

STATE OF NEW MEXICO  
ARENAS VALLEY WATER ASSOCIATION  
TIER 6 AGREED UPON PROCEDURES REPORT  
FOR THE YEAR ENDED JUNE 30, 2018

STATE OF NEW MEXICO  
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES  
TABLE OF CONTENTS  
FOR THE YEAR ENDED JUNE 30, 2018

	<b>Page</b>
TABLE OF CONTENTS	
OFFICIAL ROSTER	1
INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES	2
AGREED UPON PROCEDURES:	
Schedule of Procedures and Results	3 - 11
Schedule of Revenues, Expenditure, and Changes in Cash Balance - Budget(Non-GAAP Budgetary Basis) and Actual on Budgetary Basis With Reconciliation to GAAP	12 - 13
Copy of Year-End Financial Report to DFA	14 - 16
Schedule of Findings and Responses	17 - 20

STATE OF NEW MEXICO  
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
OFFICIAL ROSTER  
JUNE 30, 2018

**Board of Directors**

<b>NAME</b>	<b>TITLE</b>
Delbert Fulfer	Board President
Gilbert Miera	Vice President
C. Jay Wysong	Secretary/ Treasurer
Cray Werner	Board Representative
Luis Terrazas	Board Representative

**Administrative Staff**

Julie Dubiskas	Office Manager
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# Beasley, Mitchell & Co.

Certified Public Accountants

Christine Wright, CPA, Partner  
Brad Beasley, CPA, Partner  
Tony Morán, CPA, Partner  
Christopher Salcido, CPA, Partner

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Brian Colon, State Auditor  
and the Board of Directors of  
Arenas Valley Water Development Association, New Mexico

We have performed the procedures enumerated in the attached schedule of procedures and results, which were agreed to by the Office of the State Auditor and the Arenas Valley Water Development Association (AVWDA), have specified, listed in the attached schedule, as require by Tier 6 of the Audit Act- Section 12-6-3B(6) NMSA 1978 and Section 2.2.2.16 NMAC for the year ended June 30, 2018. Arenas Valley Water Development Association's management is responsible for the district's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule either for the purpose for which this report has been requested or for any other purpose.

Our procedures and results are included in the attached schedule.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the subject matter of the Arenas Valley Water Development Association for the year ending June 30, 2018. Accordingly, the firm does not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Arenas Valley Water Development Association, the New Mexico State Auditor's Office, Department of Finance Administration, Local Government Division, and the New Mexico Legislature and is not intended to be and should not be used by anyone other than those specified parties.

*Beasley Mitchell & Co LLP*

Beasley, Mitchell & Co.  
Las Cruces, New Mexico  
December 9, 2019

STATE OF NEW MEXICO  
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES  
SCHEDULE OF PROCEDURES AND RESULTS

**1. Revenue Calculation and Tier Determination**

**Procedures**

Verify the local public body's revenue calculation and tier determination documented on the form provided at [www.osa.org](http://www.osa.org) under "Tiered System Reporting Page."

**Results of Procedure**

Arenas Valley Water Development Association (AVWDA) had revenue of \$431,977, therefore a Tier 6 agreed upon procedure engagement is required.

**2. Cash**

**Procedures**

- a) Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand.
- b) Test at least 30% of the bank reconciliations for accuracy. Also trace ending balances to the general ledger, supporting documentation, and the financial reports submitted to DFA-Local Government Division.
- c) Determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

**Results of Procedure**

- a) We obtained bank statements and corresponding reconciliation's for all of the AVWDA's accounts as of June 30, 2018. No exceptions were noted as a result of this procedure. Bank reconciliation's were completed in a timely manner, and all bank statements and reconciliation's are complete and on hand.

STATE OF NEW MEXICO  
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES  
SCHEDULE OF PROCEDURES AND RESULTS

**2. Cash (Continued)**

**Results of Procedure**

- b) We obtained all quarterly DFA reports for AVWDA's as of June 30, 2018. No exceptions were noted as a result of this procedure. DFA cash matched that in the general ledger.
- c) Financial institutions have provided Arenas Valley Water Development Association with adequate pledged collateral held on uninsured deposits, required by Section 6-10-17 NMSA 1978, NM Public Money Act.

**3. Capital Assets**

**Procedures**

Verify that the local public body performing a yearly inventory as required by Section 12-6-10 NMSA 1978.

**Results of Procedure**

No exceptions noted. The AVWDA last inventory count was completed during FYE 2018. This inventory listing has been formerly certified by the Board of Directors.

**4. Debt**

**Procedures**

If the local public body has any debt, verify that the required payments were made during the year. If the debt agreement requires reserves, verify that the local public body is in compliance with those requirements.

**Results of Procedure**

The Association does not have any debt and was not required to make any debt payments during the fiscal year.

STATE OF NEW MEXICO  
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SCHEDULE OF PROCEDURES AND RESULTS

**5. Revenue**

**Procedures**

Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

- a) Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

Select a sample of revenues equal to at least 30% of the total dollar amount and test the following attributes:

- b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
- c) Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

**Results of Procedure**

- a) Actual revenue compared to budgeted revenue for the fiscal year is reasonable and within expectations. The variance analysis for the budgets to actual may be noted in the budgetary analysis on pages 12 - 13.
- b) A sample of 60 revenues were tested, representing \$145,069 of \$431,977 or 34%. No exceptions were noted as a result of this procedure. Amounts recorded in the general ledger agreed with supporting documents.
- c) These amounts were properly recorded using the accrual basis of accounting. The general ledger accounting system is reflecting classification, amount and period per review in relationship to the supporting documentation of the organization.

