



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

ANNUAL FINANCIAL REPORT
June 30, 2015

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



STATE OF NEW MEXICO
PECOS VALLEY ARTESIAN CONSERVANCY DISTRICT
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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

| | |
|---------------|-----------|
| Aron Balok | Manager |
| Patty Barresi | Secretary |

De'Aun Willoughby CPA, PC

Certified Public Accountant

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Independent Auditor's Report

Mr. Tim Keller
State Auditor of the State of New Mexico
Board of Supervisors of the Pecos Valley Artesian Conservancy District

Mr. Keller 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, 2015, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2015, 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

Required Supplementary Information

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 Information

The Vendor Schedule 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 November 13, 2015, 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.

De'Ann Willoughby CPA PC

Clovis, New Mexico
November 13, 2015

STATE OF NEW MEXICO
PECOS VALLEY ARTESIAN CONSERVANCY DISTRICT
Government-Wide Statement of Net Position
June 30, 2015

| | |
|---------------------------------------|----------------------|
| Assets | |
| Current Assets | |
| Cash in Banks | \$ 10,229,972 |
| Property Taxes Receivable | 228,608 |
| Interest Receivable | 45,670 |
| Inventory | 50,679 |
| Prepaid Expenses | 41,619 |
| Current Amount of Notes Receivable | 281,493 |
| Total Current Assets | <u>10,878,041</u> |
| Noncurrent Assets | |
| Capital Assets | |
| Land | 61,405 |
| Water Rights | 11,706,456 |
| Buildings & Improvements | 394,444 |
| Meters | 907,160 |
| Vehicles & Equipment | 835,987 |
| Less Accumulated Depreciation | <u>(1,104,900)</u> |
| Total Capital Assets | 12,800,552 |
| Conservation Loans Receivable | 1,774,874 |
| Less Current Amount Due | <u>(281,493)</u> |
| Total Noncurrent Assets | <u>14,293,933</u> |
| Total Assets | <u>25,171,974</u> |
| Deferred Outflows of Resources | |
| Deferred Outflows Related to Pensions | 34,581 |
| Total Deferred Outflows of Resources | <u>34,581</u> |
| Liabilities and Net Assets | |
| Current Liabilities | |
| Accounts Payable | 42,622 |
| Compensated Absences | 24,086 |
| Current Amount Due of Long-Term Debt | 388,435 |
| Total Current Liabilities | <u>455,143</u> |
| Noncurrent Liabilities | |
| Pension Liability | 328,428 |
| Notes and Loans | 5,300,000 |
| Less Current Amount Due | <u>(388,435)</u> |
| Total Noncurrent Liabilities | <u>5,239,993</u> |
| Total Liabilities | <u>5,695,136</u> |
| Deferred Inflows of Resources | |
| Deferred Inflows Related to Pensions | 128,712 |
| Total Deferred Inflows of Resources | <u>128,712</u> |
| Net Position | |
| Net Investment in Capital Assets | 7,500,552 |
| Restricted for Loans | 1,493,381 |
| Unrestricted | 10,388,774 |
| Total Net Position | <u>\$ 19,382,707</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, 2015

| | |
|-----------------------------------|----------------------|
| Program Expenses | |
| Personnel Services | \$ 631,015 |
| Legal & Professional Fees | 538,041 |
| Water Master Expenses | 243,829 |
| Well Plugging Expenses | 32,615 |
| Operating Expenses | 353,986 |
| Depreciation | 116,621 |
| Total Expenses | <u>1,916,107</u> |
| Net Program (Expense) Revenue | <u>(1,916,107)</u> |
| General Revenues | |
| Property Taxes | 5,016,027 |
| Interest Income | 92,877 |
| Other | 147,946 |
| Total General Revenues | <u>5,256,850</u> |
| Change in Net Position | <u>3,340,743</u> |
| Net Position at Beginning of Year | 16,485,402 |
| Restatement | <u>(443,438)</u> |
| Restated Beginning Net Position | <u>16,041,964</u> |
| Net Position at End of Year | <u>\$ 19,382,707</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, 2015

