvements	328,192
Meters	750,782
Vehicles & Equipment	823,665
Less Accumulated Depreciation	<u>(988,279)</u>
Total Capital Assets	4,984,088
Conservation Loans Receivable	1,978,293
Less Current Amount Due	<u>(278,873)</u>
Total Noncurrent Assets	<u>6,683,508</u>

Total Assets	<u>16,614,634</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	103,562
Compensated Absences	25,670
Total Current Liabilities	<u>129,232</u>

Net Position

Net Investment in Capital Assets	8,943,716
Restricted for Loans	1,699,420
Unrestricted	5,842,266
Total Net Position	<u>\$ 16,485,402</u>

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

STATE OF NEW MEXICO
PECOS VALLEY ARTESIAN CONSERVANCY DISTRICT
 Government-Wide Statement of Activities
 For the year ended June 30, 2014

Program Expenses	
Personnel Services	\$ 646,233
Legal & Professional Fees	320,760
Water Master Expenses	305,739
Well Plugging Expenses	40,556
Operating Expenses	327,942
Depreciation	93,218
Total Expenses	<u>1,734,448</u>
Net Program (Expense) Revenue	<u>(1,734,448)</u>
General Revenues	
Property Taxes	2,511,659
Interest Income	95,879
Other	84,424
	<u>2,691,962</u>
Other Items	
Gain on Sale of Capital Assets	<u>11,783</u>
Change in Net Position	969,297
Net Position at Beginning of Year	<u>15,516,105</u>
Net Position at End of Year	<u>\$ 16,485,402</u>

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

STATE OF NEW MEXICO
PECOS VALLEY ARTESIAN CONSERVANCY DISTRICT
 Balance Sheet
 June 30, 2014

ASSETS	
Cash in Banks	\$ 9,382,179
Property Taxes Receivable	128,917
Interest Receivable	45,168
Inventory	56,008
Prepaid Expenses	39,981
Total Assets	<u>\$ 9,652,253</u>
 LIABILITIES AND FUND BALANCE	
Current Liabilities	
Accounts Payable	<u>\$ 103,562</u>
Total Current Liabilities	<u>103,562</u>
 Deferred Inflows of Resources	
Unavailable Revenue	<u>93,947</u>
Total Deferred Inflows of Resources	<u>93,947</u>
 Total Liabilities and Deferred Inflows of Resources	
	<u>197,509</u>
 Fund Balances	
Nonspendable-Inventory	56,008
Unassigned	<u>9,398,736</u>
Total Fund Balances	<u>9,454,744</u>
 Total Liabilities and Fund Balances	
	<u>\$ 9,652,253</u>

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

STATE OF NEW MEXICO
PECOS VALLEY ARTESIAN CONSERVANCY DISTRICT
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 June 30, 2014

Total Fund Balance - Governmental Funds \$ 9,454,744

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

Property taxes receivable will be collected after the period
 of availability, but are not available soon enough to pay for
 the current period's expenditures, and therefore are
 deferred in the funds. 93,947

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

The cost of capital assets	\$	5,972,367	
Accumulated depreciation		<u>(988,279)</u>	4,984,088

Conservation loans are not collectible in the current period
 and therefore are not reported as assets in the funds. 1,978,293

Certain other liabilities are not due and payable in the
 current period and therefore are not reported as liabilities in
 the funds. Other liabilities at year end consist of :

Compensated Absences		<u>(25,670)</u>	
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Total Net Position - Governmental Activities \$ 16,485,402

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

STATE OF NEW MEXICO
PECOS VALLEY ARTESIAN CONSERVANCY DISTRICT
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the year ended June 30, 2014