STATE OF NEW MEXICO  
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES  
SCHEDULE OF PROCEDURES AND RESULTS

**6. Expenditures**

**Procedures**

Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test the following attributes:

- a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and canceled check, as appropriate.
- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

**Results of Procedure**

- a) 25 expenditures totaling \$290,584 were tested. 24 of the 25 amounts recorded as disbursed agreed to supporting documentation: amount paid, payee date and description agreed with the vendor's invoice, purchase order, contract, and canceled check, as appropriate. One disbursement in the amount of \$219 did not have supporting documentation.
- b) 24 of the 25 disbursements tested were properly authorized and approved in compliance with the budget, legal requirements, and established policies and procedures. One disbursement in the amount of \$219 did not have a receipt, however board members were aware of the expenditure and it was within budgetary compliance.
- c) There were no exceptions noted, since the Association did not have any bids in the fiscal year.



STATE OF NEW MEXICO  
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES  
SCHEDULE OF PROCEDURES AND RESULTS

**7. Journal Entries**

**Procedures**

Test all non-routine journal entries, adjustments, and reclassifications posted to the general ledger for the following attributes:

- a) Journal entries appear reasonable and have supporting documentation.
- b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

**Results of Procedure**

- a) We reviewed all 8 non-routine journal entries, and they all have supporting documentation and appear reasonable.
- b) The Association utilizes Sage Software Accounting system to record the accounting activity of the organization. Limited reoccurring journal entries, including interest income and bank charges, are being prepared as necessary, with proper approval. Certain year end adjustment entries are being reviewed by the governing body.

**8. Budget**

**Procedures**

Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

- a) Verify, through a review of the minutes and correspondence and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.
- b) Determine if the total actual expenditures exceeded the final budgets at the legal level of budgetary control; if so, report a compliance finding.
- c) From the original and final approved budgets and general ledger, prepare a schedule of revenues and expenditures - budget and actual on the budgetary basis used by the local public body (cash, accrual or modified accrual basis) for each individual fund.

STATE OF NEW MEXICO  
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES  
SCHEDULE OF PROCEDURES AND RESULTS

**8. Budget (Continued)**

**Results of Procedure**

- a) The review of Board minutes and letter from the State indicated that the budget and budget adjustments were approved by the board and the DFA.
- b) Expenditures did not exceed budgeted amounts. The variance analysis for budget to actual on pages 12 - 13. The Association is in budgetary compliance.
- c) A schedule of revenue and expenses - budget and actual was prepared from Arenas Valley Water Development Association records on cash budgetary basis on pages 12 - 13.

**9. Capital Outlay Appropriations**

**Procedures**

The scope of the agreed-upon procedures engagement shall encompass any and all state-funded capital outlay appropriations of the New Mexico Legislature that meet Tier 6 criteria. Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the fiscal year that meet the Tier 6 criteria. Perform the following tests on all state-funded capital outlay expenditures:

- a) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.
- b) Determine that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.

STATE OF NEW MEXICO  
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES  
SCHEDULE OF PROCEDURES AND RESULTS

**9. Capital Outlay Appropriations (Continued)**

**Procedures (Continued)**

- c) Determine that the bid process (or request for proposal process is applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).
- d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.
- e) Verify that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.
- f) If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.
- g) If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.
- h) Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.
- i) Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.

STATE OF NEW MEXICO  
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES  
SCHEDULE OF PROCEDURES AND RESULTS

**9. Capital Outlay Appropriations (Continued)**

**Results of Procedure**

- a) No exceptions were noted as a result of this procedure. There were no capital asset appropriations noted.
- b) No exceptions were noted as a result of this procedure. There were no capital asset appropriations noted.
- c) No exceptions were noted as a result of this procedure. There were no capital asset appropriations noted.
- d) No exceptions were noted as a result of this procedure. There were no capital asset appropriations noted.
- e) No exceptions were noted as a result of this procedure. There were no capital asset appropriations noted.
- f) No exceptions were noted as a result of this procedure. There were no capital asset appropriations noted.
- g) No exceptions were noted as a result of this procedure. There were no capital asset appropriations noted.
- h) No exceptions were noted as a result of this procedure. There were no capital asset appropriations noted.
- i) No exceptions were noted as a result of this procedure. There were no capital asset appropriations noted.

**10. Other**

**Procedures**

If Information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10(1)(3)(C) NMAC.

STATE OF NEW MEXICO  
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OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES  
SCHEDULE OF PROCEDURES AND RESULTS

**10. Other (Continued)**

**Results of Procedure**

No exceptions were noted as a result of this procedure.

STATE OF NEW MEXICO  
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES  
SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Water and Supplies	\$ 420,379	\$ 400,379	\$ 359,540	\$ (40,839)
Water and Revenue Adjustments	2,269	2,269	(158)	(2,427)
Financial Network Fixed Income	10,157	3,157	1,725	(1,432)
Western Money Market Earnings	2,353	2,353	227	(2,126)
Checking Acct Interest	697	697	109	(588)
Late Charges	8,148	8,148	6,505	(1,643)
Membership/ Connection Fee	11,820	11,820	15,760	3,940
Miscellaneous Income	832	832	201	(631)
T of SC Access Fee	49,467	49,467	48,068	(1,399)
<b>Total revenues</b>	<b>506,122</b>	<b>479,122</b>	<b>431,977</b>	<b>(47,145)</b>
<b>EXPENDITURES:</b>				
Cost of Goods Sold-Water	304,356	294,356	270,924	23,432
Water Aquisition Fee	5,520	5,520	1,840	3,680
Cost of Goods Sold-Inventory	-	-	9,970	(9,970)
Depreciation Expenses	-	-	72,028	(72,028)
Dues & Subscriptions	1,000	1,000	1,216	(216)
Insurance: Liability	7,000	7,000	6,078	922
Insurance: Surety Bond	348	348	115	233
Insurance: Worker Comp	3,720	3,720	3,722	(2)
Licenses & Permits	150	150	252	(102)
Accounting Fees	5,500	5,500	750	4,750
Audit Expenses	11,000	11,000	2,835	8,165
Bank Service Charge	60	60	60	-
Association Vehicle Expense	6,500	6,500	3,145	3,355
Telephone Expense	6,400	6,400	3,904	2,496
Office Expense	6,000	6,000	3,259	2,741
Utl-Gas Propane	1,950	1,950	742	1,208
Utl-Electric	950	950	350	600
Utl-Garbage	80	80	31	49
Postage and Delivery Expense	3,500	3,500	2,405	1,095
Property Taxes	1,128	1,128	592	536
Maintenance: General	6,000	6,000	3,888	2,112
Maintenance: System Repair	5,500	5,500	(54)	5,554
Public Relations	300	300	100	200
Wages: Salaries	65,000	65,000	61,858	3,142
Payroll Taxes: FICA/E	3,400	3,400	4,729	(1,329)
941 Quarterly Tax	293	293	-	293
Payroll Taxes: Workers Comp/E	85	85	18	67
Payroll Taxes: SUTA	480	480	207	273
Payroll Taxes: FUTA	185	185	126	59
Payroll Expense: BC/BS	6,400	6,400	8,238	(1,838)
Wages: Casual Labor	2,000	2,000	2,394	(394)
Travel: Lodging & Meals	900	900	(75)	975
Tax Penalty & Interest	50	50	183	(133)
Bad Debt Expense	-	-	539	(539)
Reimburse Membership	-	-	3,940	(3,940)
Overdraft-JUBS	500	500	101	399
Advertising	400	400	159	241
<b>Total expenditures</b>	<b>456,655</b>	<b>446,655</b>	<b>470,569</b>	<b>(23,914)</b>

