

STATE OF NEW MEXICO
POJOAQUE VALLEY IRRIGATION DISTRICT

AUDITED FINACIAL STATEMENTS

JUNE 30, 2015

(with Independent Auditor's Report Theron)

FIDEL A. BERNAL, PC
CERTIFIED PUBLIC ACCOUNTANT
ALBUQUERQUE, NEW MEXICO

**State of New Mexico
Pojoaque Valley Irrigation District
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June 30, 2015**

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INTRODUCTORY SECTION

**State of New Mexico
Pojoaque Valley Irrigation District
June 30, 2015**

Board of Directors

Chairman

J. David Ortiz

Vice President

Flavio Gurule

Secretary-Treasurer

Horace Roybal

Administrative

Office Manager

Patsy Sandoval

FINANCIAL SECTION

Independent Auditor's Report

Mr. Tim Keller
New Mexico State Auditor
and
Members of the Board
Pojoaque Valley Irrigation District
Santa Fe, NM, New Mexico 87506

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the State of New Mexico, Pojoaque Valley Irrigation District (the 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. We also have audited the budgetary comparison and the reserve fund presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying financial statements as of and for the year ended June 30, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparison for the year ended June 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The District 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 GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

The Schedule of Proportionate Share of the Net Pension Liability on page 25, the Schedule of Contributions on page 26, and the notes to the required supplementary information on page 27 is 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 the 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 Information

Our audit was conducted for the purpose of forming opinions on Pojoaque Valley Irrigation District's financial statements, the budgetary comparisons. The Schedule of Expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the other schedules required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Vendor Information 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.

The Schedule of Expenditures of federal awards and other schedules required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures and other schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 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 considered the Districts' internal control over financial reporting and compliance.



Albuquerque, New Mexico
December 10, 2015

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
 Pojoaque Valley Irrigation District
 Proprietary Fund
 Statement of Net Position
 June 30, 2015

Exhibit-1

Assets	
Current assets:	
Cash and cash equivalents	\$ 916,136
Accounts receivable (net of allowance for for doubtful accounts)	114,212
Grants receivable	1,840,205
Total current assets	2,870,553
Noncurrent assets:	
Capital assets:	
Property, Plant & Equipment	2,815
Less accumulated depreciation	(2,815)
Total noncurrent assets	-
Deferred outflows of resources	
Employer contributions subsequent to measurement date	5,105
Total deferred outflows of resources	5,105
Total assets and deferred outflows of resources	\$ 2,875,658
Liabilities	
Current liabilities:	
Due within one year	
Accounts payable	\$ 353
Grants expense payable	3,150,583
Compensated absences	5,585
Accrued payroll & liabilities	2,184
Current portion of long-term debt	3,700
Total current liabilities	3,162,405
Noncurrent liabilities:	
Compensated absences	15,550
Net pension liability	20,448
General long term debt	59,200
Total noncurrent liabilities	95,198
Total liabilities	3,257,603
Deferred in flows of resources	
Change in assumption	35
Net difference between projected and actual investment earnings	52,232
Deferred revenue	14,863
Total deferred inflows of resources	67,130
Net Position	
Restricted	18,675
Unrestricted	(467,750)
Total net position	(449,075)
Total liabilities, deferred in flows of resources and net position	\$ 2,875,658

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

STATE OF NEW MEXICO
 Pojoaque Valley Irrigation District
 Proprietary Fund
 Statement of Revenues, Expenses and Changes in Net Position
 Year Ended June 30, 2015

Exhibit-2

Operating revenues:	
Assessments	\$ 285,804
Miscellaneous income	815
Dam Repayment	4,078
	<hr/>
Total operating revenues	290,697
	<hr/>
Operating expenses:	
Audit	2,675
Election	502
Legal & accounting	14,472
Maintenance- Building	141
Maintenance & Janitorial	536
Meeting	780
Milage	2,669
Miscellaneous	62
Office	223
Office equip	741
Office help	180
O & M Nambe Dam	34,478
O&M SJC	16,781
Payroll and related expenses	68,501
Postage	657
Utilities	4,489
Utilities-Nambe Dam	1,703
	<hr/>
Total operating expenses	149,590
	<hr/>
Operating income (loss)	141,107
	<hr/>
Nonoperating revenues (expenses):	
Grant income dam repair -federal	4,003,396
Grant expense dam repair -federal	(3,431,483)
Grant expense dam repair-state	(571,914)
Dam repair expense matching	(571,914)
Debt Service	(3,700)
Interest income	607
	<hr/>
Total nonoperating revenues (expenses)	(575,008)
	<hr/>
Income (loss)	(433,901)
	<hr/>
Change in net position	(433,901)
Net position - beginning	53,928
Net position restatement (note 9)	(69,102)
	<hr/>
Total net position - ending	\$ (449,075)
	<hr/> <hr/>