Revenues		
Property Taxes	\$	2,417,712
Interest Income		95,879
Other		107,990
		<u>2,621,581</u>
Expenditures		
Current		
Salaries		341,972
Employee Benefits		305,244
Legal & Professional Fees		313,882
Water Master		305,739
Travel, Meetings and Conferences		90,176
Insurance		60,017
Supplies		44,509
Plugging Expenses		40,556
Maintenance		34,644
Tax Collection Expenses		24,290
Services		20,022
Fuel		16,148
Utilities		12,559
Government Affairs		11,045
Audit Fees		6,878
Office		5,217
Public Relations		4,883
Subscriptions & Memberships		4,018
Miscellaneous		414
Capital Outlay		182,675
Total Expenditures		<u>1,824,888</u>
Excess (Deficiency) of Revenues Over Expenditures		<u>796,693</u>
Other Financing Sources		
Principal Collected on Loans		496,282
New Loans Made		(390,784)
Total Other Financing Sources		<u>105,498</u>
Net Change in Fund Balance		902,191
Fund Balances at Beginning of Year		<u>8,552,553</u>
Fund Balance End of Year	\$	<u><u>9,454,744</u></u>

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

STATE OF NEW MEXICO
PECOS VALLEY ARTESIAN CONSERVANCY DISTRICT
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 to the Statement of Activities
 June 30, 2014

Net Change in Fund Balance-Governmental Funds \$ 902,191

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

Some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead reported as deferred revenues. They are however, recorded as revenues in the Statement of Activities.

Deferred Taxes Receivable, June 30, 2013	\$	0	
Deferred Taxes Receivable, June 30, 2014		<u>93,947</u>	93,947

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense		(93,218)	
Capital Outlays		182,675	
Gain on Sale of Capital Assets		<u>(11,783)</u>	77,674

Conservation loans are reported in governmental funds as revenue when collected and expenditures as loaned to area agriculturist. However, for governmental activities they are not included.

New Loans Made		390,784	
Principal Collected		<u>(496,282)</u>	(105,498)

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences, June 30, 2013		26,653	
Compensated Absences, June 30, 2014		<u>(25,670)</u>	<u>983</u>

Changes in Net Position of Governmental Activities \$ 969,297

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

STATE OF NEW MEXICO
PECOS VALLEY ARTESIAN CONSERVANCY DISTRICT
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$ 2,394,941	\$ 2,394,941	\$ 2,429,011	\$ 34,070
Charge for Services	0	0	64,245	64,245
Interest Income	79,477	79,477	93,407	13,930
Principal Collected	0	0	496,282	496,282
Other	3,000	3,000	43,745	40,745
Total Revenue	<u>2,477,418</u>	<u>2,477,418</u>	<u>3,126,690</u>	<u>649,272</u>
Expenditures				
Salaries	359,020	359,020	341,972	17,048
Employee Benefits	302,000	302,000	306,179	(4,179)
Legal Fees	400,000	400,000	327,008	72,992
Water Master Expenses	398,000	398,000	263,136	134,864
Travel	150,000	150,000	92,277	57,723
Insurance	45,500	45,500	64,030	(18,530)
Plugging Expenses	100,000	100,000	40,106	59,894
Supplies	195,000	195,000	64,015	130,985
Maintenance	75,000	75,000	32,736	42,264
Tax Collection Expenses	25,000	25,000	24,290	710
Services	50,000	50,000	21,167	28,833
Fuel	50,000	50,000	16,323	33,677
Utilities	25,000	25,000	12,467	12,533
Government Affairs	30,000	30,000	11,045	18,955
Audit	8,000	8,000	6,878	1,122
Office	15,000	15,000	5,217	9,783
Public Relations	10,000	10,000	4,883	5,117
Subscriptions & Memberships	3,500	3,500	4,018	(518)
Miscellaneous	900	900	414	486
Roswell Basin Study	75,000	75,000	0	75,000
Capital Outlay	949,162	949,162	182,675	766,487
New Loans Made	0	0	390,784	(390,784)
Total Expenditures	<u>3,266,082</u>	<u>3,266,082</u>	<u>2,211,620</u>	<u>1,054,462</u>
Excess (Deficiency) of Revenues Over Expenditures	(788,664)	(788,664)	915,070	1,703,734
Cash Balance Beginning of Year	<u>8,467,109</u>	<u>8,467,109</u>	<u>8,467,109</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 7,678,445</u>	<u>\$ 7,678,445</u>	<u>\$ 9,382,179</u>	<u>\$ 1,703,734</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 915,070	
Net Change in Taxes Receivable			(11,300)	
Net Change in Interest Receivables			2,472	
Net Change in Inventory			23,385	
Net Change in Prepaid Expenses			4,013	
Net Change in Accounts Payable			(31,449)	
Change in Fund Balance-GAAP Basis			<u>\$ 902,191</u>	