| | |
|---|----------------------|
| Assets | |
| Cash in Banks | \$ 10,229,972 |
| Property Taxes Receivable | 228,608 |
| Interest Receivable | 45,670 |
| Inventory | 50,679 |
| Prepaid Expenses | 41,619 |
| Total Assets | <u>\$ 10,596,548</u> |
| Liabilities and Fund Balance | |
| Current Liabilities | |
| Accounts Payable | <u>\$ 42,622</u> |
| Total Current Liabilities | <u>42,622</u> |
| Deferred Inflows of Resources | |
| Unavailable Revenue | <u>173,762</u> |
| Total Deferred Inflows of Resources | <u>173,762</u> |
| Fund Balances | |
| Nonspendable-Inventory | 50,679 |
| Unassigned | <u>10,329,485</u> |
| Total Fund Balances | <u>10,380,164</u> |
| Total Liabilities and Deferred Inflows of Resources | <u>\$ 10,596,548</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, 2015

Total Fund Balance - Governmental Funds \$ 10,380,164

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. 173,762

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

| | | |
|--------------------------|--------------------|------------|
| Capital Assets | \$ 13,905,452 | |
| Accumulated Depreciation | <u>(1,104,900)</u> | 12,800,552 |

Conservation loans are not collectible in the current period
 and therefore are not reported as assets in the funds. 1,774,874

Deferred Outflows and Inflows Related to Pensions are the
 results of differences in expected and actual actuary
 experience and the difference in actuary projected and
 actual earnings. Also changes in proportion and differences
 between contributions and proportionate share of
 contributions.

| | | |
|---------------------------------------|------------------|----------|
| Deferred Outflows Related to Pensions | 34,581 | |
| Deferred Inflows Related to Pensions | <u>(128,712)</u> | (94,131) |

Long-term and certain other liabilities, including loans
 payable, are not due and payable in the current period and
 therefore are not reported as liabilities in the funds. Long-
 term and other liabilities at year end consist of :

| | | |
|----------------------|-----------------|--------------------|
| Loans Payable | (5,300,000) | |
| Pension Liability | (328,428) | |
| Compensated Absences | <u>(24,086)</u> | <u>(5,652,514)</u> |

Total Net Position - Governmental Activities \$ 19,382,707

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, 2015

| | | |
|--|----|--------------------------|
| Revenues | | |
| Property Taxes | \$ | 4,936,212 |
| Interest Income | | 92,877 |
| Other | | 147,946 |
| | | <u>5,177,035</u> |
| Expenditures | | |
| Current | | |
| Salaries | | 363,370 |
| Employee Benefits | | 290,108 |
| Legal & Professional Fees | | 538,041 |
| Water Management | | 243,829 |
| Equipment Maintenance | | 13,004 |
| Fuel | | 14,188 |
| Government Affairs | | 15,025 |
| Insurance | | 54,453 |
| Maintenance | | 4,943 |
| Miscellaneous | | 847 |
| Office | | 6,609 |
| Plugging Expenses | | 32,615 |
| Public Relations | | 5,923 |
| Services | | 19,365 |
| Subscriptions & Memberships | | 4,577 |
| Supplies | | 63,290 |
| Tax Collection Expenses | | 49,163 |
| Training, Meeting | | 28,193 |
| Travel | | 61,450 |
| Utilities | | 12,956 |
| Capital Outlay | | 7,933,085 |
| Total Expenditures | | <u>9,755,034</u> |
| Excess (Deficiency) of Revenues Over Expenditures | | <u>(4,577,999)</u> |
| Other Financing Sources | | |
| Loan Proceeds | | 5,300,000 |
| Principal Collected on Loans | | 550,579 |
| New Loans Made | | (347,160) |
| Total Other Financing Sources | | <u>5,503,419</u> |
| Net Change in Fund Balance | | 925,420 |
| Fund Balances at Beginning of Year | | <u>9,454,744</u> |
| Fund Balance End of Year | \$ | <u><u>10,380,164</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, 2015