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

STATE OF NEW MEXICO
Pojoaque Valley Irrigation District
Proprietary Fund
Statement of Cash Flows
Year ended June 30, 2015

Exhibit 3

Cash flows from operating activities:	
Cash received from customer services and fees	\$ 302,853
Cash paid to and on behalf of employees	(70,497)
Cash paid to suppliers for goods and services	(80,494)
Net cash provided (used) by operating activities	<u>151,862</u>
Cash flows from investing activities:	
Net interest income	<u>607</u>
Net cash provided (used) by investing activities	<u>607</u>
Cash flows from capital and related financing activities:	
Debt service	(3,700)
Dam improvement Grant	2,163,191
Dam improvement expense	(1,424,789)
Net cash provided (used) by capital and related financing activities	<u>734,702</u>
Net increase (decrease) in cash and cash equivalents	887,170
Cash and cash equivalents at July 1, 2014	28,966
Cash and cash equivalents at June 30, 2015	<u>\$ 916,136</u>
Reconciliation of Operating Income to Net Cash provided (used by) Operating Activities	
Operating Income (Loss)	\$ (433,901)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:	
Intergovernmental grants	(734,702)
Interest income	(607)
Changes in assets and liabilities:	
(increase) decrease in:	
Accounts receivable	(2,708)
Prepaid insurance	
Grant receivable	(1,840,205)
(decrease) increase in:	
Payroll & liabilities payable	15,807
Loan payable	(7,400)
Restatement	1,432
Compensated absences	3,562
Grant expense	3,150,583
Net cash provided (used) by operating activities	<u>\$ 151,862</u>

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

STATE OF NEW MEXICO
Pojoaque Valley Irrigation District
Notes to Financial Statements
June 30, 2015

1. Function of the Entity

The Pojoaque Valley Irrigation District was organized pursuant to Sections 73-10-1 through 7-10-47 NMSA 1978 Compilation. The District is a governmental subdivision of the State of New Mexico and a body with all the powers of a public or quasi-municipal corporation. The District was formed to provide for the irrigation of lands within the area of the District in cooperation with the United States under the Federal Reclamation Laws. The District entered into an agreement with the United States Bureau of Reclamation for the purpose of the construction of irrigation works to maintain the irrigability of lands within the District's boundary. An elected Board of Directors governs the operations of the District.

2. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted (USGAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing US GAAP for state and local government accounting and financial reporting principles.

During the year ended June 30, 2015, the District adopted GASB Statements No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 (“GASB 68”), and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68 (“GASB 71”). These two Statements are required to be implemented at the same time. GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governments through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit plan, plan assets are also legally protected from creditors of the plan members.

GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. As a result of the implementation of GASB 68, the government recognized a net pension liability (“NPL”) measured as of a date no later than the end of its prior fiscal year.

STATE OF NEW MEXICO
Pojoaque Valley Irrigation District
Notes to Financial Statements
June 30, 2015

2. Summary of Significant Accounting Policies (continued)

If the government employer makes a contribution to the pension plan subsequent to the measurement date, but prior to the end of the current fiscal year, GASB 68 requires the government to recognize that contribution as a deferred outflow of resources. In addition, GASB 68 requires the recognition of deferred outflows of resources and deferred inflows of resources for changes in the NPL that arise from other types of events, but does not require the government to recognize beginning deferred outflows of resources or deferred inflows of resources if the amounts are not practical to estimate. At transition to Statement 68, Statement 71 requires the employer or nonemployer contributing entity to recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability, but before the start of the government's fiscal year, thus avoiding possible understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation. This pronouncement has materially impacted the financial statements and additional disclosures are included in the notes to the financial statements to highlight the effects.

A. Financial Reporting Entity

The District is special-purpose government created pursuant to statute and is comprised of an elected Board of Directors. The officers of the District are elected annually. The District is a governmental subdivision of the State of New Mexico and a body with all the powers of a public or quasi-municipal corporation and these financial statements include all funds and activities over which the District officers have oversight responsibility.

The officers of the District have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The District is not included in any other governmental reporting entity as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. There are no component units.

B. Basic Financial Statements - GASB Statement No. 34

The GASB Statement No. 34 reporting model focus is on either the District, as a whole, or major individual funds (within the fund financial statements). The District is a single-program government that engages in only business-type activities and has no component units.

Pursuant to GASB Statement No. 34, governments engaged only in business-type activities present only the financial statements for enterprise funds. For these governments, basic financial statements consist of:

STATE OF NEW MEXICO
Pojoaque Valley Irrigation District
Notes to Financial Statements
June 30, 2015

2. Summary of Significant Accounting Policies (continued)

B. Basic Financial Statements - GASB Statement No. 34 (continued)

(a) enterprise fund financial statements consisting of the statement of net position, the statement of revenues, expenses and changes in net position and the statement of cash flows, and (b) notes to the financial statements. The enterprise fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with its activities are reported. Enterprise fund equity is classified as net position. When an expense is incurred for purposes for which both restricted and unrestricted assets are available, the District first uses restricted resources and then unrestricted resources.

