



Pecos Valley Artesian Conservancy District
Roswell, New Mexico

Annual Financial Report
June 30, 2017

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



Pecos Valley Artesian Conservancy District
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Pecos Valley Artesian Conservancy District
Official Roster
June 30, 2017

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	Superintendent
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 comparison for the general fund of the Pecos Valley Artesian Conservancy District (District), as of and for the year ended June 30, 2017, 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, 2017, 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2017, 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 7, 2017

Pecos Valley Artesian Conservancy District
Government-Wide Statement of Net Position
June 30, 2017

Assets	
Current Assets	
Cash in Banks	\$ 8,446,128
Property Taxes Receivable	348,057
Interest Receivable	24,756
Inventory	62,240
Prepaid Expenses	47,368
Current Amount of Loans Receivable	290,319
Total Current Assets	<u>9,218,868</u>
Noncurrent Assets	
Capital Assets	
Land	61,405
Water Rights	17,312,216
Buildings & Improvements	423,669
Meters	1,034,209
Vehicles & Equipment	1,553,498
Less Accumulated Depreciation	(1,349,872)
Total Capital Assets	<u>19,035,125</u>
Conservation Loans Receivable	1,143,760
Total Assets	<u>29,397,753</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Actuarial Experience	35,603
Investment Experience	131,109
Changes of Assumptions	41,783
Changes in Proportion	15,833
Contributions Subsequent to Measurement Date	38,354
Total Deferred Outflows of Resources	<u>262,682</u>
Liabilities and Net Position	
Current Liabilities	
Accounts Payable	36,421
Compensated Absences	32,726
Current Amount Due of Long-Term Debt	335,053
Total Current Liabilities	<u>404,200</u>
Noncurrent Liabilities	
Pension Liability	712,558
Notes and Loans	3,197,660
Less Current Amount Due	(335,053)
Total Noncurrent Liabilities	<u>3,575,165</u>
Total Liabilities	<u>3,979,365</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	
Actuarial Experience	6,955
Changes of Assumptions	118
Total Deferred Inflows of Resources	<u>7,073</u>
Net Position	
Net Investment in Capital Assets	15,837,465
Restricted for Loans	
Unrestricted	9,836,532
Total Net Position	<u>\$ 25,673,997</u>

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

Pecos Valley Artesian Conservancy District
 Government-Wide Statement of Activities
 For the Year Ended June 30, 2017

Program Expenditures		
Personnel Services	\$	758,870
Legal & Professional Fees		452,678
Water Management Expenses		457,892
Operating Expenses		420,421
Interest Expense		226,265
Depreciation		142,943
Total Expenses		<u>2,459,069</u>
Net Program (Expenditures) Revenue		<u>(2,459,069)</u>
General Revenues		
Property Taxes		5,165,612
Interest Income		68,366
Other		189,165
Total General Revenues		<u>5,423,143</u>
Change in Net Position		<u>2,964,074</u>
Net Position at Beginning of Year		22,656,067
Restatement		53,856
Restated Beginning Net Position		<u>22,709,923</u>
Net Position at End of Year	\$	<u><u>25,673,997</u></u>

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

Pecos Valley Artesian Conservancy District

Balance Sheet

June 30, 2017

Assets

Cash in Banks	\$ 8,446,128
Property Taxes Receivable	348,057
Interest Receivable	24,756
Inventory	62,240
Prepaid Expenses	47,368
Total Assets	<u>\$ 8,928,549</u>

Liabilities

Current Liabilities

Accounts Payable	\$ 36,421
Total Current Liabilities	<u>36,421</u>

Deferred Inflows of Resources

Unavailable Revenue	267,494
Total Deferred Inflows of Resources	<u>267,494</u>

Fund Balances

Nonspendable-Inventory	62,240
Unassigned	8,562,394
Total Fund Balances	<u>8,624,634</u>

Total Liabilities and Deferred Inflows of Resources

\$ 8,928,549

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

Pecos Valley Artesian Conservancy District
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 June 30, 2017

Total Fund Balance - Governmental Funds	\$	8,624,634
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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.		267,494
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Capital Assets	\$ 20,384,997	
Accumulated Depreciation	<u>(1,349,872)</u>	19,035,125

Conservation loans are not collectible in the current period and therefore are not reported as assets in the funds.		1,434,079
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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	262,682	
Deferred Inflows Related to Pensions	<u>(7,073)</u>	255,609

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	(3,197,660)	
Pension Liability	(712,558)	
Compensated Absences	<u>(32,726)</u>	<u>(3,942,944)</u>

Total Net Position - Governmental Activities	\$	<u><u>25,673,997</u></u>
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The notes to the financial statements are an integral part of this statement.