STATE OF NEW MEXICO  
 ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
 OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES  
 SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN FUND BALANCE  
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
 GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2018

Net changes in net position	49,467	32,467	(38,592)	(71,059)
Net Position - beginning of the year	<u>2,182,559</u>	<u>2,182,559</u>	<u>2,182,559</u>	<u>-</u>
Net Position - end of the year	<u>\$ 2,232,026</u>	<u>\$ 2,215,026</u>	<u>\$ 2,143,967</u>	<u>\$ (71,059)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in net position budgetary basis			\$ (38,592)	
Net change in net position GAAP basis			<u>\$ (38,592)</u>	

**RESOLUTION No. 06-18**  
Arenas Valley Water Development Association

Resolution approving the Final Fiscal Year 2018 budget of the Arenas Valley Water Development Association.

WHEREAS, the Arenas Valley Water Development Association is a mutual domestic water association governed by three member Board of Directors with the duty to impose water rates and services to members of the Arenas Valley Water Development Association.

WHEREAS, The Arenas Valley Water Development Association has an obligation to prepare a final budget annually and submit it to the Local Government Division of the New Mexico Department of Finance and Administration for review and approval, and

WHEREAS, the final annual budget for the final year of 2018 (July 1, 2017 through June 30, 2018), a copy of which is attached here to, has been reviewed and approved by the Board of Directors of Arenas Valley Water Development Association, and

WHEREAS, the final annual budget for the fiscal year of 2018 was presented at a public special meeting on July 23, 2018 as required by law, which was advertised on July 20, 2018 in compliance with the Open Meetings Act and,

WHEREAS, the Board finds that the final annual budget provides sufficient funds for payment of the anticipated expenses and sufficient cash reserves during the fiscal year of 2018 of the Arenas Valley Water Development Association, and

WHEREAS, the Board finds that the final annual budget for the fiscal year of 2018 should be adopted as the Arenas Valley Water Development Association annual budget for the fiscal year of 2018, subject and approval by the Local Government Division of the New Mexico Department of Finance and Administration

NOW, BE IT THEREFORE RESOLVED that:

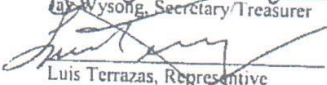
- (1) The final budget attached hereto is adopted as the annual budget of the Arenas Valley Water Development Association for the fiscal year 2018.
- (2) The budget shall be submitted to the Local Government Division of the New Mexico Department of Finance and Administration for the review and approval

BOARD OF DIRECTORS OF THE ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION

This Day, July 23 2018

  
Cray Werner, Interim Board President

  
Cray Werner, Secretary/Treasurer

  
Luis Terrazas, Representative



ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
DFA BUDGET REPORT FY2018  
Quarterly Ending June 30, 2018 ✓