The District uses a proprietary fund to record all of its transactions.

The proprietary fund financial statements are reported using the economic resources measurement focus and 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Special assessment fees 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District enterprise fund is charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

STATE OF NEW MEXICO
Pojoaque Valley Irrigation District
Notes to Financial Statements
June 30, 2015

2. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Net Position, Revenues and Expenses

1. Cash

Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Assessments/Grants Receivable

Assessments receivable

Assessments receivable consists of revenue earned from assessments for water rights. The District has the option of collecting delinquent assessments by filing a lien against properties with delinquent accounts or filing a civil action against the delinquent property owners. Management has estimated that collection of \$21,512 of receivables is doubtful and has recorded an allowance for doubtful accounts in that amount.

Grants receivable

During the current year the District received two grants from the U.S. Government Federal Emergency Management Agency (FEMA) and matching grants from the New Mexico Department of Homeland Security and Emergency Management (NMDHS). At June 30, 2015 the following amounts were due the District.

FEMA	\$1,574,605
NMDHS	<u>265,600</u>
Total	<u>\$1,840,205</u>

3. Grants Expense Payable

During the current year the District received two grants from the U.S. Government Federal Emergency Management Agency (FEMA) and matching grants from the New Mexico Department of Homeland Security and Emergency Management (NMDHS). At June 30, 2015 the following amounts were due and payable to the vendors, \$3,150,583.

4. Capital Assets (Property, Plant and Equipment)

Depreciation of all exhaustible capital assets is charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. The capital assets at stated at cost less accumulated depreciation.

STATE OF NEW MEXICO
Pojoaque Valley Irrigation District
Notes to Financial Statements
June 30, 2015

2. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Net Position, Revenues and Expenses (continued)

5. Capital Assets (Property, Plant and Equipment) (continued)

Depreciation has been provided over the estimated useful lives using the straight-line method. The District's Policy is to capitalize all disbursements for equipment in excess of \$5,000.

The estimated useful lives assigned to these assets are as follows:

<u>Estimated lives</u>	<u>Years</u>
Furniture and fixtures	7
Computer Software	5

It is the policy of the District to capitalize the cost of Infrastructure assets (water and sewer lines). Interest incurred during the construction period of major projects is capitalized and depreciated over the estimated lives of the respective assets.

The District utilizes facilities and buildings that are owned by the United States Bureau of Reclamation. These assets and the related expense are not included in the accompanying financial statements. GASB 34 requires the recording and depreciation of infrastructure assets, such as roads, bridges, etc. The District does not own any infrastructure assets.

6. Deferred Inflows

Deferred revenues represent a liability for the District. Deferred revenues are used to account for amounts identified as assessments receivable that have not been received within 60 days of the end of the fiscal year and are accounted for on the modified accrual basis of accounting in the fund financial statements.

7. Revenues and Expenditures

The District currently assesses property owners at the rate of \$37.54 per acre for operation and maintenance and \$2.03 per acre for debt service. The assessment is levied during the first month of each fiscal year. Substantially all governmental fund revenues are accrued. Assessments are included as program revenues in the accompanying financial statements. Expenditures are recognized when the related fund liability is incurred. The exception is that principal on long-term debt is recognized when due.

8. Pensions

For the purposes of measuring the net pension liability, deferred outflows 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

STATE OF NEW MEXICO
Pojoaque Valley Irrigation District
Notes to Financial Statements
June 30, 2015

2. Summary of Significant Accounting Policies (continued)

- D. Assets, Liabilities, Net Position, Revenues and Expenses (continued)
8. Pensions (continued)

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.

3. Stewardship, Compliance and Accountability

By its nature as a government unit, the District is subject to various laws and contractual regulations. An analysis of the District's compliance with significant laws and regulations and demonstration of its stewardship over District resources follows:

Budgets and budgetary accounting

A budget for the Proprietary Fund is prepared by management and approved by the Board of Directors and the State Department of Finance and Administration. This budget is prepared on time Non-GAAP cash basis, excluding encumbrances, and secures appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

The budget process in time State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year. Actual expenditures may not exceed the budget on a line item basis, i.e., each budgeted expenditure must be within budgeted amounts. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a 'series', this may be accomplished with only local Board of Directors approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from State Department of Finance and Administration.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

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

- a. In April or May, the management submits to the Board of Directors a proposed operating budget of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the State Department of Finance and Administration.
- b. In May or June, the budget is approved by the Board of Directors.

STATE OF NEW MEXICO
 Pojoaque Valley Irrigation District
 Notes to Financial Statements
 June 30, 2015

3. Stewardship, Compliance and Accountability (continued)

- c. The board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called for.
- d. The management is authorized to transfer budgeted amounts between departments within any fund; however, the Board of Directors and the State Department of Finance and Administration must approve revisions that alter the total expenditure of the Proprietary Fund.
- e. Formal budgetary integration is employed as a management control device during the year.
- f. The budget for the Proprietary Fund is adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for budget purposes.