Pecos Valley Artesian Conservancy District
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2017

Revenues		
Property Taxes	\$	5,182,782
Interest Income		68,366
Other		205,031
		<u>5,456,179</u>
Expenditures		
Current		
Salaries		401,912
Employee Benefits		309,263
Legal & Professional Fees		452,678
Water Management		457,892
Equipment Maintenance		16,803
Fuel		11,427
Government Affairs		15,050
Insurance		62,712
Meters and Supplies		59,767
Maintenance		11,105
Miscellaneous		339
Office		8,403
Plugging Expenses		26,959
Public Relations		4,013
Services		15,871
Subscriptions & Memberships		4,207
Shop Supplies		5,958
Tax Collection Expenses		51,652
Training, Meeting		29,741
Travel		83,404
Utilities		13,010
Capital Outlay		5,024,921
Total Expenditures		<u>7,067,087</u>
Excess (Deficiency) of Revenues Over Expenditures		<u>(1,610,908)</u>
Other Financing Sources (Uses)		
Principal Collected on Loans		439,595
Loan Proceeds		3,860,000
New Loans Made		(326,472)
Principal Paid on Loans		(2,405,833)
Interest Expense		(226,265)
Total Other Financing Sources (Uses)		<u>1,341,025</u>
Net Change in Fund Balance		(269,883)
Fund Balances at Beginning of Year		<u>8,894,517</u>
Fund Balance End of Year	\$	<u><u>8,624,634</u></u>

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

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, 2017

Net Change in Fund Balance-Governmental Funds		\$	(269,883)
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, 2016	\$	(284,664)	
Deferred Taxes Receivable, June 30, 2017		<u>267,494</u>	(17,170)
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		(142,943)	
Capital Outlays		<u>5,024,921</u>	4,881,978
All of the proceeds received for the sale of capital assets is revenue in the governmental funds, but only the profit on the sale of capital assets is revenue in the Statement of Activities.			
Proceeds from the Sale of Capital Assets		(35,800)	
Profit on the Sale of Capital Assets		<u>19,934</u>	(15,866)
New loans borrowed are other financing sources in the governmental funds, but they increase long-term liabilities and repayment of loan principal is an other financing source in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.			
New Loans Borrowed		(3,860,000)	
Principal Paid on Loans		<u>2,405,833</u>	(1,454,167)
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		326,472	
Principal Collected		<u>(439,595)</u>	(113,123)
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		38,354	
Pension Expense		<u>(83,149)</u>	(44,795)
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, 2016		29,826	
Compensated Absences, June 30, 2017		<u>(32,726)</u>	(2,900)
Changes in Net Position of Governmental Activities		<u>\$</u>	<u><u>2,964,074</u></u>

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

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, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	\$ 5,100,000	\$ 5,100,000	\$ 5,165,196	\$ 65,196
Interest Income	75,000	75,000	94,960	19,960
Principal Collected	435,000	435,000	439,595	4,595
Other	44,000	44,000	205,031	161,031
Loan Proceeds	3,860,000	3,860,000	3,860,000	0
Total Revenue	9,514,000	9,514,000	9,764,782	250,782
Expenditures				
Salaries	408,866	408,866	401,912	6,954
Benefits	315,845	315,845	309,263	6,582
Professional Fees	407,000	407,000	472,917	(65,917)
Water Management	684,700	684,700	457,892	226,808
Capital Outlay	5,968,003	5,968,003	5,024,921	943,082
Equipment Maintenance	25,000	25,000	17,252	7,748
Fuel	30,000	30,000	11,733	18,267
Government Affairs	25,000	25,000	15,050	9,950
Insurance	65,000	65,000	73,877	(8,877)
Interest	377,003	377,003	226,265	150,738
Maintenance	25,000	25,000	12,095	12,905
Meter Supplies	150,000	150,000	62,240	87,760
Miscellaneous	800	800	339	461
New Loans Made	350,000	350,000	326,472	23,528
Office	7,000	7,000	8,054	(1,054)
Plugging Expenses	100,000	100,000	33,039	66,961
Public Relations	7,000	7,000	4,013	2,987
Services	30,000	30,000	16,224	13,776
Shop Supplies	10,000	10,000	5,237	4,763
Subscriptions & Memberships	6,000	6,000	4,507	1,493
Tax Collection Expenses	60,000	60,000	51,652	8,348
Training and Meetings	50,000	50,000	26,569	23,431
Travel	100,000	100,000	85,011	14,989
Utilities	15,000	15,000	12,930	2,070
Principal Paid	2,000,000	2,000,000	2,405,833	(405,833)
Total Expenditures	11,217,217	11,217,217	10,065,297	1,151,920
Excess (Deficiency) of Revenues Over Expenditures	(1,703,217)	(1,703,217)	(300,515)	1,402,702
Cash Balance Beginning of Year	8,746,643	8,746,643	8,746,643	0
Cash Balance End of Year	\$ 7,043,426	\$ 7,043,426	\$ 8,446,128	\$ 1,402,702
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (300,515)	
Net Change in Taxes Receivable			416	
Net Change in Interest Receivables			(26,594)	
Net Change in Inventory			(282)	
Net Change in Prepaid Expenses			11,164	
Net Change in Accounts Payable			28,758	
Net Change in Unavailable Revenue			17,170	
Change in Fund Balance-GAAP Basis			\$ (269,883)	