Net Change in Fund Balance-Governmental Funds \$ 925,420

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, 2014 | \$ (93,947) | |
| Deferred Taxes Receivable, June 30, 2015 | <u>173,762</u> | 79,815 |

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 | (116,621) | |
| Capital Outlays | <u>7,933,085</u> | 7,816,464 |

The issuance of long-term debt provides current financial resources to governmental funds but has no effect on net position. (5,300,000)

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 | 347,160 | |
| Principal Collected | <u>(550,579)</u> | (203,419) |

Pension contributions are reported as expenses in the government funds but are deferred outflows in the Statement of Net Position. Pension expense is reported in the Statement of Activities but not in the governmental funds.

| | | |
|-----------------------|-----------------|--------|
| Pension Contributions | 34,581 | |
| Pension Expense | <u>(13,702)</u> | 20,879 |

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, 2014 | 25,670 | |
| Compensated Absences, June 30, 2015 | <u>(24,086)</u> | <u>1,584</u> |

Changes in Net Position of Governmental Activities \$ 3,340,743

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, 2015

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance with Final Budget- Favorable (Unfavorable) |
|--|----------------------|----------------------|--------------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Property Taxes | \$ 4,918,560 | \$ 4,918,560 | \$ 4,916,335 | \$ (2,225) |
| Interest Income | 5,000 | 5,000 | 92,375 | 87,375 |
| Principal Collected | 870,868 | 870,868 | 550,579 | (320,289) |
| Loan Proceeds | 5,300,000 | 5,300,000 | 5,300,000 | 0 |
| Other | 0 | 0 | 147,946 | 147,946 |
| Total Revenue | <u>11,094,428</u> | <u>11,094,428</u> | <u>11,007,235</u> | <u>(87,193)</u> |
| Expenditures | | | | |
| Audit | 7,000 | 7,000 | 6,792 | 208 |
| Basis Water Management | 150,000 | 150,000 | 199,458 | (49,458) |
| Capital Outlay | 827,831 | 827,831 | 29,879 | 797,952 |
| Employee Benefits | 306,533 | 306,533 | 290,108 | 16,425 |
| Equipment Maintenance | 60,000 | 60,000 | 14,102 | 45,898 |
| Fuel | 50,000 | 50,000 | 12,804 | 37,196 |
| Government Affairs | 30,000 | 30,000 | 15,025 | 14,975 |
| Insurance | 45,500 | 45,500 | 56,091 | (10,591) |
| Legal Fees | 400,000 | 400,000 | 293,603 | 106,397 |
| Maintenance | 15,000 | 15,000 | 2,782 | 12,218 |
| Meter Supplies | 175,000 | 175,000 | 207,057 | (32,057) |
| Miscellaneous | 900 | 900 | 845 | 55 |
| New Loans Made | 0 | 0 | 347,160 | (347,160) |
| Office | 15,000 | 15,000 | 6,599 | 8,401 |
| Plugging Expenses | 100,000 | 100,000 | 37,876 | 62,124 |
| Public Relations | 25,000 | 25,000 | 5,923 | 19,077 |
| Roswell Basin Study | 50,000 | 50,000 | 39,323 | 10,677 |
| Salaries | 362,625 | 362,625 | 363,370 | (745) |
| Services | 50,000 | 50,000 | 18,573 | 31,427 |
| Shop Supplies | 20,000 | 20,000 | 7,380 | 12,620 |
| Subscriptions & Memberships | 4,000 | 4,000 | 4,577 | (577) |
| Tax Collection Expenses | 25,000 | 25,000 | 49,163 | (24,163) |
| Training and Meetings | 50,000 | 50,000 | 25,552 | 24,448 |
| Travel | 100,000 | 100,000 | 59,249 | 40,751 |
| Utilities | 25,000 | 25,000 | 12,430 | 12,570 |
| Water Master Expenses | 434,700 | 434,700 | 306,893 | 127,807 |
| Water Rights Purchased | 2,465,339 | 2,465,339 | 7,746,828 | (5,281,489) |
| Total Expenditures | <u>5,794,428</u> | <u>5,794,428</u> | <u>10,159,442</u> | <u>(4,365,014)</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 5,300,000 | 5,300,000 | 847,793 | (4,452,207) |
| Cash Balance Beginning of Year | <u>9,382,179</u> | <u>9,382,179</u> | <u>9,382,179</u> | <u>0</u> |
| Cash Balance End of Year | <u>\$ 14,682,179</u> | <u>\$ 14,682,179</u> | <u>\$ 10,229,972</u> | <u>\$ (4,452,207)</u> |
| Reconciliation of Budgetary Basis to GAAP Basis | | | | |
| Excess (Deficiency) of Revenues Over Expenditures-Cash Basis | | | \$ 847,793 | |
| Net Change in Taxes Receivable | | | 19,876 | |
| Net Change in Interest Receivables | | | 502 | |
| Net Change in Inventory | | | (5,329) | |
| Net Change in Prepaid Expenses | | | 1,638 | |
| Net Change in Accounts Payable | | | 60,940 | |
| Change in Fund Balance-GAAP Basis | | | <u>\$ 925,420</u> | |