The Board of Directors may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending balances. The appropriated budget for the year ended June 30, 2015 had no amendments for the year:

	Original <u>Budget</u>	Final <u>Budget</u>
Proprietary Fund	\$ 149,615	\$ 3,710,299

4. Cash

State statutes authorize the investment of the District's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The District is also allowed to invest in United States Government obligations. All funds for the District must follow the above investment policies.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within time geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by time financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States Treasury bills of the same maturity on time day of deposit.

STATE OF NEW MEXICO
 Pojoaque Valley Irrigation District
 Notes to Financial Statements
 June 30, 2015

4. Cash (continued)

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

Investments for the District are reported at fair value. Cash on deposit and certificates of deposit with local banks are reported at cost, which reasonably estimates fair value. At year-end, the carrying amount of cash on deposit in local banks was \$916,136.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution.

At year-end the District was under insured by \$667,272.

The schedule listed below will meet the State of New Mexico Office of the State Auditor's requirements in reporting the insured and uninsured portion of deposits:

Depository	Account Name	Type of Account	Bank Balance
US Bank			
	Deposit Account – Operating	Non-interest bearing checking	\$ 606,743
	Deposit Account – FEMA	Non-interest bearing checking	134,998
	Deposit Account – Reserve	Interest bearing savings	175,531
		Total US Bank	<u>917,272</u>
		Less: FDIC coverage	<u>250,000</u>
		Total not federally insured	<u>\$ 667,272</u>
		Total cash in bank	\$ 917,272
		Add outstanding deposits	0
		Less outstanding checks	(1,136)
		Reconciled cash balance	<u>\$ 916,136</u>

STATE OF NEW MEXICO
Pojoaque Valley Irrigation District
Notes to Financial Statements
June 30, 2015

5. Capital Assets (Property, Plant and Equipment)

A summary of changes in the utility plant in service for the year ended June 30, 2015, are as follows:

	Balance <u>06-30-14</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>06-30-15</u>
Business type activities:				
Capital assets, being depreciated:				
Furniture & equipment	\$ 21,971	\$ -0-	\$ 19,156	\$ 2,815
Less accumulated depreciation	<u>(21,971)</u>	<u>-0-</u>	<u>19,156</u>	<u>(2,815)</u>
Business type activities				
capital assets, net	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

6. Long-term Liabilities

The District entered into a contract, number 14-06-500-1986, with the U. S. Bureau of Reclamation on October 30, 1972, to construct, operate and maintain the Nambe Dam and Reservoir. The Dam was constructed at a total cost of \$3,442,600 and was completed in 1974. The District has no ownership rights in the dam.

The cost of construction was allocated among various entities. The District's share of the cost of construction is specified in the agreement as \$285,000. Of this amount, \$100,000 is allocated to Indian land and is deferred and not currently payable. The balance of \$185,000 is payable in 50 equal installments of \$3,700. No interest accrues on the balance due to the U.S. Bureau of Reclamation. The balance at June 30, 2015 was \$62,900.

Contract number 14-06-500-1986 with the U. S. Bureau of Reclamation requires the maintenance of a reserve fund in the amount of \$16,000. Whenever the reserve fund is reduced below \$16,000, it shall be restored by the accumulation of annual deposits of \$2,000, commencing with the next year following that in which the fund is reduced below \$16,000. The funds current balance is \$18,675.

	Balance <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2015</u>	<u>Amounts Due in one Year</u>
Due to U.S. Bureau of Reclamation	\$ 66,600	\$ 0	\$ (3,700)	\$ 62,900	\$ 3,700

Long-term requirements to maturity are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2016	\$ 3,700
2017	3,700
2018	3,700
2019	3,700
2020	3,700
Thereafter	<u>44,400</u>
Total	<u>\$62,900</u>

The general fund has been used to liquidate long-term liabilities as they mature.

STATE OF NEW MEXICO
 Pojoaque Valley Irrigation District
 Notes to Financial Statements
 June 30, 2015

7. Compensated Absences

Permanent employees are granted annual leave according to a preset schedule. Sick leave also accrues to permanent employees according to a preset schedule. Employees are entitled to a preset maximum of accrued vacation leave and a percentage of sick leave upon termination. At June 30, 2015, the liability for unpaid annual and sick leave was \$21,135.

	Balance <u>6/30/14</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/15</u>	Due <u>one year</u>
Compensated absences payable	20,305	5,585	(4,755)	21,135	5,585

8. Pensions Plan – Public Employees Retirement Association

General Information about the Pension Plan. 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.