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 Chaves County, New Mexico on January 11, 1932 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.

Pecos Valley Artesian Conservancy District
Notes to the Financial Statements
June 30, 2017

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 \$32,726 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, 2017.

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.

Pecos Valley Artesian Conservancy District
Notes to the Financial Statements
June 30, 2017

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

	Account Type	Bank Balance 6/30/17	Reconciled Balance 6/30/17
First American Bank			
Pecos Valley Artesian Conservancy District	Non-interest Checking	\$ 11,618	\$ 2,783
Pecos Valley Artesian Conservancy District	Interest bearing Checking	1,709,666	1,709,666
Pecos Valley Artesian Conservancy District	Non-interest Checking	1,000	1,000
Pecos Valley Artesian Conservancy District	Interest bearing Checking	2,095,854	2,095,854
Pecos Valley Artesian Conservancy District	Interest bearing Checking	1,102,093	1,102,093
		<u>4,920,231</u>	<u>\$ 4,911,396</u>
	Less: FDIC coverage	(500,000)	
		4,420,231	
	50% collateral requirement	2,210,116	
	Pledged securities	4,472,056	
	Over (Under) requirement	<u>\$ 2,261,941</u>	

The following securities are pledged:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
Los Lunas SD 1 NM 26	545562RA0	\$ 856,560	07/15/26	FHLB in
Mosquero SD#5 NM26	619636EW9	268,743	10/15/26	Dallas, TX
Dulce NM USD #21	264430KK4	60,135	09/01/18	
Bernalillo SD	085279RRO	397,714	08/01/25	
Clovis Muni SD #1-A NM 28	189414KY0	809,604	08/01/28	
Taos NM Municipal SD	876014FF3	404,216	09/01/20	
San Juan CNTY NM CENT	798359HT5	902,133	08/01/21	
Lea Cnty NM School District	521570AS0	511,210	10/01/21	
Alamogordo, NM	011446FX4	261,743	08/01/21	
		<u>\$ 4,472,056</u>		

	Account Type	Bank Balance 6/30/17	Reconciled Balance 6/30/17
Washington Federal			
Pecos Valley Artesian Conservancy District	Interest bearing Checking	\$ 1,405,630	\$ 1,405,630
Pecos Valley Artesian Conservancy District	Interest bearing Checking	1,129,102	1,129,102
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>3,534,732</u>	<u>\$ 3,534,732</u>
	Less: FDIC coverage	(250,000)	
	Amount uninsured	\$ 3,284,732	
	50% collateral requirement	1,642,366	
	Pledged securities	1,903,019	
	Over (Under) requirement	<u>\$ 260,653</u>	

The following securities are pledged:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FNMA PL#BC2636	3140EW4W2	\$ 1,903,019	11/01/46	FHLB in
		<u>\$ 1,903,019</u>		Dallas, TX

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

Pecos Valley Artesian Conservancy District
Notes to the Financial Statements
June 30, 2017

Depository Account	Bank Balance
Insured	\$ 750,000
Collateralized	
Collateral held by the pledging bank in District's name	6,323,250
Uninsured and uncollateralized	1,381,713
Total Deposits	\$ 8,454,963

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, 2017, \$1,381,713 of the District's bank balances were exposed to custodial credit risk.