	Account Number	Current Month Actual	Year to Date Actual	% of Budget	FISCAL YEAR 2017 BUDGET	Year to Date Variance
<b>Revenues</b>						
Water and Supplies	40000	\$ 40,795.52	\$ 359,652.76	75.06%	\$ 400,379.05	(40,726.29)
Water Revenue Adjustments		(0.18)	(157.79)	-0.03%	2,268.57	(2,426.36)
Financial Network Fixed Income		1,429.02	1,880.52	0.39%	3,157.18	(1,276.66)
Western Money Market Earnings		0.00	188.33	0.04%	2,353.27	(2,164.94)
Checking Acc't Interest		11.21	109.25	0.02%	696.85	(587.60)
Late Charges		630.00	6,505.00	1.36%	8,148.30	(1,643.30)
Membership/Connection Fee			15,760.00	3.29%	11,820.00	3,940.00
Miscellaneous Income		0.00	0.00	0.00%	831.60	(831.60)
Reimbursements/Refunds		0.00	0.00	0.00%	0.00	0.00
T of SC Access Fee		4,037.97	48,067.86	10.03%	49,467.24	(1,399.38)
<b>Total Revenues</b>		<b>46,903.54</b>	<b>432,005.93</b>	<b>90.17%</b>	<b>479,122.06</b>	<b>(47,116.13)</b>
<b>Cost of Sales</b>						
Cost of Goods Sold-Water		24,939.18	270,924.03	184.58%	294,356.21	(23,432.18)
Water Aquisition Fee		0.00	1,840.00	1.25%	5,520.00	(3,680.00)
Cost of Goods Sold-Inventory		9,455.54	9,462.92	6.45%	0.00	9,462.92
<b>Total Cost of Sales</b>		<b>34,394.72</b>	<b>282,226.95</b>	<b>192.28%</b>	<b>299,876.21</b>	<b>(17,649.26)</b>
<b>Gross Profit</b>		<b>12,508.82</b>	<b>149,778.98</b>	<b>102.04%</b>	<b>179,245.85</b>	<b>(29,466.87)</b>
<b>Expenses</b>						
Boring Project Highway 180		0.00	0.00	0.00%	0.00	0.00
Dues & Subscriptions		0.00	501.00	0.34%	1,000.00	(499.00)
Insurance: Liability		0.00	6,078.00	4.14%	7,000.00	(922.00)
Insurance: Surety Bond		0.00	114.82	0.08%	347.79	(232.97)
Insurance: Workers Comp		265.00	3,722.00	2.54%	3,720.00	2.00
Licenses & Permits		0.00	251.95	0.17%	150.00	101.95
Accounting Fees		750.00	750.00	0.51%	5,500.00	(4,750.00)
Audit Expenses		0.00	2,835.00	1.93%	11,000.00	(8,165.00)
Bank Service Charge		3.24	60.42	0.04%	60.00	0.42
Association Vehicle Expense		142.58	3,144.89	2.14%	6,500.00	(3,355.11)
Telephone Expense		332.21	3,904.57	2.66%	6,400.00	(2,495.43)
Office Expense		30.30	3,201.82	2.18%	6,000.00	(2,798.18)
Ult-Gas Propane		0.00	742.50	0.51%	1,950.00	(1,207.50)
Ult-Electric		34.19	385.42	0.26%	950.00	(564.58)
Ult-Garbage		0.00	15.75	0.01%	80.00	(64.25)
Postage and Delivery Expense		225.00	2,404.77	1.64%	3,500.00	(1,095.23)
Property Taxes		0.00	592.52	0.40%	1,127.82	(535.30)
Maintenance: General		28.85	3,784.33	2.58%	6,000.00	(2,215.67)
Maintenance: System Repair		0.00	13.00	0.01%	5,500.00	(5,487.00)
Public Relations		0.00	100.00	0.07%	300.00	(200.00)
Wages: Salaries		5,166.00	61,858.00	42.14%	65,000.00	(3,142.00)
Payroll Taxes: FICA/E		395.21	4,732.25	3.22%	3,400.00	1,332.25
941 Quarterly Tax		0.00	0.00	0.00%	293.00	(293.00)
Payroll Taxes: Workers Comp/E		(6.00)	(34.00)	-0.02%	85.00	(119.00)
Payroll Taxes: SUTA		17.06	199.60	0.14%	480.00	(280.40)
Payroll Taxes: FUTA		7.63	125.99	0.09%	185.00	(59.01)
Payroll Expense: BC/BS		754.95	8,238.40	5.61%	6,400.00	1,838.40
Wages: Casual Labor		180.00	2,394.00	1.63%	2,000.00	394.00
Travel: Lodging & Meals		0.00	0.00	0.00%	900.00	(900.00)
Office Travel		0.00	0.00	0.00%	0.00	0.00

ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
 DFA BUDGET REPORT FY2018  
 Quarterly Ending June 30, 2018

Account Number	Current Month Actual	Year to Date Actual	% of Budget	FISCAL YEAR 2017 BUDGET	Year to Date Variance
Tax Penalty& Interest	46.97	183.37	0.12%	50.00	133.37
Misc. Charges	0.00	0.00	0.00%	0.00	#DIV/0!
REIMBURSE MEMBERSHIP	0.00	4,662.75	3.18%	0.00	4,662.75
OVERDRAFT -JUBS	0.00	101.21	0.07%	500.00	(398.79)
Advertising	6.80	159.10	0.11%	400.00	(240.90)
Expense	0.00	0.00	0.00%	0.00	0.00
Hwy 180 Water Line Expense		0.00	0.00%	0.00	0.00
<b>Total Expenses</b>	<b>8,379.99</b>	<b>115,223.43</b>	<b>78.50%</b>	<b>146,778.61</b>	<b>(31,555.18)</b>
<b>Net Income</b>	<b>\$ 4,128.83</b>	<b>\$ 34,555.55</b>	<b>23.54%</b>	<b>\$ 32,467.24</b>	<b>2,088.31</b>
crossfoot					2,088.31

**CASH RECONCILIATION**

CASH BEGINNING OF YEAR	3/30/2018	552,188.94
NET INCOME or (LOSS)		34,555.55
Change- Receivable Payable		16,537.46
ENDING CASH	06/30/2018	<u>570,207.03</u> ✓

**Cash Accounts**

Cash Box	50.00
1st New Mexico Bank	88,646.17
Western Bank CD	110,967.99
Financial Network CD	358,231.50
Financial Network Money Mkt	12,311.37
	<u>570,207.03</u>

PRIOR YEAR FINDINGS:

2017-001	Late Submission of AUP Contract and Recommendation	Repeat
2017-002	Procurement Code Violation	Resolved
2017-003	Agreed Upon Procedures Report Submission Date	Repeat

CURRENT YEAR FINDINGS:

2018-001(2017-001) Late Submission of AUP Contract and Recommendation

2018-002(2017-003) Agreed Upon Procedures Report Submission Date

2018-003 Lack of Supporting Documentation

**Late Submission of AUP Contract and Recommendation 2018-001 (2017-001) -  
Noncompliance**

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<b>CONDITION</b>	The 2.2.2.8(F)(8)(e) NMAC Audit Rule requires that the AUP contract and recommendation of an IPA be submitted to the Office of the State Auditor by July 1st of each year for agencies with a June 30 fiscal year end. Arenas is catching up on their audits and has discussed internally to clear the finding in the following year.
<b>CRITERIA</b>	Per 2.2.2.8(F)(8)(e) NMAC Audit Rule, the agency did not meet the deadline for submission of the agreed-upon procedures (AUP) contract and recommendation of an independent public accountant (IPA) to the State Auditors Office by the deadline for the fiscal year ending 2017.
<b>CAUSE</b>	The AUP contract and recommendation of the IPA was not prepared and submitted timely to the State Auditor's office by the agency's personnel.
<b>EFFECT</b>	Delays in submission of the AUP Contract to the New Mexico State Auditor resulted in a delay within the entire process.
<b>RECOMMENDATION</b>	We recommend that the agency review the New Mexico State Auditor Rule for this process. They would also need to make every effort to work with the IPA to fulfill the reporting requirements to assure the report is prepared on or before June of each fiscal year. This should allow enough time to submit to the Office of the State Auditor by the due date.
<b>RESPONSE</b>	The Office Manager of the agency along with the Secretary-Treasurer of the Board of Directors will review the process to assure timely reporting in future years. Since this deadline has passed for fiscal year 2018, we will not be able to correct this finding until June 2020.