STATE OF NEW MEXICO
Pojoaque Valley Irrigation District
Notes to Financial Statements
June 30, 2015

8. Pensions Plan – Public Employees Retirement Association (continued)

Contributions. The contribution requirements of defined benefit plan members and Pojoaque Valley Irrigation 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 option that applies to Pojoaque Valley Irrigation District is: Municipal General Division (Municipal Plan 2). Statutorily required contributions to the pension plan from Pojoaque Valley Irrigation District were \$5,105 for the year ended June 30, 2015 and there were no employer paid members benefits that were “picked up” by the employer for the year ended June 30, 2015.

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

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978.

Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. Pojoaque Valley Irrigation 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 fiscal year 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

STATE OF NEW MEXICO
 Pojoaque Valley Irrigation District
 Notes to Financial Statements
 June 30, 2015

8. Pensions Plan – Public Employees Retirement Association (continued)

measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General, at June 30, 2015, Pojoaque Valley Irrigation District reported a liability of \$52,267 for its proportionate share of the net pension liability. At June 30, 2014, the District's proportion was 0.0067 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, Pojoaque Valley Irrigation District recognized PERA Fund Division Municipal General pension expense of \$2,181. At June 30, 2015, Pojoaque Valley Irrigation District reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -0-	\$ 35
Net difference between projected and actual earnings on pension plan Investments	-0-	20,448
Pojoaque Valley Irrigation District contributions subsequent to the measurement date	5,105	-0-
Total	<u>\$ 5,105</u>	<u>\$ 20,448</u>

\$5,105 reported as deferred outflows of resources related to pensions resulting from Pojoaque Valley Irrigation District 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. There were no other amounts reported as deferred outflows of resources. Deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (5,121)
2017	(5,121)
2018	(5,121)
2019	(5,121)
2020	-
Thereafter	-

STATE OF NEW MEXICO
 Pojoaque Valley Irrigation District
 Notes to Financial Statements
 June 30, 2015

8. Pensions Plan – Public Employees Retirement Association (continued)

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:	
Investment rate of return	7.75% annual rate, net of investment expense
Payroll growth	3.50% annual rate
Projected salary increases	3.50% to 14.25% annual rate
Includes inflation at	3.00% annual rate

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

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

STATE OF NEW MEXICO
 Pojoaque Valley Irrigation District
 Notes to Financial Statements
 June 30, 2015

8. Pensions Plan – Public Employees Retirement Association (continued)

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

PERA Fund Division	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Pojoaque’s proportionate share of the net pension liability	\$ 98,535	\$ 52,267	\$ 16,523

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at:

<http://www.pera.state.nm.us/publications.html>

Payables to the pension plan. At June 30, 2015 there were contributions due and payable to PERA for the District in the amount of \$0.

STATE OF NEW MEXICO
Pojoaque Valley Irrigation District
Notes to Financial Statements
June 30, 2015

9. Net Position Restatement

Compensated absences	\$ 8,317
Payroll taxes	(4,016)
Due to BOR	(7,400)
PERA payable	1,667
Implementation of GASB 71	<u>70,534</u>
Total Net Position Restatement	<u>\$(69,102)</u>

The District had not adjusted liability balances from prior years. The Implementation restatement was due to new GASB 71.

SUPPLEMENTARY INFORMATION

State of New Mexico
 Pojoaque Valley Irrigation District
 Proprietary Fund
 Schedule of Revenues, Expenses Budget and Actual (non-GAAP Budgetary Basis)
 For the year ended June 30, 2015

Exhibit-4

	Original Approved Budget	Final Approved Budget	Actual Amounts Budgetary-Basis	Variance Favorable (Unfavorable)
Revenues:				
Assessments	\$ 133,926	\$ 105,426	\$ 313,255	\$ 207,829
Dam Repayment	3,700	3,700	4,078	378
Total revenues	<u>137,626</u>	<u>109,126</u>	<u>317,333</u>	<u>208,207</u>
Expenses:				
Salaries	53,457	53,457	53,457	-
Salaries dam tender	8,833	8,833	6,868	1,965
PERA	5,346	5,346	6,751	(1,405)
Payroll Taxes	5,295	5,295	4,854	441
Election	500	500	502	(2)
Office Supplies	1,100	1,100	162	938
Office Help	200	200	180	20
Postage	750	750	657	93
Utilities	4,000	4,000	4,196	(196)
Janitorial	600	600	536	64
Building Maintenance	500	500	141	359
O & M Nambe Dam	34,478	34,478	34,478	-
O & M SJC	16,781	16,781	16,781	-
Office Machine Expenses	1,000	1,000	741	259
Audit	2,675	2,675	2,675	-
Utilities Nambe Dam	1,600	1,600	1,703	(103)
Mileage	5,000	5,000	2,670	2,330
Dam Repayment	3,700	3,700	3,700	-
Meeting	900	900	780	120
Nambe Dam Supplies and Repair	500	500	-	500
Office Equipment	500	500	-	500
Training	500	500	-	500
Dam tender help	400	400	-	400
Legal	1,000	1,000	14,473	(13,473)
Total operating expenses	<u>149,615</u>	<u>149,615</u>	<u>156,305</u>	<u>(6,690)</u>
Non-operating revenues and (expenses):				
Federal Funds (FEMA)		3,465,819	2,163,191	(1,302,628)
State Funds (NMDHS & EM)		44,865		(44,865)
State Funds (Severence Tax Bonds)	-	50,000	-	(50,000)
Construction Services		(3,385,684)	(1,301,600)	2,084,084
Professional Services		(175,000)	(123,189)	51,811
Total non-operating revenue & expenses	<u>0</u>	<u>0</u>	<u>738,402</u>	<u>738,402</u>
Excess (deficiency) of revenues and other sources over expenses and other uses	(11,989)	(40,489)	899,430	<u>\$ 939,919</u>
Prior year cash balance required to balance budget	<u>11,989</u>	<u>40,489</u>		
	<u>\$ 0</u>	<u>\$ 0</u>		
Reconciliation to GAAP basis				
Change in Accounts Receivable			(11,720)	
Change in Grants Receivable			1,840,205	
Change in Deferred Revenue			(14,863)	
Change in Interest Income			554	
Change in Payroll Expense Payable			3,429	
Change in Accounts Payable			(353)	
Change in Grants Expense Payable			(3,150,583)	
Change in Net Position (Exhibit 2)			<u>\$ (433,901)</u>	