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

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.

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, 2015

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, 2015.

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.

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, 2015

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

| | Account Type | Bank Balance 6/30/15 | Reconciled Balance 6/30/15 |
|--|----------------------------|----------------------------|----------------------------------|
| First American Bank | | | |
| Pecos Valley Artesian Conservancy District | Non-interest Checking | \$ 40,792 | \$ 21,076 |
| Pecos Valley Artesian Conservancy District | Interest bearing Checking | 2,629,851 | 2,629,851 |
| Pecos Valley Artesian Conservancy District | Non-interest Checking | 1,000 | 1,000 |
| Pecos Valley Artesian Conservancy District | Interest bearing Checking | 1,632,762 | 1,632,762 |
| Pecos Valley Artesian Conservancy District | Interest bearing Checking | 2,418,133 | 2,418,133 |
| | | <u>6,722,538</u> | <u>\$ 6,702,822</u> |
| | Less: FDIC coverage | (250,000) | |
| | | 6,472,538 | |
| | 50% collateral requirement | 3,236,269 | |
| | Pledged securities | 3,350,939 | |
| | Over (Under) requirement | <u>\$ 114,670</u> | |

The following securities are pledged:

| Description | CUSIP # | Market Value | Maturity Date | Location |
|-----------------------------|-----------|---------------------|---------------|------------|
| Dulce NM USD #21 | 264430KA6 | \$ 120,880 | 09/01/17 | FHLB in |
| Gallup McKinley NM SD | 364010NR5 | 180,801 | 08/01/16 | Dallas, TX |
| Dulce NM USD #21 | 264430KH1 | 281,764 | 09/01/16 | |
| Dulce NM USD #21 | 264430KK4 | 60,342 | 09/01/18 | |
| Bernalillo SD | 085279RRO | 390,356 | 08/01/25 | |
| Belen NM Cons Sch | 077581MQ6 | 180,381 | 08/01/20 | |
| Taos NM Municipal SD | 876014FF3 | 421,025 | 09/01/20 | |
| San Juan CNTY NM CENT | 798359HT5 | 932,805 | 08/01/21 | |
| Lea Cnty NM School District | 521570AS0 | 513,480 | 10/01/21 | |
| Alamogordo, NM | 011446FX4 | 269,105 | 08/01/21 | |
| | | <u>\$ 3,350,939</u> | | |

| | Account Type | Bank Balance 6/30/15 | Reconciled Balance 6/30/15 |
|--|----------------------------|----------------------------|----------------------------------|
| Washington Federal | | | |
| Pecos Valley Artesian Conservancy District | Interest bearing Checking | \$ 1,484,845 | \$ 1,484,845 |
| Pecos Valley Artesian Conservancy District | Interest bearing Checking | 1,042,305 | 1,042,305 |
| 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>3,527,150</u> | <u>\$ 3,527,150</u> |
| | Less: FDIC coverage | (250,000) | |
| | Amount uninsured | \$ 3,277,150 | |
| | 50% collateral requirement | 1,638,575 | |
| | Pledged securities | 2,133,184 | |
| | Over (Under) requirement | <u>\$ 494,609</u> | |

