

STATE OF NEW MEXICO
ARENAS VALLEY WATER ASSOCIATION
TIER 6 AGREED UPON PROCEDURES REPORT
FOR THE YEAR ENDED JUNE 30, 2019

STATE OF NEW MEXICO
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
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FOR THE YEAR ENDED JUNE 30, 2019

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STATE OF NEW MEXICO
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION
OFFICIAL ROSTER
JUNE 30, 2019

Board of Directors

NAME	TITLE
Cray Werner	Board President
Ronald Belanger	Vice President
C. Jay Wysong	Secretary/ Treasurer
Mike Lindsey	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 Colón, 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 required 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, 2019. 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, 2019. 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 12, 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 under "Tiered System Reporting Page."

Results of Procedure

Arenas Valley Water Development Association (AVWDA) had revenue of \$430,272, 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, 2019. 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, 2019. 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 2019. 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
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
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 \$130,416 of \$430,272 or 30%. 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) A sample of 25 expenditures representing \$278,903 of \$386,353 or 72% were tested. All 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.
- b) 25 disbursements tested were properly authorized and approved in compliance with the budget, legal requirements, and established policies and procedures.
- 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 6 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
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION
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
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Water and Supplies	\$ 436,236	\$ 349,166	\$ 349,166	\$ -
Water and Revenue Adjustments	2,382	(164)	(164)	-
Financial Network Fixed Income	10,665	14,300	14,078	(222)
Western Money Market Earnings	2,471	388	388	-
Checking Acct Interest	732	198	198	-
Late Charges	8,556	6,500	6,500	-
Membership/ Connection Fee	15,760	11,820	11,820	-
Miscellaneous Income	873	50	50	-
T of SC Access Fee	<u>49,872</u>	<u>48,236</u>	<u>48,236</u>	<u>-</u>
Total revenues	527,547	430,494	430,272	(222)
EXPENDITURES:				
Cost of Goods Sold-Water	329,602	267,711	267,711	-
Water Aquisition Fee	3,500	-	-	-
Cost of Goods Sold-Inventory	-	1,516	1,516	-
Dues & Subscriptions	1,100	1,075	1,075	-
Insurance: Liability	6,500	6,385	6,385	-
Insurance: Surety Bond	401	165	165	-
Insurance: Worker Comp	3,775	3,203	3,203	-
Licenses & Permits	150	256	256	-
Accounting Fees	5,000	-	-	-
Audit Expenses	11,000	5,205	5,205	-
Bank Service Charge	90	39	39	-
Association Vehicle Expense	6,500	5,347	5,347	-
Telephone Expense	4,400	3,779	3,779	-
Office Expense	5,000	4,802	4,802	-
Utl-Gas Propane	1,500	1,069	1,069	-
Utl-Electric	1,000	456	456	-
Utl-Garbage	80	63	63	-
Postage and Delivery Expense	3,500	2,566	2,566	-
Property Taxes	1,250	603	603	-
Maintenance: General	7,000	3,153	3,153	-
Maintenance: System Repair	5,000	120	120	-
Public Relations	100	200	200	-
Wages: Salaries	66,000	64,684	64,684	-
Payroll Taxes: FICA/E	3,575	5,266	5,266	-
Payroll Expense: BC/BS	8,400	9,027	9,027	-
Wages: Casual Labor	2,000	2,596	2,596	-
Travel: Lodging & Meals	400	-	-	-
Tax Penalty & Interest	50	-	-	-
Overdraft-JUBS	500	133	133	-
Advertising	<u>300</u>	<u>203</u>	<u>203</u>	<u>-</u>
Total expenditures	<u>477,673</u>	<u>389,622</u>	<u>389,622</u>	<u>-</u>
Net changes in net position	49,874	40,872	40,650	(222)
Net Position - beginning of the year	<u>2,143,967</u>	<u>2,143,967</u>	<u>2,143,967</u>	<u>-</u>
Net Position - end of the year	<u>\$ 2,193,841</u>	<u>\$ 2,184,839</u>	<u>\$ 2,184,617</u>	<u>\$ (222)</u>

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
FOR THE YEAR ENDED JUNE 30, 2019

Reconciliation of budgetary basis to GAAP basis:

Net change in net position budgetary basis	\$ 40,650
Net revenue accruals	220
Net expenditure accruals	<u>(78,809)</u>
Net change in net position GAAP basis	<u>\$ (37,939)</u>

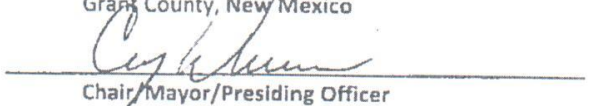
STATE OF NEW MEXICO
 Arenas Valley Water Development Association
 RESOLUTION NUMBER 08-19
 Fiscal 2018-2019 Final Quarter BUDGET ADJUSTMENT
 Year Ending June 31, 2019