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

STATE OF NEW MEXICO
PECOS VALLEY ARTESIAN CONSERVANCY DISTRICT
Notes to the Financial Statements
June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Pecos Valley Artesian Conservancy District (District) was created by Order of the District Court of Chavez County, New Mexico after the necessary action had been taken pursuant of the provisions of Article XIII of Chapter 25 of the New Mexico Statutes 1953 annotated. More specifically, the District was created to conserve, where necessary, the waters of the Roswell Artesian Basin, including the lands within the Basin located in both Chaves and Eddy Counties, New Mexico.

The District is governed by five directors, each representing one of the five divisions into which the District is divided. The directors are elected to a six-year term by the registered voters of their respective division of the District and must, at the time of election, be a registered voter and resident of that division.

Annually, the Board of Directors outlines a water conservation plan and makes estimates of the cost of administration, equipment and improvements necessary to carry out the plan. Historically, the Board of Directors has felt that it was beneficial for the Basin to purchase and retire water rights. The purchased water rights are held in the District's water conservation "bank" and, under board policy are not sold, but are retired for the purpose of assisting in stabilizing water consumption in the Basin.

The District has no component units, defined by GASB Statement 61 as other legally separate organization for which the elected District members are financially accountable. There are not other primary governments with which the District Board is financially accountable. There are no other primary governments with which the District has a significant relationship.

The financial reporting entity as defined by GASB 14 consists of the primary government, organizations for which the primary government is financially accountable and other organizations whose exclusion from the financial reporting entity would cause the financial statements to be misleading.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). To enhance the usefulness of the financial statements, the significant policies of the District are summarized below.

B. Government-Wide and Fund financial Statements

The government-wide financial statements (i.e., the statement of net position) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to significant extent on fees and charges for support. However, the District does not have any fiduciary or business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) sales of meters to customers and 2) 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.

STATE OF NEW MEXICO
PECOS VALLEY ARTESIAN CONSERVANCY DISTRICT
Notes to the Financial Statements
June 30, 2014

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statement are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues 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 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 30 days of the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, if any are recorded only when payment is due.

Property taxes, grants 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. All other revenue items are considered to be measurable and available only when cash is received by the government. The District does not have the information regarding the uncollected delinquent property taxes and thus has not recorded its share of this receivable as called for by GASB Statement 33.

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

As a general rule, the effect of interfund activity, if applicable, has been eliminated from the government-wide financial statements. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, Net Position and Fund Balance

Cash and Investments

The District's cash consists of demand deposits.

Taxes Receivable

Property taxes attach an enforceable lien as of January 1. Taxes are payable in equal semi-annual installments on November 10 and April 10 of the subsequent year. The taxes become delinquent thirty days after the due date. The taxes are collected by the County Treasurer and are remitted to the District in the month following collection.

Inventory

The District's inventory consists of meters for sale and /or use by the District. Inventory is reported at cost in the governmental activities column in the government-wide financial statements determined using the first-in, first-out method. Inventory items are reported in governmental funds as expenditures when purchased. In addition, an asset and corresponding nonspendable fund balance is reported in the governmental fund balance sheet for inventory.

STATE OF NEW MEXICO
PECOS VALLEY ARTESIAN CONSERVANCY DISTRICT
Notes to the Financial Statements
June 30, 2014

Capital Assets

Capital assets, which include property, equipment (including software), equipment and furniture are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by state law as assets with an initial cost of \$5,000 and an estimated useful life of more than one year. The total amounts spent for construction, if any, are capitalized and reported in the government-wide financial statements. For donations, the government values these capital assets at the estimated fair value of the item at the date of acquisition. The cost of normal maintenance and repairs that do not add to the value or extend the life of the asset are not capitalized.