B. Taxes Receivable

Receivables as of June 30, 2017, were as follows:

Receivables	Total
Property Taxes	
Available	\$ 80,563
Unavailable	267,494
	\$ 348,057

C. Capital Assets

	Beginning Balance 6/30/16	Additions	Adjustments/ Deletions	Ending Balance 6/30/17
Capital Assets, not being Depreciated				
Land	\$ 61,405	\$ 0	\$ 0	\$ 61,405
Water Rights	12,908,394	4,403,822	0	17,312,216
Construction in Progress	19,095	10,131	(29,226)	0
Capital Assets, being Depreciated				
Buildings & Improvements	394,444	29,226	0	423,670
Meters	907,160	69,344	57,706	1,034,210
Field Equipment	112,019	8,500	0	120,519
Office Furniture & Equipment	321,068	0	0	321,068
Vehicles & Drilling Rig	613,090	533,124	(34,305)	1,111,909
Total Capital Assets	<u>15,336,675</u>	<u>5,054,147</u>	<u>(5,825)</u>	<u>20,384,997</u>
Less Accumulated Depreciation				
Buildings & Improvements	145,277	16,006	0	161,283
Meters	493,225	65,410	3,847	562,482
Field Equipment	58,311	7,263	0	65,574
Office Furniture & Equipment	312,792	3,880	0	316,672
Vehicles & Drilling Rig	211,917	50,383	(18,439)	243,861
Total Accumulated Depreciation	<u>1,221,522</u>	<u>142,942</u>	<u>(14,592)</u>	<u>1,349,872</u>
	\$ 14,115,153	\$ 4,911,205	\$ 8,767	\$ 19,035,125

Pecos Valley Artesian Conservancy District
Notes to the Financial Statements
June 30, 2017

Depreciation expense was charged to governmental activities as follows:

Unallocated	\$ 142,942
Total depreciation expenses	<u>\$ 142,942</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 6/30/16	New Loans Issued	Principal Received	Ending Balance 6/30/17
	\$ <u>1,547,202</u>	\$ <u>326,472</u>	\$ <u>(439,595)</u>	\$ <u>1,434,079</u>

C. Long Term Debt and Other Liabilities

A summary of activity is as follows:

	Beginning Balance 6/30/16	Increases	Reductions	Ending Balance 6/30/17
Loans	\$ <u>1,743,493</u>	\$ <u>3,860,000</u>	\$ <u>(2,405,833)</u>	\$ <u>3,197,660</u>
Compensated Absences	\$ <u>29,825</u>	\$ <u>24,951</u>	\$ <u>(22,050)</u>	\$ <u>32,726</u>

The loan consist of a loan from First American Bank for the purchase of water rights.

	Original Amount	Interest Rate	Maturity Date	Balance
Note Number 430503572	\$ <u>3,860,000</u>	5.25%	01/11/2024	\$ <u>3,197,660</u>
				\$ <u>3,197,660</u>

The debt service requirements to maturity are as follows:

	Principal	Interest	Total
2018	\$ 335,053	\$ 167,877	\$ 502,930
2019	350,514	150,287	500,801
2020	366,343	131,885	498,228
2021	383,594	112,652	496,246
2022	401,295	92,513	493,808
2023-2024	1,360,861	147,206	1,508,067
	<u>\$ 3,197,660</u>	<u>\$ 802,420</u>	<u>\$ 4,000,080</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 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's. 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

Public Employees Retirement 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 Officers, 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 Public Employees Retirement 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), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

Benefits Provided – Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

Tier II-The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

Pecos Valley Artesian Conservancy District
Notes to the Financial Statements
June 30, 2017

Contributions – The following tables illustrate the various coverage options under the PERA plan and the contribution rates effective during the year.

PERA Contribution Rates and Pension Factors as of July 1, 2016						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per Year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
State Plan 3	7.42 %	8.92 %	16.99 %	3.0 %	2.5 %	90 %
Municipal Plan 1 (plan open to new employers)	7.0 %	8.5 %	7.4 %	2.0 %	2.0 %	90 %
Municipal Plan 2 (plan open to new employers)	9.15 %	10.65 %	9.55 %	2.5 %	2.0 %	90 %
Municipal Plan 3 (plan closed to new employers 6/95)	13.15 %	14.65 %	9.55 %	3.0 %	2.5 %	90 %
Municipal Plan 4 (plan closed to new employers 6/00)	15.65 %	17.15 %	12.05 %	3.0 %	2.5 %	90 %
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.90%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

Pecos Valley Artesian Conservancy District

Notes to the Financial Statements

June 30, 2017

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions –

At June 30, 2017, the District reported a liability of \$712,558 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the District's proportion was 0.0446%, which was an increase of 0.0007% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$83,149. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 35,603	\$ 6,955
Net difference between projected and actual earnings on pension plan investments	131,109	0
Changes of assumptions	41,783	118
Changes in proportion and differences between the District's contributions and proportionate share of contributions	15,833	0
District's contributions subsequent to the measurement date	38,354	0
Total	<u>\$ 262,682</u>	<u>\$ 7,073</u>