**EXPECTED COMPLETION DATE:** July 1, 2020

**EMPLOYEE RESPONSIBLE:** Office Manager

**Agreed Upon Procedures report Submission Date 2018-02 (2017-003) - Noncompliance**

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<b>CONDITION</b>	The report wasn't submitted timely, it was submitted to the Office of the State Auditor on December 9, 2019. The agency has already engaged an IPA for the June 30, 2019 agreed upon procedure and plans to be caught up by the end of 2019.
<b>CRITERIA</b>	The AUP report is due to the Office of the State Auditor on or before December 15, 2018, as required by Section 2.2.2.16 (G) NMAC.
<b>CAUSE</b>	There was a misunderstanding regarding the procurement method of obtaining an IPA. The agency did not realize that the IPA they had requested to hire had exceeded their years of service requirements. Once this was recognized, the IPA's work was stopped until approval could be received. The agency wrote a letter to the New Mexico State Auditor on January 29, 2018 to request a rotation rule exception for the IPA. Approval was granted by New Mexico State Auditor's Office on June 21, 2018. This slowed the process immensely for future years.
<b>EFFECT</b>	Delays in submission of the AUP report affect the reporting of financial information to other state agencies and local governments. The agency is not in compliance with section 2.2.2.9(A) and section 2.2.2.16(h) NMAC.
<b>RECOMMENDATION</b>	We recommend that the agency make every effort to work with the New Mexico State Auditor and the IPA to fulfill all reporting requirements to assure the report is prepared in a timely manner.
<b>RESPONSE</b>	The Office Manager along with the Secretary-Treasurer of the Board of Directors will review the process to assure timely reporting for the fiscal year 2019. It is our intention to have this report completed by December 15, 2019.

**EXPECTED COMPLETION DATE:** June 30, 2019

**EMPLOYEE RESPONSIBLE:** Office Manager

**Lack of Supporting Documentation (2018-003) - Finding That Does Not Rise To The Level Of Significant Deficiency**

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<b>CONDITION</b>	During our test work over cash disbursements we noted 1 exception in the amount of \$219 out of the sample population of 25 did not have supporting documentation available to determine if the amount paid for postage was correct.
<b>CRITERIA</b>	NMSA 1978 Section 6-5-2 requires that the authority shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.
<b>CAUSE</b>	A receipt from the post office was unable to be located for a postage that was paid for by the Association.
<b>EFFECT</b>	Lack of documentation increases the risk of potential errors and misstatements in the financial statements.
<b>RECOMMENDATION</b>	We recommend that receipts should be requested upon payment of postage and filed once returned to the office.
<b>RESPONSE</b>	Office manager will retain all receipts from post office in a separate file located in office.

**EXPECTED COMPLETION DATE:** June 30, 2019

**EMPLOYEE RESPONSIBLE:** Office Manager

STATE OF NEW MEXICO  
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2018  
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

STATE OF NEW MEXICO  
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
FOR THE YEAR ENDED JUNE 30, 2018  
TABLE OF CONTENTS

	<b>Page</b>
OFFICIAL ROSTER	1
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT	2
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	4
Statement of Revenue, Expenses, and Change in Net Position	5
Statement of Cash Flows	6
NOTES TO FINANCIAL STATEMENTS	7 - 19
Schedule of Depositories	20
Financial Statement Preparation	21
Entrance and Exit Conference	22



STATE OF NEW MEXICO  
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
OFFICIAL ROSTER  
JUNE 30, 2018

**Official Roster**

<b>NAME</b>	<b>TITLE</b>
Delbert Fulfer	President
Gilbert Miera	Vice-President
C. Jay Wysong	Secretary Treasurer
Luis Terrazas	Board Representative
Cray Werner	Board Representative

**Administrative Staff**

Julie Dubiskas	Office Manager
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# Beasley, Mitchell & Co.

Certified Public Accountants

Christine Wright, CPA, Partner  
Brad Beasley, CPA, Partner  
Tony Morán, CPA, Partner  
Christopher Salcido, CPA, Partner

Brian Colon, State Auditor  
and the Board of Directors of  
Arenas Valley Water Development Association, New Mexico

Management is responsible for the accompanying financial statements of the business-type activities of Arenas Valley Water Development Association, as of and for the year ended June 30, 2018, and related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents, in accordance with with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The financial statements included in the accompanying prescribed form are presented in accordance with the requirements of Section 12-6-3(B) NMSA 1978 and Section 2.2.2.16 NMAC, and are not intended to be a complete presentation of the Association's assets and liabilities.