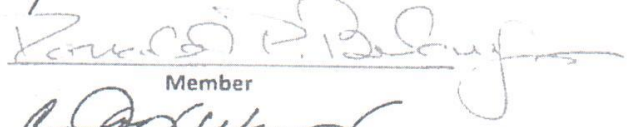
WHEREAS, the Governing body in and for the Arenas Valley Water Development Association of Arenas Valley, State of New Mexico needs to adjust the current approved budget for fiscal year 2018-2019 and
 WHEREAS, said budget was adjusted on the basis of need and through cooperation with all user departments, elected officials and other department supervisors, and
 WHEREAS, the official meetings for the review of said documents were duly advertised Friday, July 12, 2019 in compliance with the Meetings act, and
 WHEREAS, it is the majority opinion of this Board that the adjusted budget meets the requirements as currently determined for fiscal year 2018-2019,
 NOW, THEREFORE, BE IT HEREBY RESOLVED that the Governing Body of the Arenas Valley Water Development Association in Arenas Valley, State of New Mexico hereby adopts the budget adjustment hereinabove described and attached and respectfully requests approval from the Local Government Division of the Department of Finance and Administration.

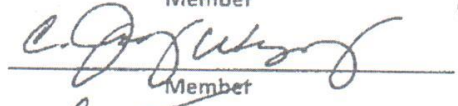
RESOLVED: In session this 24th day of July 24, 2019.

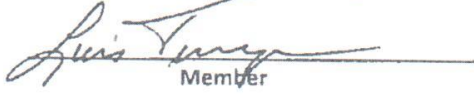
Arenas Valley Water Development Association of
 Grant County, New Mexico

Attest: 
 Clerk


 Chair/ Mayor/ Presiding Officer



 Member


 Member


 Member

 Member

(Seal)

APPROVED PURSUANT TO
 SECTION 6-9-2(GA-H) NMSA 1978 COMP.
 LOCAL GOVERNMENT DIVISION
 DATE 9/5/19
 BY 
 DEPARTMENT OF FINANCE AND ADMINISTRATION

Res # 19-064

Blue / Red Cells in Workbook are Data Entry Cells

DEPARTMENT OF FINANCE AND ADMINISTRATION
 LOCAL GOVERNMENT DIVISION
 BUDGET AND FINANCE BUREAU
SPECIAL DISTRICT FINANCIAL QUARTERLY REPORT FORM

SUBMIT TO LOCAL GOVERNMENT DIVISION NOT LATER
 THAN ONE MONTH AFTER THE CLOSE OF EACH QUARTER.
 I HEREBY CERTIFY THAT THE CONTENTS IN THIS
 REPORT ARE TRUE AND CORRECT TO THE BEST OF
 MY KNOWLEDGE.

Special District: Arenas Valley Water Development Association
 Quarter Ending: 6/30/2019
 Prepared by: CARNEY FOY, CPA

XX
 (signature line)

QUARTERLY YEAR TO DATE TRANSACTIONS PER BOOKS

FUND TITLE	FUND NUMBER	UNAUDITED BEGINNING CASH BALANCE @ JULY 1 2018	INVESTMENTS	REVENUES TO DATE	NET TRANSFERS	EXPENDITURES TO DATE	BOOK BALANCE END OF PERIOD	ADD: OUTSTANDING CHECKS	LESS: DEPOSITS IN TRANSIT	ADJUSTMENTS	ADJUSTED BALANCE END OF PERIOD	BALANCE PER BANK STATEMENTS	DIFFERENCE
GENERAL FUND - CASH BOX (GF)	101	50	-	-	-	-	50	-	-	-	50	50	-
GENERAL FUND - 1st NM BANK (GF)	101	88,646	-	431,241	-	-	120,280	-	-	-	124,500	124,500	-
GENERAL FUND - WESTERN BANK (GF)	101	110,968	-	388	-	399,607	111,356	4,220	-	-	111,356	111,356	-
GENERAL FUND - FIN NETWORK (GF)	101	370,543	-	14,300	-	-	384,843	-	-	-	384,843	384,843	-
		-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-
Grand Total		\$ 570,207	\$ -	\$ 445,929	\$ -	\$ 399,607	\$ 616,529	\$ 4,220	\$ -	\$ -	\$ 620,749	\$ 620,749	\$ -

Department of Finance and Administration
 Local Government Division
 Budget Adjustments per Resolutions