\$38,354 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:

<u>Year ended June 30:</u>	
2017	\$ 50,331
2018	50,331
2019	83,259
2020	33,334
Total	<u>\$ 217,255</u>

Pecos Valley Artesian Conservancy District
Notes to the Financial Statements
June 30, 2017

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, Open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
(1) Investment rate of return	7.48% annual rate, net of investment expense
(2) Projected benefit payment	100 years
(3) Payroll growth	2.75% annual rate
(4) Projected salary increases	2.75% to 14.00% annual rate
(5) Includes inflation at	2.75% annual rate for the first 10 years and 2.75% all other years
(6) Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirements, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
(7) Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2015 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 allocation and 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
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets	20.00%	7.35%
Total	100.00%	

Pecos Valley Artesian Conservancy District
Notes to the Financial Statements
June 30, 2017

Discount rate. A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the employer name's proportionate share of the net pension liability calculated using the discount rate of 7.48 percent, as well as what the employer name's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48 percent) or 1-percentage-point higher (8.48 percent) than the current rate:

	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
The District's proportionate share of the net pension liability	\$ 1,062,371	\$ 712,558	\$ 422,415

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued PERA'S financial reports.

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. The administrative secretary husband cleans the office, total paid for the year totaled \$2,100.

D. Restatement

The Net Position was restated by \$53,859 to add meters to capital assets costing \$57,706 and accumulated depreciation of \$3,847 for depreciation that should have been included on the meters in the prior year audit. The meters were expensed incorrectly in the prior year.

E. Subsequent Events Review

The District has evaluated subsequent events through November 7, 2017 which is the date of the financial statements.

Required Supplemental Information

Pecos Valley Artesian Conservancy District
Schedules of Required Supplementary Information for Pension Plan
For the Year Ended June 30, 2017

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

Last 10 Fiscal Years*

	Fiscal Year Measurement Date	2015 2014	2016 2015	2017 2016
District's proportion of the net pension liability		0.04210%	0.04390%	0.04460%
District's proportionate share of the net pension	\$	328,428 \$	447,599 \$	712,558
District's covered-employee payroll	\$	362,105 \$	379,352 \$	401,618
liability as a percentage of its covered-employee payroll		90.70%	117.99%	177.42%
Plan fiduciary net position as a percentage of the total pension liability		81.29%	76.99%	69.18%

*Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the

Schedule of District's Contributions

Last 10 Fiscal Years*

		June 30,		
		2015	2016	2017
Contractually required contribution	\$	34,581 \$	36,228 \$	38,354
Contributions in relation to the contractually required		34,581	36,228	38,354
Contribution deficiency (excess)	\$	0 \$	0 \$	0
District's covered-employee payroll	\$	362,105 \$	379,352 \$	401,618
Contributions as a percentage of covered-employee		9.55%	9.55%	9.55%

*Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

Notes to Required Supplementary Information

Changes of benefit terms. The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>

Assumptions: The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2016 report is available at <http://www.nmpera.org/>

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

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, 2017, 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 7, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing 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.

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; 2016-001.

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 7, 2017

Prior Year Audit Findings

Status

2016-001 Certified Chief Procurement Officers

Repeated

Current Year Audit Findings

2016-001 Certified Chief Procurement Officers-Compliance and Other Matters

Condition

The District does not have a certified and registered CPO.

Management is making progress resolving this finding.

Criteria

NMAC 1.4.1.94 (D) - Chief procurement officer duties, responsibilities and obligations. On and after July 1, 2015, only certified chief procurement officers may: (1) make determinations, including determinations regarding exemptions, pursuant to the Procurement Code; (2) issue purchase orders and authorize small purchases pursuant to the Procurement Code; and (3) approve procurement pursuant to the Procurement Code; (4) provided that, persons using procurement cards may continue to issue purchase orders and authorize small purchases.

Cause

The administrative staff was unaware that they need to meet this requirement.

Effect

The purpose of the training was to improve the procurement process through gained knowledge.

Recommendation

Either the superintendent should obtain his chief procurement officer certificate and register with the New Mexico General Services Department.

Response

We will start the process of having the superintendent become the CPO and expect this will be resolved in the next fiscal year.

The superintendent is responsible for this finding and will obtain the CPO certificate before the end of the current fiscal year. He will also make sure that he is registered with the New Mexico General Services Department.

Financial Statement Preparation

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

Exit Conference

An exit conference was held on September 8, 2017 present was Richard Smith-Secretary/Treasurer, Mike Fallwell-Assistant Secretary/Treasurer, Patty Barresi-Secretary and De'Aun Willoughby, CPA.