The following securities are pledged:

| Description | CUSIP # | Market Value | Maturity Date | Location |
|-------------|-----------|---------------------|---------------|------------|
| GNMA | 3620E0NW2 | \$ 2,133,184 | 08/20/2061 | FHLB in |
| | | <u>\$ 2,133,184</u> | | Dallas, TX |

STATE OF NEW MEXICO
PECOS VALLEY ARTESIAN CONSERVANCY DISTRICT
Notes to the Financial Statements
June 30, 2015

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

| <u>Depository Account</u> | <u>Bank Balance</u> |
|--|-------------------------|
| Insured | \$ 500,000 |
| Collateralized | |
| Collateral held by the pledging bank in District's name | 5,484,123 |
| Uninsured and uncollateralized | 4,265,565 |
| Total Deposits | <u>\$ 10,249,688</u> |

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, 2015, \$4,755,309 of the Districts bank balances were exposed to custodial credit risk.

B. Taxes Receivable

Receivables as of June 30, 2015, were as follows:

| <u>Receivables</u> | <u>Total</u> |
|--------------------|-------------------|
| Property Taxes | |
| Available | \$ 54,846 |
| Unavailable | 173,762 |
| | <u>\$ 228,608</u> |

C. Capital Assets

| | <u>Beginning Balance 6/30/14</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance 6/30/15</u> |
|---------------------------------------|--|---------------------|------------------|---------------------------------------|
| Capital Assets, not being Depreciated | | | | |
| Land | \$ 61,405 | \$ 0 | \$ 0 | \$ 61,405 |
| Water Rights | 3,959,628 | 7,746,828 | 0 | 11,706,456 |
| Construction in Progress | 48,695 | 0 | 48,695 | 0 |
| Capital Assets, being Depreciated | | | | |
| Buildings & Improvements | 328,192 | 66,252 | 0 | 394,444 |
| Meters | 750,782 | 156,378 | 0 | 907,160 |
| Field Equipment | 105,452 | 6,567 | 0 | 112,019 |
| Office Furniture & Equipment | 320,209 | 860 | 0 | 321,069 |
| Vehicles & Drilling Rig | 398,004 | 4,895 | 0 | 402,899 |
| Total Capital Assets | <u>5,972,367</u> | <u>7,981,780</u> | <u>48,695</u> | <u>13,905,452</u> |
| Less Accumulated Depreciation | | | | |
| Buildings & Improvements | 116,186 | 14,545 | 0 | 130,731 |
| Meters | 372,271 | 60,477 | 0 | 432,748 |
| Field Equipment | 44,916 | 6,697 | 0 | 51,613 |
| Office Furniture & Equipment | 302,840 | 4,976 | 0 | 307,816 |
| Vehicles & Drilling Rig | 152,067 | 29,925 | 0 | 181,992 |
| Total Accumulated Depreciation | <u>988,009</u> | <u>116,620</u> | <u>0</u> | <u>1,104,900</u> |
| | <u>\$ 4,984,358</u> | <u>\$ 7,865,160</u> | <u>\$ 48,695</u> | <u>\$ 12,800,552</u> |

STATE OF NEW MEXICO
PECOS VALLEY ARTESIAN CONSERVANCY DISTRICT
Notes to the Financial Statements
June 30, 2015

Depreciation expense was charged to governmental activities as follows:

| | |
|-----------------------------|-------------------|
| Unallocated | \$ 116,620 |
| Total depreciation expenses | <u>\$ 116,620</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 6/30/14 | New Loans Issued | Principal Received | Ending Balance 6/30/15 |
|---------------------------------|---------------------|-----------------------|------------------------------|
| \$ <u>1,978,293</u> | \$ <u>347,160</u> | \$ <u>(550,579)</u> | \$ <u>1,774,874</u> |