09/04/19

Special District: Arenas Valley Water Development Associations

Fiscal Year: 2018-2019

Resolution Number	Approval Date	Fund Description	Fund Number	Esitimated Beginning Cash Balance	Investments	Budgeted Fund Revenues	Budgeted Operating Transfers	Budgeted Fund Expenditures	Estimated Ending Fund Cash Balance
	7/24/2019	OPERATING FUND GEN FUND	101	570,207	0	430,494	0	389,622	611,079 611,079 611,079 611,079 611,079 611,079 611,079 611,079 611,079 611,079 611,079 611,079 611,079 611,079 611,079 611,079
				570,207	0	430,494	0	389,622	611,079
		INTERGOVERNMENTAL GRANTS	218	0	0	0	0	0	0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0
				0	0	0	0	0	0
		OTHER	299	0	0	0	0	0	0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0
				0	0	0	0	0	0
		DEBT SERVICE	400	0	0	0	0	0	0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0
				0	0	0	0	0	0
		Grand Total		570,207	0	430,494	0	389,622	611,079

STATE OF NEW MEXICO
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

PRIOR YEAR FINDINGS:

2018-001(2017-001) Late Submission of AUP Contract and Recommendation	- Repeat
2018-002(2017-003) Agreed Upon Procedures Report Submission Date	- Resolved
2018-003 Lack of Supporting Documentation	- Resolved

CURRENT YEAR FINDINGS:

2019-001(2018-001) Late Submission of AUP Contract and Recommendation

STATE OF NEW MEXICO
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION
OFFICE OF THE STATE AUDITOR TIER 6 AGREED- UPON PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

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

CONDITION 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.

CRITERIA 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 2019.

CAUSE 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.

EFFECT Delays in submission of the AUP Contract to the New Mexico State Auditor resulted in a delay within the entire process.

RECOMMENDATION 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 contract 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.

RESPONSE 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, 2019 we will not be able to correct this finding until June 2020.

EXPECTED COMPLETION DATE: July 1, 2020

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, 2019
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

STATE OF NEW MEXICO
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION
FOR THE YEAR ENDED JUNE 30, 2019
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STATE OF NEW MEXICO
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION
OFFICIAL ROSTER
JUNE 30, 2019

Official Roster

NAME	TITLE
Cray Werner	President
Ronald Belanger	Vice-President
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Brian Colón, 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, 2019, 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 12, 2019

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS

Current Assets

Cash - unrestricted	\$ 616,529
Accounts receivable	56,579
Inventory & supplies	17,887
Prepaid expenses	2,661
Accrued interest receivable	<u>483</u>

Total Current Assets 694,139

Non Current Assets

Capital assets	2,712,918
Less: accumulated depreciation	<u>1,268,002</u>

Total Non Current Assets 1,444,916

Total Assets \$ 2,139,055

LIABILITIES AND NET POSITION

LIABILITIES

Accounts payable	\$ 26,489
Accrued payroll tax payable	1,832
Sales tax payable	<u>4,484</u>

Total Liabilities 32,805

NET POSITION

Invested in capital assets	1,444,916
Unrestricted	<u>661,334</u>

Total Net Position 2,106,250

Total liabilities, and net position \$ 2,139,055

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, 2019

OPERATING REVENUES	
Water sales and service	\$ 397,238
Late charges	6,500
Membership and connection fees	11,820
Miscellaneous income	<u>50</u>
Total operating revenues	415,608
OPERATING EXPENDITURES	
Cost of water	278,163
Payroll and related costs	81,636
Depreciation	72,028
Maintenance of system	3,273
Insurance	7,093
Professional fees	5,205
General & admin expenses	<u>20,591</u>
Total operating expenditures	<u>467,989</u>
Operating income (Loss)	(52,381)
NON-OPERATING REVENUES (EXPENSES):	
Interest income	<u>14,664</u>
Change in net position	(37,717)
Net position beginning of year	<u>2,143,967</u>
Net position end of year	<u>\$ 2,106,250</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, 2019

Cash flows from operating activities:

Cash received from agencies and customers	\$	431,044
Interest received		14,684
Cash paid to suppliers for goods and services		(318,172)
Cash payments to employees for services		<u>(81,234)</u>
Net cash provided by (used in) operating activities		<u>46,322</u>
Net increase (decrease) in cash and cash equivalents		46,322
Cash and cash equivalents - beginning of year		<u>570,207</u>
Cash and cash equivalents - end of year	\$	<u>616,529</u>

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

Operating income (loss)	\$	(37,717)
Adjustments to reconcile change in net assets to net cash		
Depreciation		72,028
Changes in working capital components:		
(Increase) Decrease in:		
Accounts receivables		15,436
Other assets		(4,696)
Increase (Decrease) in:		
Accounts payable		1,518
Accrued expenses and other liabilities		<u>(247)</u>
Net cash provided by (used) in operating activities	\$	<u>46,322</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, 2019