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

Pojoaque Valley Irrigation District
 SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT)
 For the Year Ended June 30, 2015

RFB#/RFP#	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded	In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds	Brief Description of the Scope of Work
2014-001	RFP	Urban Trucking & Excavation, LLC	3,347,041	4,428,756	40 Los Arboles, Pena Blanca, NM 87041	In-State	N	To remove, haul 40,785 CY of sediment and debris from Nambe Falls Reservoir to an approved facility.
2014-001	RFP	N/A	N/A	N/A	Russell Sand & Gravel, Inc. , P.O. Box 296, Los Ojos, NM 87551	In-State	N	To remove, haul 40,785 CY of sediment and debris from Nambe Falls Reservoir at an approved facility.
2014-002	RFP	High Water Mark, LLC	172,601	172,601	P.O. Box 148, Cochiti Pueblo, NM 87072	In-State	N	Consulting Services for Emergency Flood Plain, Storm Water and Watershed Management.

STATE OF NEW MEXICO
 Pojoaque Valley Irrigation District
 Combining Statement of Net Position
 June 30, 2015

Assets	<u>Activities</u>	<u>Reserve Fund</u>	<u>Funds</u>
Current assets:			
Cash and cash equivalents	\$ 897,461	\$ 18,675	\$ 916,136
Accounts receivable (net of allowance for for doubtful accounts)	114,212	0	114,212
Grants receivable	1,840,205	0	1,840,205
Total current assets	<u>2,851,878</u>	<u>18,675</u>	<u>2,870,553</u>
Noncurrent assets:			
Capital assets:			
Property, Plant & Equipment	2,815	0	2,815
Less accumulated depreciation	<u>(2,815)</u>	<u>0</u>	<u>(2,815)</u>
Total noncurrent assets	<u>0</u>	<u>0</u>	<u>0</u>
Deferred outflows of resources			
Employer contributions subsequent to measurement date	5,105	0	5,105
Total deferred outflows of resources	<u>5,105</u>	<u>0</u>	<u>5,105</u>
Total assets and deferred outflows of resources	<u>\$ 2,856,983</u>	<u>\$ 18,675</u>	<u>\$ 2,875,658</u>
Liabilities			
Current liabilities:			
Due within one year			
Accounts payable	\$ 353	\$ 0	\$ 353
Grants expense payable	3,150,583	0	3,150,583
Compensated absences	5,585	0	5,585
Accrued payroll & liabilities	2,184	0	2,184
Current portion of long-term debt	<u>3,700</u>	<u>0</u>	<u>3,700</u>
Total current liabilities	<u>3,162,405</u>	<u>0</u>	<u>3,162,405</u>
Noncurrent liabilities:			
Compensated absences	15,550	0	15,550
Net pension liability	20,448	0	20,448
General long term debt	<u>59,200</u>	<u>0</u>	<u>59,200</u>
Total noncurrent liabilities	<u>95,198</u>	<u>0</u>	<u>95,198</u>
Total liabilities	<u>3,257,603</u>	<u>0</u>	<u>3,257,603</u>
Deferred in flows of resources			
Change in assumption	35	0	35
Net difference between projected and actual investment earnings	52,232	0	52,232
Deferred revenue	<u>14,863</u>	<u>0</u>	<u>14,863</u>
Total deferred inflows of resources	<u>67,130</u>	<u>0</u>	<u>67,130</u>
Net Position			
Restricted	0	18,675	18,675
Unrestricted	<u>(467,750)</u>	<u>0</u>	<u>(467,750)</u>
Total net position)	<u>(467,750)</u>	<u>18,675</u>	<u>(449,075)</u>
Total liabilities, deferred in flows of resources and net position)	<u>\$ 2,856,983</u>	<u>\$ 18,675</u>	<u>\$ 2,875,658</u>

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

STATE OF NEW MEXICO
 Pojoaque Valley Irrigation District
 Required Supplementary Information
 June 30, 2015

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY OF PERA FUND DIVISION – GENERAL
 Public Employees Retirement Association (PERA) Plan
 Last 10 Fiscal Years*

	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0067%
District's proportionate share of the net pension liability (asset)	\$ 52,267
District's covered-employee payroll	\$ 57,912
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	88.20%
Plan fiduciary net position as a percentage of the total pension liability	81.29%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Pojoaque Valley Irrigation District will present information for those years for which information is available.