Accounting principles generally accepted in the United States of America require that on pages 20 through 21 be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, although not a required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. The required supplementary information was subject to our compilation engagement. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

*Beasley Mitchell & Co LLP*

Beasley, Mitchell & Co.,LLP  
Las Cruces, New Mexico  
December 09, 2019

## **BASIC FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
STATEMENT OF NET POSITION  
JUNE 30, 2018

ASSETS

Current Assets

Cash - unrestricted	\$ 570,207
Accounts receivable	72,015
Inventory & supplies	15,631
Accrued interest receivable	<u>705</u>

Total Current Assets 658,558

Non Current Assets

Capital assets	2,712,918
Less: accumulated depreciation	<u>1,195,974</u>

Total Non Current Assets 1,516,944

Total Assets \$ 2,175,502

LIABILITIES AND NET POSITION

LIABILITIES

Accounts payable	\$ 24,973
Accrued payroll tax payable	1,631
Sales tax payable	<u>4,931</u>

Total Liabilities 31,535

NET POSITION

Invested in capital assets	1,516,944
Unrestricted	<u>627,023</u>

Total Net Position 2,143,967

Total liabilities, and net position \$ 2,175,502

See independent accountants' compilation report and accompanying notes to financial statements

STATE OF NEW MEXICO  
 ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2018

OPERATING REVENUES	
Water sales and service	\$ 407,450
Late charges	6,505
Membership and connection fees	15,760
Miscellaneous income	<u>201</u>
Total operating revenues	429,916
OPERATING EXPENDITURES	
Cost of water	286,674
Payroll and related costs	77,570
Depreciation	72,028
Maintenance of system	3,834
Insurance	9,915
Professional fees	3,585
General & admin expenses	<u>16,963</u>
Total operating expenditures	<u>470,569</u>
Operating Income (Loss)	(40,653)
NON-OPERATING REVENUES (EXPENSES):	
Interest income	<u>2,061</u>
Change in net position	(38,592)
Net position beginning of year	<u>2,182,559</u>
Net position end of year	<u>\$ 2,143,967</u>

See independent accountants' compilation report and accompanying notes to financial statements

STATE OF NEW MEXICO  
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018

**Cash flows from operating activities:**

Cash received from agencies and customers	\$ 419,255
Interest received	2,179
Cash paid to suppliers for goods and services	(329,304)
Cash payments to employees for services	<u>(78,202)</u>
Net cash provided by (used in) operating activities	<u>13,928</u>
Net increase (decrease) in cash and cash equivalents	13,928
Cash and cash equivalents - beginning of year	<u>556,279</u>
Cash and cash equivalents - end of year	<u>\$ 570,207</u>

**Reconciliation of operating income to net cash used in operating activities:**

Operating income (loss)	\$ (38,592)
Adjustments to reconcile change in net assets to net cash	
Depreciation	72,028
Changes in working capital components:	
(Increase) Decrease in:	
Accounts receivables	(10,662)
Other assets	274
Increase (Decrease) in:	
Accounts payable	(10,117)
Accrued expenses and other liabilities	<u>997</u>
Net cash provided by (used) in operating activities	<u>\$ 13,928</u>

See independent accountants' compilation report and accompanying notes to financial statements

**NOTES TO FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**1. ORGANIZATION**

The Arenas Valley Water Development Association(the Association) was incorporated as a not-for-profit entity in 1979 to exclusively associate its members together for the mutual interest and benefit and in that end, to acquire, construct, install, maintain and operate a water system for supplying and distribution of water for domestic use and to engage in any activity thereto.

In 1979, the association received a determination letter exempting them from income tax under Section 501(c)(12) of the Internal Revenue Code, retroactive from inception of the organization. As a result, no federal or state income taxes have been reflected on the financial statements.

As of June 30, 2018, the water system included 486 memberships located in the are of Arenas Valley, (Grant County) New Mexico.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Arenas Valley Water Development Association (the "Association") have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standard Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations) and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principal Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

**A. Reporting Entity**

The Arenas Valley Water Development Association (AVWDA) is quasi-government created pursuant to its bylaws and is comprised of an elected Board of Directors. The officers of the Association are elected annually using a tiered rotation basis. The Association 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 Association's board of directors have oversight responsibility. The board of directors have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The Association is not included in any other governmental reporting entity as defined in the *Codification of Governmental Accounting and Financial Reporting Standards*.



STATE OF NEW MEXICO  
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation**

Because the Association is a special-government, with only a single fund, business-type activity, the basic financial statements do not include both government-wide (based on the Association as a whole) and fund financial statements. The new reporting model focus is on either the Association as a whole or major individual funds (within the fund financial statements). The Association is a single-program government that engages in only business-type activities and has no component units.

In the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, the business-type activities are presented on the full accrual full accrual basis, flow of economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt obligation. The Association net positions are reported in three parts - invested in capital assets, restricted net position and unrestricted net position. Business-type operating statement present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. Operating revenues and expenses are presented separately from non-operating items. The principal operating revenues reflect charges to customers for the supply of water. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses. Grant revenues are recognized when all of the eligibility requirements have been met.

When both restricted and unrestricted resources are available for use, it is the Association's policy to use restricted sources first, then unrestricted resources as they are needed.

The Association applies all applicable Financial Accounting Standards Board Statements and Interpretations.

**C. Measurement Focus, and Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Business-type of activities are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

STATE OF NEW MEXICO  
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. 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.

**E. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Association.

**F. Assets, Liabilities, and Net Position**

***Cash, Cash Equivalents and Investments***

The Association is authorized under the provision of 6-10-10 NMSA 1978, as amended, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States. The Association's cash and cash equivalents are considered to be cash on hand, demand deposits, savings accounts, certificates of deposit and money market accounts.

State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit, be collateralized by the depository thrift or banking institution. Currently, state statutes require that a minimum of fifty (50%) of uninsured balances on deposit with any one institution must be collateralized, with higher requirements up to one hundred percent (100%) for financially troubled institutions. If the securities pledged are United States government securities, they are pledged at market value, if they are New Mexico municipal bonds, they are pledged at par value.

In accordance with Federal Deposit Insurance Authority, public unit deposits are funds owned by the Association. Demand deposit, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate.

STATE OF NEW MEXICO  
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Receivables and Payables**

Accounts receivable consists of revenue earned from sales to customers. The Association has the option of collecting delinquent receivable by filing a lien against properties with delinquent accounts or filing a civil action against the delinquent property owners.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectable.

The Association's accounts payable consist of amounts due to vendors and service providers such as subcontractors who have worked on conservation projects for the products purchased and service received in the current year but are paid for in the next fiscal year.

**Net Position**

Net position is the difference between assets and liabilities. Net position is presented on the statement of net position and may be presented in any of three components.

*Net investment in capital assets*

This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. That portion of the debt is included in restricted for capital projects.