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, 2019, the water system included 489 memberships located in the area 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, 2019

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 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, 2019

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, 2019

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, 2019

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, 2019

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets for the AVWDA are prepared prior to July 1st 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, 2019 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, 2019

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, 2019, 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 \$620,699 and the balance per the banks was \$616,529. 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, 2019 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	\$ 124,501	\$ -	\$ 4,220	\$ 120,281
Western Bank CD	111,356	-	-	111,356
Financial Network CD	259,845	-	-	259,845
Financial Network Money Market	<u>124,997</u>	<u>-</u>	<u>-</u>	<u>124,997</u>
Total	<u>620,699</u>	<u>-</u>	<u>4,220</u>	616,479
Petty Cash				<u>50</u>
Total cash and cash equivalents				<u>\$ 616,529</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, 2019

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, 2019	\$ 124,501	\$ 111,356	\$ 384,842	\$ 620,699
Less FDIC Insurance	<u>124,501</u>	<u>111,356</u>	<u>384,842</u>	<u>620,699</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>259,846</u>
Over (Under) Collateralized				<u>\$ 259,846</u>

*The Association collateralized its cash through letters of credit.

A schedule of depositories is contained on page 20 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, 2019 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, 2019

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, 2019

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, 2019

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

The Association has the following recurring fair value measurements as of June 30, 2019:

Investment Type	Level 1	Level 2	Level 3	Total
Western Bank CD	\$ -	\$ 111,357	\$ -	\$ 111,357
Financial Network Money Market	124,997	-	-	124,997
CD - American Express Fed SVGS BK	-	32,922	-	32,922
CD - American Express NATL BK	-	50,778	-	50,778
CD - Capital One BK	-	94,872	-	94,872
CD - Discover BK	-	51,283	-	51,283
CD -Goldman Sachs BK	-	29,989	-	29,989
Total Investments	<u>\$ 124,997</u>	<u>\$ 371,201</u>	<u>\$ -</u>	<u>\$ 496,198</u>

4. ACCOUNTS AND TAXES RECEIVABLES

Receivables as of June 30, 2019, were \$56,579. 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, 2019, was as follows:

	Beginning Balance	Additions	Decreases	Ending Balance
Business-type activities: Capital assets not being depreciated:				
Land	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>
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	<u>109,129</u>	<u>-</u>	<u>-</u>	<u>109,129</u>
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, 2019

5. CAPITAL ASSETS (CONTINUED)

Less accumulated depreciation

Building	73,089	4,792	-	77,881
Office equipment	22,023	849	-	22,872
Equipment	94,411	9,446	-	103,857
Water system	935,079	46,028	-	981,107
Water meters	<u>71,372</u>	<u>10,913</u>	<u>-</u>	<u>82,285</u>
 Total capital assets depreciated, net	 <u>1,195,974</u>	 <u>72,028</u>	 <u>-</u>	 <u>1,268,002</u>
 Business-type capital assets, net	 <u>\$ 1,516,944</u>	 <u>\$ (72,028)</u>	 <u>\$ -</u>	 <u>\$ 1,444,916</u>

Depreciation expense for business-type activities for the year ended June 30, 2019 was \$72,028.

6. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 12, 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, 2019

	Type	Amount Per Bank	Plus DIT	Outstanding Checks	Balance Per Books
Petty Cash	CK	\$ 50	\$ -	\$ -	\$ 50
First NM Bank	CK	124,501	-	4,220	120,281
Western Bank	CD	111,357	-	-	111,357
Financial Network Money Market	CK	124,997	-	-	124,997
American Express Fed SVGS BK	CD	32,922	-	-	32,922
American Express NATL BK	CD	50,778	-	-	50,778
Capital One BK	CD	94,872	-	-	94,872
Discover BK	CD	51,283	-	-	51,283
Goldman Sachs BK	CD	29,989	-	-	29,989
Total		<u>\$ 620,699</u>	<u>\$ -</u>	<u>\$ 4,220</u>	<u>\$ 616,529</u>

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, 2019

The financial statements of the Arenas Valley Water Development Association as of, and for the year ended, June 30, 2019 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, 2019

An entrance 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 Development Association

Cray Werner	Board President
Julie Dubiskas	Office Manager

Beasley, Mitchell & Co., LLP

Jesse Olivar	Audit Staff
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An exit conference was conducted December 11, 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

Cray Werner	Board Representative
Julie Dubiskas	Office Manager

Beasley, Mitchell & Co., LLP

Amr Sakka, CPA	Audit Senior
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