C. Long Term Debt and Other Liabilities

A summary of activity is as follows:

| | Beginning Balance 6/30/14 | Increases | Reductions | Ending Balance 6/30/15 |
|----------------------|---------------------------------|---------------------|--------------------|------------------------------|
| Loans | \$ <u>0</u> | \$ <u>5,300,000</u> | \$ <u>0</u> | \$ <u>5,300,000</u> |
| Compensated Absences | \$ <u>25,670</u> | \$ <u>21,396</u> | \$ <u>(22,980)</u> | \$ <u>24,086</u> |

The loans consist of two loans from First American Bank for the purchase of water rights.

| | Original Amount | Interest Rate | Maturity Date | Balance |
|-----------------------|--------------------|---------------|---------------|---------------------|
| Note Number 430503570 | \$ 3,000,000 | 4.25% | 02/10/2025 | \$ 3,000,000 |
| Note Number 430503571 | 2,300,000 | 4.25% | 04/21/2025 | 2,300,000 |
| | | | | <u>\$ 5,300,000</u> |

The debt service requirements to maturity are as follows:

| | Principal | Interest | Total |
|-----------|---------------------|---------------------|---------------------|
| 2016 | \$ 388,325 | \$ 275,922 | \$ 664,247 |
| 2017 | 457,458 | 206,789 | 664,247 |
| 2018 | 477,382 | 186,865 | 664,247 |
| 2019 | 498,174 | 166,073 | 664,247 |
| 2020 | 519,491 | 144,756 | 664,247 |
| 2021-2022 | 2,959,170 | 362,064 | 3,321,234 |
| | <u>\$ 5,300,000</u> | <u>\$ 1,342,469</u> | <u>\$ 6,642,469</u> |

IV. Other Information

A. Retirement Plan

Summary of Significant Accounting Policies

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 New Mexico Public Employees Retirement Association (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 payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C- 1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

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

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

Contributions. The contribution requirements of defined benefit plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf. The PERA coverage options that apply to District are Municipal Plan 1. Statutorily required contributions to the pension plan from the District were \$34,581 for the year ended June 30, 2015.

STATE OF NEW MEXICO
PECOS VALLEY ARTESIAN CONSERVANCY DISTRICT
Notes to the Financial Statements
June 30, 2015

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

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

For PERA Fund Division Municipal Plan 2 at June 30, 2015, the District reported a liability of \$328,428 for its proportionate share of the net pension liability. At June 30, 2014, the District's proportion was 0.0421 percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the District recognized PERA Fund Division Municipal Plan 2 pension expense of \$13,702. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| | <u> </u> | <u> </u> |
| Differences between expected and | \$ 0 | \$ 0 |
| Changes of assumptions | 0 | (223) |
| and actual earnings on pension plan investments | 0 | 0 |
| Changes in proportion and differences between the District's | | (128,489) |
| District's contributions subsequent | 34,581 | 0 |
| Total | <u>\$ 34,581</u> | <u>\$ (128,712)</u> |

STATE OF NEW MEXICO
PECOS VALLEY ARTESIAN CONSERVANCY DISTRICT
Notes to the Financial Statements
June 30, 2015

\$34,581 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | |
|---------------------|---------------------|
| 2016 | \$ (32,178) |
| 2017 | (32,178) |
| 2018 | (32,178) |
| 2019 | (32,178) |
| Total | <u>\$ (128,712)</u> |

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

| | |
|--------------------------------|--|
| Actuarial valuation date | June 30, 2013 |
| Actuarial cost method | Entry age normal |
| Amortization method | Level percentage of pay |
| Amortization period | Solved for based on statutory rates |
| Asset valuation method | Fair value |
| Actuarial assumptions: | |
| (1) Investment rate of return | 7.75% annual rate, net of investment expense |
| (2) Payroll growth | 3.50% annual rate |
| (3) Projected salary increases | 3.50 to 14.25% annual rate |
| (4) Includes inflation at | 3.00% annual rate |

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

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

STATE OF NEW MEXICO
PECOS VALLEY ARTESIAN CONSERVANCY DISTRICT
Notes to the Financial Statements
June 30, 2015

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 District's proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the District's net pension liability in the Municipal Plan 2 and Police 5 PERA Fund Divisions 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.