The construction in progress is for a telemetry project. The system is not fully developed and not in use.

Property and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

Buildings & Improvements	50-25 years
Vehicles & Equipment	7-15 years

Accounts payable

The account payable as of the balance sheet date includes routine monthly bills for services rendered and products purchased which are paid in the following month.

Compensated Absences

District employees earn vacation and sick leave at the rate of ten (10) hours and eight (8) hours per month, respectively. In the event of termination, an employee is reimbursed for accumulated vacation, but is not reimbursed for accumulated sick leave. However, employees who have accrued sick leave in excess of 600 hours are entitled to sell all hours over the 600 limit back to the District at one-half the normal rate of pay. The estimated liability is \$25,048 for accrued vacation. The estimated amount for sick leave benefits over 600 hours is not accrued as a liability since this is not payable upon employee termination.

Special Conservation Loans

The New Mexico Interstate Stream Commission (the "Commission") makes loans to the District, which, in turn makes loans to qualified borrowers. Loans from the Commission to the District provide for repayment in 20 equal annual installments with interest at 2.5%. Loans from the District to qualified borrowers provide for repayment in 10 equal annual installments with interest at 3.5 %. The District is required to maintain a separate account for these funds and to repay the Commission by July 1 of each year, any excess of loan funds over \$50,000 plus June's interest income. The District, customarily, makes such payment in mid-June so that the ISC receives the payment before June 30 and maintains the \$50,000 allowed by the Commission plus June interest and any funds received from loans, which have not been finalized as of June 30. Expenses other than interest, are minimal in amount. The District did not owe the Commission on June 30, 2014.

Net Position and Fund Balance

The difference between the District's assets and liabilities is its net position. The District's net position consist of four components — invested in capital assets, which is the cost of capital assets, net of accumulated depreciation, restricted for the loan program and unrestricted net position. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation and/or are legally restricted by outside parties for use for a specific purpose. A portion of the fund balance has been reserved for the loan program. The loan program resources have been classified as restricted assets on the Statement of Net Position because their use is restricted by the lender.

STATE OF NEW MEXICO
PECOS VALLEY ARTESIAN CONSERVANCY DISTRICT
Notes to the Financial Statements
June 30, 2014

II. Stewardship, Compliance and Accountability

A. Budgetary Information

The budget is prepared on a basis that differs from accounting principles generally accepted in the United States of America (GAAP). GAAP basis revenues and expenditures include accrued amounts. The revenues and expenditures reported in the budgetary comparisons are generally recorded on the cash basis. The District uses the following procedures to establish the budgeted amounts reflected in the budgetary comparisons:

1. Prior to April 1, the Budget Committee submits to the District Board of Supervisors a proposed revenue and expenditure budget for the fiscal year beginning July 1.
2. The Board reviews the budget proposal and makes any necessary adjustments.
3. Prior to June 1, the Board approves the budget by passing a resolution.
4. Prior to June 20, the approved budget is submitted to the State of New Mexico, Department of Finance and Administration, Local Government Division (DFA-LGD) for approval by the first Monday of September. The Board receives notice of the approved budget.

The legal level at which actual expenditures may not exceed budgeted expenditures is at the total fund level. The Board can revise its budget with the approval of DFA-LGD. There were no changes made to the budget during the fiscal year. Encumbrance accounting is not utilized by the District.

B. Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis Financial Statements

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

Reconciliations are located at the bottom of the budget actual statement.