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Pojoaque Valley Irrigation District
Required Supplementary Information
June 30, 2015

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
Public Employees Retirement Association (PERA) Plan
PERA Fund Division - General
Last 10 Fiscal Years*

	<u>2015</u>
Contractually required contribution	\$ 5,105
Contributions in relation to the contractually required contribution	\$ 5,105
Contribution deficiency (excess)	-
District's covered-employee payroll	\$ 57,912
Contributions as a percentage of covered-employee payroll	8.81%

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

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Pojoaque Valley Irrigation District
For the Year Ended June 30, 2015

Notes to Required Supplementary Information

Changes of benefit terms.

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

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

Changes of assumptions.

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2014 report is available at

[http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-](http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf)

[2014%20PERA%20Valuation%20Report_FINAL.pdf](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.

COMPLIANCE SECTION

**Report On Internal Control Over Financial
Reporting and On Compliance and Other Matters
Based On an Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards*
(No Material Weaknesses Identified; Significant Deficiencies and Reportable Instances of
Noncompliance, and Other Matters Identified)**

Independent Auditor's Report

Mr. Tim Keller
New Mexico State Auditor
and
Members of the Board
Pojoaque Valley Irrigation District
Santa Fe, NM, New Mexico 87506

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 business-type activities, the budgetary comparison and the reserve fund presented as supplemental information of Pojoaque Valley Irrigation District (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Districts' basic financial statements and have issued our report thereon dated December 10, 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 to determine the auditing 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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. 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 listed as items 2015-002 and 2015-003.

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 are described in the accompanying schedule of findings and responses as items 2015-001, 2015-002, and 2015-003.

The Districts Responses to Findings

The District's responses to the finding identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subject 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 result 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.



Albuquerque, New Mexico
December 10, 2015

Report On Compliance for Each Major Program
and on Internal Control Over Compliance Required by OMB Circular A-133
Independent Auditor's Report

Mr. Tim Keller
New Mexico State Auditor
And
Members of the Board
Pojoaque Valley Irrigation District
Santa Fe, New Mexico 87506

Report on Compliance for Each Major Federal Program

We have audited the District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Albuquerque, New Mexico
December 10, 2015

State of New Mexico
Pojoaque Valley Irrigation District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Program	Federal CFDA Number	Federal Grant/Project Number	Federal Expenditures
<u>U.S. Federal Emergency Management Agency</u>			
Pass-through New Mexico Department of Homeland Security and Emergency Management			
Public Assistance Disaster Grant	97.036	FEMA-4152-DR-NM	2,590,957
Public Assistance Disaster Grant	97.036	FEMA-4199-DR-NM	<u>840,526</u>
Total Expenditures of Federal Awards			<u>\$3,431,483</u>

Notes to Schedule of Expenditures of Federal Awards:

1) Basis of Presentation:

The accompanying schedule of expenditures of federal awards (schedule) is presented on the accrual basis of accounting, which is the same basis as was used to prepare the financial statements, however, the information is presented in accordance with the requirements of OMB Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations, therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2) The District did not provide any federal awards to sub-recipients grantees during the fiscal year.

3) The District did not receive any noncash assistance during the fiscal year.

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

State of New Mexico
POJOAQUE VALLEY IRRIGATION DISTRICT
Schedule Prior Years Findings
June 30, 2015

Prior Year Findings:

10-3	Journal Entries	Resolved
14-1	Budget Control of Expenditures	Resolved

STATE OF NEW MEXICO
Pojoaque Valley Irrigation District
Schedule of Findings and Questioned Costs
For The Fiscal Year Ended June 30, 2015

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements:

- | | | |
|----|--|------------|
| 1. | Type of auditors' report issued | Unmodified |
| 2. | Internal Control over financial reporting: | |
| | a. Material weakness identified? | NO |
| | b. Significant deficiencies identified not considered to be material weaknesses? | YES |
| | c. Noncompliance material to the financial statements noted | NO |

Federal Awards:

- | | | |
|----|--|--------------------|
| 1. | Internal control over major programs: | |
| | a. Material weaknesses identified? | NO |
| | b. Significant deficiencies identified not considered to be material weaknesses? | NO |
| 2. | Type of auditors' report issued on compliance for major programs | UNMODIFIED |
| 3. | Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | NO |
| 4. | Identification of major programs: | |
| | <u>Name of Federal Program</u> | <u>CFDA Number</u> |
| | NMDHSEM Disaster Assistance Program 4152 | 97.036 |
| | NMDHSEM Disaster Assistance Program 4199 | 97.036 |
| 5. | Dollar threshold used to distinguish between type A and B programs: \$300,000 | |
| 6. | Auditee qualified as low-risk auditee? | NO |

**State of New Mexico
Pojoaque Valley Irrigation District
Schedule of Findings and Responses
June 30, 2015**

CURRENT YEAR FINDINGS

2015-001 Audit Report (Other)

Condition:

The audit firm did not submit the audit report for the year ended June 30, 2015, by the due date for the District. Management has made no progress in this area.

Criteria:

The New Mexico State Auditor rules require that Special District audit reports be submitted by December 15th of each year. (SAO Rule 2.2.2.9 A (1) (d))

Cause:

The District did not submit the audit report by the due date of December 15, 2015, due to various reasons. There was a late start by the Auditor, due to some serious health problems by the staff and related family members and we had some difficulty in obtaining a response by the District's legal representation.

Effect:

The District is not in compliance with the New Mexico State Auditor Rules and Regulations.

Recommendation:

The Auditor needs to ensure that all future audit reports are up to date and filed in a timely manner.

Agency Response:

Concur with the Auditor's recommendation. The board will follow up with the Attorney to ensure a timely response to the Auditor in the future to eliminate this problem.

State of New Mexico
POJOAQUE VALLEY IRRIGATION District
Schedule of Findings and Responses-continued
June 30, 2015

2015-002 Internal control structure does not allow for adequate segregation of duties (Significant deficiency and other)

Condition:

District internal control related to financial reporting lacks segregation of duties between person receiving money and person recording the daily transactions. Management has not made any progress in this area.

Criteria:

Segregation of duties is part sound internal control structure.

Cause:

The district lacks the personnel to segregate duties. So the District's management has accepted the degree of risk associated with a known condition because of cost.

Effect:

Lack of segregation of duties may allow overrides of internal control to the detriment of the overall objectives of the system.

Recommendation:

We recommend that the District re-evaluate their internal control environment and/or appoint an audit committee to redesign internal control operations, in order to safeguard the District's assets.

Agency Response:

After a review and discussion in relation to the segregation of duties between receiving money and recording the daily transactions, the Board agreed that at this time with limited funds available for employing extra employees is beyond the District's means. We will continue to review and look at options so the District may in the future be able to improve in the financial internal control.

State of New Mexico
POJOAQUE VALLEY IRRIGATION DISTRICT
Schedule of Findings and Responses
June 30, 2015

2015-3 Bank Balance (Significant deficiency)

Condition:

The balance in their bank accounts at same bank was over \$250,000 at year end by \$667,273. The institution is insured by FDIC however; their coverage is limited to a maximum of \$250,000 per customer.

Criteria:

To insure that the assets of the organization are properly protected from loss the balance in any one account at any one financial institution should not exceed \$250,000 at any time. An organization can comply with State Statutes by having the bank pledge securities of at least 50% based upon credit worthiness to secure deposits over \$250,000. (6-10-16 to 6-10-19 NMSA 1978)

Cause:

The District was not aware that the balance in the account would exceed \$250,000 at year end until after the books were closed for the period.

Effect:

The possibility that a financial institution being declared insolvent is a very real threat in the present economic condition in the U.S., thus if the institution where the funds are kept becomes insolvent, the FDIC only insures an account up to a limit of \$250,000 maximum so any amount in excess of \$250,000 is at risk of being lost because it is not insured.

Recommendation:

We recommend that another account be established at another institution so as the balance in the checking account can be kept under the insured limit of the FDIC, or some other safeguards be established to minimize the risk of loss to the organization for amounts over the uninsured amount of the account.

Agency Response:

Concur: The Board concurs with the Auditor's recommendation and will take steps to correct the above finding. The Board will immediately implement procedures to monitor bank balances and will take appropriate action to keep balances within the F.D.I.C. limit.

**State of New Mexico
Pojoaque Valley Irrigation District
Exit Conference
June 30, 2015**

Exit Conference:

An exit conference was held on December 28, 2015:

Representing Pojoaque Valley Irrigation District was:

David Ortiz,	Chairman (Current)
Edward Lucero	Chairman (Elect)
Patsy Sandoval	Office Manager
Marcella Ortiz	Office Manager (new)

Representing the firm of Fidel A. Bernal, P.C. was:

Fidel A. Bernal, CPA

Vanessa Bernal, Office Manager

Report Drafting

The financial statements, accompanying notes, and independent auditor's reports were drafted by Fidel A. Bernal, P.C.; however, maintaining the audited books and records is the responsibility of management. Accordingly, management is responsible for ensuring that these books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are current and in balance.