*Restricted net position*

Net position is reported as being restricted when the restriction is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

*Unrestricted net position*

Unrestricted net position consists of net position that does not meet the definition of "Net investment in capital assets" or "restricted."

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.

STATE OF NEW MEXICO  
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position (Continued)**

In the governmental environment, net position often is designated to indicate that management does not consider them to be available for general operations. In contrast to restricted net position, these types of constraints on resources are internal and management can remove or modify them. However, enabling legislation established by the reporting government should not be construed as an internal constraint.

**Capital Assets**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, computer software and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis with no salvage value.

The estimated useful life of the various classes of depreciable capital assets are as follows:

Assets	Years
Water system infrastructure and improvements	50
Building and improvements	15-29
Water meters	10
Furniture and equipment	5-15

GASB Statement No. 34 requires the Association to report and depreciate infrastructure assets. Infrastructure assets include roads, bridges, underground pipe, traffic signals, etc. The Association does own underground pipe, which are being depreciated using 50 years straight line. The Association does not own any other infrastructure assets. The Association does not own any assets acquired under capital leases.

In the proprietary fund, interest is capitalized on assets acquired with debt proceeds. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds being applied over the same period.

**Use of Restricted Funds**

When both restricted and unrestricted resources are available for use, it is the AVWDA's policy to use restricted resources first, then unrestricted resources as they are needed.

STATE OF NEW MEXICO  
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets for the AVWDA are prepared prior to July 1 and must be approved by the Board Members and the New Mexico Department of Finance and Administration. Once the budget has been formally approved, the AVWDA Board Members and the Department of Finance and Administration must also approve any amendments. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total.

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

Since accounting principals applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principals, a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year-ended June 30, 2018 is presented.

**Budgetary Control**

The Association is adhering to the process of procedures that are promulgated by the Department of Finance and Administration-Local Government Division. These procedures are as follows:

1. Prior to July 1 of each year, the Association's staff submits to the Board of Directors a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to July 1, the budget is legally enacted through formal adoption by the Board and then submitted to the Local Government Division of the State Department of Finance and Administration for review and approval.
3. The Association's treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors and the State Department of Finance and Administration for review and approval.
4. Formal budgetary integration is employed as a management control device during the year for the Enterprise funds.

STATE OF NEW MEXICO  
 ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

New Mexico State Statutes authorize the Association to deposit cash with a bank, savings and loan association, or credit union whose deposits are insured by an agency of the United States of America. All uninsured demand deposits and deposit - type investments such as certificates of deposits, are required to be collateralized with eligible securities, as described by New Mexico State Statutes, in amounts equal to at least 50% of the uninsured deposits.

State statutes authorize the Association to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

**Cash Deposited with Financial Institutions**

The Association's policy is to limit cash deposits to insured and/or collateralized demand deposit accounts, certificates of deposit and money market funds.

The Association maintains cash in three financial institutions: First NM Bank, Western Bank, and Financial Network. As of June 30, 2018, all bank balances were insured (The Dodd Frank Act of 2010 required the FDIC to insure all non-interest bearing accounts). The carrying amount of the Association's deposits with financial institutions was \$572,917 and the balance per the banks was \$570,207. The amount of cash reported on the financial statements differs from the amount on deposit with the financial institution because of transactions in transit and outstanding checks.

As of June 30, 2018 cash consists of the following:

	<u>Amount Per Bank</u>	<u>Plus DIT</u>	<u>Outstanding Checks</u>	<u>Balance Per Books</u>
First NM Bank	\$ 91,406	\$ -	\$ 2,760	\$ 88,646
Western Bank CD	110,968	-	-	110,968
Financial Network CD	358,232	-	-	358,232
Financial Network Money Market	<u>12,311</u>	<u>-</u>	<u>-</u>	<u>12,311</u>
Total	<u>572,917</u>	<u>-</u>	<u>2,760</u>	570,157
Petty Cash				<u>50</u>
Total cash and cash equivalents				<u>\$ 570,207</u>

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the AVWDA.

STATE OF NEW MEXICO  
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (CONTINUED)**

All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the AVWDA carrying value of the deposits (demand and certificates of deposit). Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

	<u>First NM Bank</u>	<u>Western Bank CD</u>	<u>Financial Network</u>	<u>Total</u>
Amount held in banks June 30, 2018	\$ 91,406	\$ 110,968	\$ 370,543	\$ 572,917
Less FDIC Insurance	<u>91,406</u>	<u>110,968</u>	<u>370,543</u>	<u>572,917</u>
Uninsured Public Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
50% Collateral Requirements (Section 6-10-17 NMSA-1978) Letter of Credit Collateral*				- <u>358,232</u>
Over (Under) Collateralized				<u>\$ 358,232</u>

\*The Association collateralized its cash through letters of credit.

A detailed listing of the pledged collateral is contained on page 17 of this report. According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Demand, time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to \$250,000 in aggregate.

**Custodial Credit Risk - Deposits** - Custodial credit risk is the risk that in the event of bank failure, the AVWDA's deposits may not be returned to it. The Association does have a deposit policy for custodial credit risk. as a result of the FDIC insurance, the Association credit risk at June 30, 2018 is managed.

Fair Value Measurement (GASB 72)

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement Number 72, Fair Value Measurement and Application. This statement changes the definition of fair value and adds new disclosure requirements. GASB 72 is effective for periods beginning after June 15, 2015 (i.e., financial statements for June 30, 2016, and beyond).

STATE OF NEW MEXICO  
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**3. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

The Association holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Association's mission, the Association determines that the disclosures related to these investments only need to be disaggregated by major type. The Association chooses a table format for the fair value disclosures.

The Association categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

Market approach: this uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.

Cost approach: this technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.

Income approach: this approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Valuation techniques should be applied consistently, though a change may be appropriate in certain circumstances. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

GASB 72 establishes a hierarchy of inputs to the valuation techniques listed above.