STATE OF NEW MEXICO
PECOS VALLEY ARTESIAN CONSERVANCY DISTRICT
Notes to the Financial Statements
June 30, 2014

III. Detailed Notes on all Funds
A. Cash and Investments

	Account Type	Bank Balance 6/30/14	Reconciled Balance 6/30/14
First American Bank			
Pecos Valley Artesian Conservancy District	Non-interest Checking	\$ 58,322	\$ 43,202
Pecos Valley Artesian Conservancy District	Interest bearing Checking	3,960,017	3,960,017
Pecos Valley Artesian Conservancy District	Non-interest Checking	1,000	1,000
Pecos Valley Artesian Conservancy District	Interest bearing Checking	1,354,007	1,354,007
Pecos Valley Artesian Conservancy District	Interest bearing Checking	1,016	1,016
		<u>5,374,362</u>	<u>\$ 5,359,242</u>
	Less: FDIC coverage	(250,000)	
		5,124,362	
	50% collateral requirement	2,562,181	
	Pledged securities	2,861,195	
	Over (Under) requirement	<u>\$ 299,014</u>	

The following securities are pledged:

Description	CUSIP #	Market Value	Maturity Date	Location
Dulce NM USD #21	264430KA6	\$ 120,000	09/01/17	FHLB in
Gallup McKinley NM SD	364010NR5	175,000	08/01/16	Dallas, TX
Dulce NM USD #21	264430KH1	280,000	09/01/16	
Dulce NM USD #21	264430KK4	60,000	09/01/18	
MBS GNMA 1 15-yr SF	36200M2N2	11,195	11/15/18	
Belen NM Cons Sch	077581MQ6	175,000	08/01/20	
Taos NM Municipal SD	876014FF3	390,000	09/01/20	
San Juan CNTY NM CENT	798359HT5	900,000	08/01/21	
Lea Cnty NM School District	521570AS0	500,000	10/01/21	
Alamogordo, NM	011446FX4	250,000	08/01/21	
		<u>\$ 2,861,195</u>		

	Account Type	Bank Balance 6/30/14	Reconciled Balance 6/30/14
Washington Federal			
Pecos Valley Artesian Conservancy District	Interest bearing Checking	\$ 982,365	\$ 982,365
Pecos Valley Artesian Conservancy District	Interest bearing Checking	1,040,471	1,040,471
Pecos Valley Artesian Conservancy District	Interest bearing Checking	500,000	500,000
Pecos Valley Artesian Conservancy District	Interest bearing Checking	500,000	500,000
Pecos Valley Artesian Conservancy District	Interest bearing Checking	500,000	500,000
Pecos Valley Artesian Conservancy District	Interest bearing Checking	500,000	500,000
		<u>4,022,837</u>	<u>\$ 4,022,837</u>
	Less: FDIC coverage	(250,000)	
	Amount uninsured	\$ 3,772,837	
	50% collateral requirement	1,886,418	
	Pledged securities	2,433,191	
	Over (Under) requirement	<u>\$ 546,773</u>	

The following securities are pledged:

Description	CUSIP #	Market Value	Maturity Date	Location
FHLB	3620E0NW2	\$ 2,433,191	08/20/2061	FHLB in
		<u>\$ 2,433,191</u>		Dallas, TX

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June 30, 2014

There is \$100 petty cash on hand.

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

Custodial Credit Risk-Deposits

Depository Account	Bank Balance
Insured	\$ 500,000
Collateralized	
Collateral held by the pledging bank in District's name	5,294,386
Uninsured and uncollateralized	3,602,813
Total Deposits	\$ 9,397,199

Custodial Credit Risk — Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$3,602,813 of the District's bank balances were exposed to custodial credit risk.

B. Taxes Receivable

Receivables as of June 30, 2014, were as follows:

Receivables	Total
Property Taxes	
Available	\$ 34,970
Unavailable	93,947
	\$ 128,917