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|---|------------------------|-------------------------------------|------------------------|
| The District's proportionate share of the net pension liability | \$ 619,155 | \$ 328,428 | \$ 103,822 |

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 [tp://www.pera.state.nm.us/publications.html](http://www.pera.state.nm.us/publications.html).

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 November 13, 2015 which is the date of the financial statements.

E. Restatement

Net Position was restated \$(443,438) for pension liability balance at the end of the prior year.

F. Budget Violation

The District has maintained expenditures at the function level in which actual expenditures exceeded budgetary authority in the following funds:

| | Budget | | | Over Budget |
|--------------------|--------------|--------------|---------------|----------------|
| | Original | Final | Actual | |
| Total Expenditures | \$ 5,794,428 | \$ 5,794,428 | \$ 10,159,442 | \$ (4,365,014) |

REQUIRED SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
PECOS VALLEY ARTESIAN CONSERVANCY DISTRICT
Schedules of Required Supplementary Information for Pension Plan
For the Year Ended June 30, 2015

Schedule of the District's Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

| | 2015 |
|---|------------|
| District's proportion of the net pension liability | 0.04210% |
| District's proportionate share of the net pension liability | \$ 328,428 |
| District's covered-employee payroll | \$ 341,722 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 96.11% |
| Plan fiduciary net position as a percentage of the total pension liability | 81.29% |

Schedule of District's Contributions

Last 10 Fiscal Years*

| | 2015 |
|--|------------|
| Contractually required contribution | \$ 34,581 |
| Contributions in relation to the contractually required contribution | 34,581 |
| Contribution deficiency (excess) | \$ 0 |
| District's covered-employee payroll | \$ 341,722 |
| Contributions as a percentage of covered-employee payroll | 10.12% |

* These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Notes to Required Supplementary Information for Pension Plan

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_District_2014.pdf.

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

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

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

OTHER SUPPLEMENTAL INFORMATION

PECOS VALLEY ARTESIAN CONSERVANCY DISTRICT

Vendor Schedule

For the Year Ended June 30, 2015

There were no vendors that met the reporting criteria for this entity for the Fiscal year ending June 30, 2015.

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. Tim Keller

State Auditor of the State of New Mexico

Board of Supervisors of the Pecos Valley Artesian Conservancy District

Mr. Keller 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 13, 2015.

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. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies. 2015-001

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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Responses; 2015-001.

The District's Responses to Findings

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

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.

De'Ann Willoughby, CPA PC

Clovis, New Mexico
November 13, 2015

Prior Year Audit Findings

None

Current Year Audit Findings

2015-001 Budget Violations-Compliance and Internal Control-Significant Deficiency

The District has maintained expenditures at the function level in which actual expenditures exceeded budgetary authority in the following funds:

| | Budget | | Actual | Over Budget |
|-----------------------|-----------|-----------|---------------|----------------|
| | Original | Final | | |
| Total Expenditures \$ | 5,794,428 | 5,794,428 | \$ 10,159,442 | \$ (4,365,014) |

Criteria

Sound financial management and state regulation 1978 Comp. Sections 6-6-7 through 6-6-10 budgets not be exceeded at the legal level of control. For this District, the expenditure function is the legal level of control.

Cause

Management decided to purchase additional water rights near the end of the fiscal year. The needed budget amendment was an oversight.

Effect

As a result, the District is in non compliance with New Mexico law, and the control established by the use of budgets has been compromised. Continued over-spending of budgeted balances may result in unnecessary usage of operating funds to absorb the over-expenditures.

Recommendation

The District should establish a policy of budgetary review and make the necessary budget adjustments.

Response

We will monitor the budget more closely and amend it as necessary. The secretary is responsible for this issue and expects the finding to be resolved by the end of the fiscal year.

Financial Statement Preparation

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

Exit Conference

An exit conference was held on November 13, 2015 present was Richard Smith-Secretary/Treasurer, Mike Fallwell-Assistant Secretary/Treasurer, Aron Balok, Manager, Patty Barresi-Secretary and De'Aun Willoughby, CPA.