The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy's three levels are as follows:

Level 1

Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. (Examples: equity securities traded on an open market, actively traded mutual funds, and US treasuries)



STATE OF NEW MEXICO  
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**3. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

Level 2

Are significant other observable inputs:

- a) Quoted prices for similar assets or liabilities in active markets.
- b) Quoted prices for identical or similar assets or liabilities in markets that are not active.
- c) Inputs other than quoted prices that are observable for the asset or liability, such as:
  - 1) Interest rates and yield curves observable at commonly quoted intervals,
  - 2) Implied volatilities, and
  - 3) Credit spreads.
- d) Market-corroborated inputs.

(Examples: a bond valued using market corroborated inputs such as yield curves, a bond valued using matrix pricing, and an interest rate swap valued using the LIBOR swap rate observed at commonly quoted intervals for the full term of the swap)

Level 3

Are significant unobservable inputs for an asset or liability. (Examples: Commercial real estate valued using a forecast of cash flows based on a university's own data and an interest rate swap valued using data that is neither directly observable nor corroborated by observable market data)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. See above for discussion of valuation methodologies used to measure fair value of investments.

*Money Market Mutual Funds, and Certificates of Deposits* are valued at the daily closing price as reported by the fund. These investments held by the Association are open-end funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Association are deemed to be actively traded.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

STATE OF NEW MEXICO  
 ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**3. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

The Association has the following recurring fair value measurements as of June 30, 2018:

Investment Type	Level 1	Level 2	Level 3	Total
Western Bank CD	\$ -	\$ 110,968	\$ -	\$ 110,968
Financial Network Money Market	12,311	-	-	12,311
CD - American Express Fed SVGS BK	-	32,168	-	32,168
CD - American Express Centurion BK	-	51,633	-	51,633
CD - American Express NATL BK	-	50,000	-	50,000
CD - Capital One BK	-	92,605	-	92,605
CD - Discover BK	-	50,050	-	50,050
CD - Goldman Sachs BK	-	52,756	-	52,756
CD -Goldman Sachs BK	-	29,020	-	29,020
Total Investments	<u>\$ 12,311</u>	<u>\$ 469,200</u>	<u>\$ -</u>	<u>\$ 481,511</u>

**4. ACCOUNTS AND TAXES RECEIVABLES**

Receivables as of June 30, 2018, were \$72,015. All of the accounts receivables are deemed by the Association to be fully collectible.

**5. CAPITAL ASSETS**

Capital asset activity for the AVWDA for the year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities: Capital assets not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Other capital assets				
Building	140,691	-	-	140,691
Office equipment	24,673	-	-	24,673
Equipment	132,118	-	-	132,118
Water system	2,301,307	-	-	2,301,307
Water meters	109,129	-	-	109,129
Total capital assets	<u>2,712,918</u>	<u>-</u>	<u>-</u>	<u>2,712,918</u>

STATE OF NEW MEXICO  
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**5. CAPITAL ASSETS (CONTINUED)**

Less accumulated depreciation

Building	68,297	4,792	-	73,089
Office equipment	21,174	849	-	22,023
Equipment	84,965	9,446	-	94,411
Water system	889,051	46,028	-	935,079
Water meters	<u>60,460</u>	<u>10,912</u>	<u>-</u>	<u>71,372</u>
Total capital assets depreciated, net	<u>1,123,947</u>	<u>72,027</u>	<u>-</u>	<u>1,195,974</u>
Business-type capital assets, net	<u>\$ 1,588,971</u>	<u>\$ (72,027)</u>	<u>\$ -</u>	<u>\$ 1,516,944</u>

Depreciation expense for business-type activities for the year ended June 30, 2018 was \$72,027.

**6. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 09, 2019 the date the financial statements were available to be issued.

STATE OF NEW MEXICO  
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
SCHEDULE OF DEPOSITORIES  
AS OF JUNE 30, 2018

	Type	Amount Per Bank	Plus DIT	Outstanding Checks	Balance Per Books
Petty Cash	CK	\$ 50	\$ -	\$ -	\$ 50
First NM Bank	CK	91,406	-	2,760	88,646
Western Bank	CD	110,968	-	-	110,968
Financial Network Money Market	CK	12,311	-	-	12,311
American Express Fed SVGS BK	CD	32,168	-	-	32,168
American Express Centurion BK	CD	51,633	-	-	51,633
American Express NATL BK	CD	50,000	-	-	50,000
Capital One BK	CD	92,605	-	-	92,605
Discover BK	CD	50,050	-	-	50,050
Goldman Sachs BK	CD	52,756	-	-	52,756
Goldman Sachs BK	CD	29,020	-	-	29,020
<b>Total</b>		<b><u>\$ 572,917</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,760</u></b>	<b><u>\$ 570,207</u></b>

Type:

CK= Checking

SV= Savings

CD= Certificate of Deposit

See independent accountants' compilation report and accompanying notes to financial statements

STATE OF NEW MEXICO  
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
FINANCIAL STATEMENT PREPARATION  
FOR THE YEAR ENDED JUNE 30, 2018

The financial statements of the Arenas Valley Water Development Association as of, and for the year ended, June 30, 2018 were prepared by Beasley, Mitchell & Co., LLP, with the aid of responsible AVWDA personnel. Official responsible personnel agree that the presentations are made with their knowledge and agreement.

STATE OF NEW MEXICO  
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION  
ENTRANCE AND EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2018

An entrance conference was conducted November 7, 2019 in a closed meeting of the Arenas Valley Water Development Association pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

**Arenas Valley Water Development Association**

C. Jay Wysong	Board Secretary/ Treasurer
Cray Werner	Board Representative
Julie Dubiskas	Office Manager

**Beasley, Mitchell & Co., LLP**

Jesse Olivar	Audit Staff
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An exit conference was conducted December 5, 2019 in a closed meeting of the Arenas Valley Water Development Association pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

**Arenas Valley Water Association**

Cray Werner	Board Representative
Julie Dubiskas	Office Manager

**Beasley, Mitchell & Co., LLP**

Jesse Olivar	Audit Staff
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