C. Capital Assets

	Beginning Balance 6/30/13	Additions	Deletions	Ending Balance 6/30/14
Capital Assets, not being Depreciated				
Land	\$ 61,405	\$ 0	\$ 0	\$ 61,405
Water Rights	3,959,628	0	0	3,959,628
Construction in Progress	48,695	0	0	48,695
Capital Assets, being Depreciated				
Buildings & Improvements	328,192	0	0	328,192
Meters	671,352	96,395	(16,965)	750,782
Field Equipment	96,802	8,650	0	105,452
Office Furniture & Equipment	301,240	18,969	0	320,209
Vehicles & Drilling Rig	410,311	58,661	(70,968)	398,004
Total Capital Assets	5,877,625	182,675	(87,933)	5,972,367
Less Accumulated Depreciation				
Buildings & Improvements	107,388	8,798	0	116,186
Meters	345,610	43,626	(16,965)	372,271
Field Equipment	38,693	6,223	0	44,916
Office Furniture & Equipment	297,950	4,890	0	302,840
Vehicles & Drilling Rig	181,302	29,681	(59,187)	151,796
Total Accumulated Depreciation	970,943	93,218	(76,152)	988,009

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Notes to the Financial Statements
June 30, 2014

\$ 4,906,682 \$ 89,457 \$ (11,781) \$ 4,984,358

Depreciation expense was charged to governmental activities as follows:

Unallocated	\$ <u>93,218</u>
Total depreciation expenses	\$ <u><u>93,218</u></u>

D. Special Conservation Loans Receivable

Loans made to approved applicants are payable annually over a ten year period. Interest at the rate of 3.5% per annum is payable with each installment. Changes in loan balances were as follows:

Beginning Balance 6/30/13	New Loans Issued	Principal Received	Ending Balance 6/30/14
\$ <u>2,083,793</u>	\$ <u>390,784</u>	\$ <u>(496,284)</u>	\$ <u>1,978,293</u>

E. Compensated Absences

A summary of activity is as follows:

	Beginning Balance 6/30/13	Increases	Reductions	Ending Balance 6/30/14
Compensated Absences	\$ <u>26,653</u>	\$ <u>20,000</u>	\$ <u>(20,983)</u>	\$ <u>25,670</u>

IV. Other Information

A. Employee Benefits

Plan Description. Substantially all of the District's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at <http://www.pera.state.nm.us>.

Funding Policy. Plan members are required to contribute 14.65% of their gross salary. The District is required to contribute 9.15% of the gross covered salary. The contribution requirements of the plan members and the District are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Districts contributions to PERA for the fiscal years ending June 30, 2014, 2013 and 2012 were \$31,268, \$28,053 and \$24,189, respectively, which equal the amount of the required for each fiscal year.

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Notes to the Financial Statements
June 30, 2014

B. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets. To insure protection against these risks, the District purchases commercial coverage for workers compensation, hazard, liability and health insurance. Deductibles range from \$100 to \$500 per claim. Insurance is reviewed on an annual basis to determine that the coverage is adequate. Each employee has the option to be covered by the health insurance with 100% of the individual premium paid by the District.

C. Related Party Transactions

Directors on the Board of the District are recipients of water loans. 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.

D. Subsequent Events Review

The District has evaluated subsequent events through September 24, 2014, which is the date of the financial statements.

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards*

Independent Auditor's Report

Mr. Hector Balderas
State Auditor of the State of New Mexico
Board of Supervisors of the Pecos Valley Artesian Conservancy District

Mr. Balderas and Members of the Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the budgetary comparison of the general fund of Pecos Valley Artesian Conservancy District (District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 24, 2014.

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 our 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 District'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 are 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "De'Ann Willoughby, CPA PC". The signature is written in a cursive style.

Clovis, New Mexico
September 24, 2014

STATE OF NEW MEXICO
PECOS VALLEY ARTESIAN CONSERVANCY DISTRICT
Findings and Responses
June 30, 2014

Prior Year Audit Findings

	<u>Status</u>
2013-1 Receipt Books	Resolved
2013-2 Interest Calculations	Resolved

Current Year Audit Findings

None

Financial Statement Preparation

The financial statements were prepared by De'Aun Willoughby CPA.

Exit Conference

An exit conference was held on September 24, 2014 present was Richard Smith-Secretary/Treasurer, Mike Fallwell-Assistant Secretary/Treasurer, Patty Barresi-Secretary and De'Aun Willoughby, CPA.