

STATE OF NEW MEXICO  
**VALLEY WATER AND SANITATION  
DISTRICT**

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INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING OFFICE OF THE STATE AUDITOR TIER 6  
AGREED-UPON PROCEDURES  
YEAR ENDED DECEMBER 31, 2019

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INTRODUCTORY SECTION  
OF  
**VALLEY WATER AND SANITATION DISTRICT**  
AGREED-UPON PROCEDURES REPORT  
FISCAL YEAR 2019  
JULY 1, 2018 THROUGH JUNE 30, 2019

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Year Ended June 30, 2019

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# OFFICIAL ROSTER

June 30, 2019

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## Board of Directors

Jacqueline Foutz	Chairman
Tom Wethington	Vice Chairman
William L. Flack	Secretary / Treasurer
Brian Mack	Member
Peter H. Emery	Member

## Administrative Employees

Jody Rico	Bookkeeper
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FINANCIAL SECTION  
OF  
**VALLEY WATER AND SANITATION DISTRICT**

AGREED-UPON PROCEDURES REPORT  
FISCAL YEAR 2019

JULY 1, 2018 THROUGH JUNE 30, 2019

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**INDEPENDENT ACCOUNTANTS' REPORT  
APPLYING AGREED-UPON PROCEDURES**

Brian S. Colón, Esq., State Auditor and  
The Board of Directors of  
Valley Water and Sanitation District

We have performed the procedures enumerated below which were agreed to by Valley Water and Sanitation District (District) and the New Mexico State Auditor (the specified parties), solely to assist users in evaluating the District's financial reporting relating to its Cash, Capital Assets, Revenues, Expenditures, Journal Entries, Budget, and Capital Outlay information and its compliance with Section 12-6-3 NMSA 1978 and Section 2.2.2.16 NMAC, as of and for the year ended June 30, 2019. The District is responsible for its financial reporting as described above. 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, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

In accordance with Tier 6 of the Examination or review Act – Section 12-6-3 B (5) NMSA 1978 and Section 2.2.2.16 NMAC, my procedures and associated findings are as follows:

**1. TIER CALCULATION**

**Procedures**

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

**Results of Procedures**

The tiered reporting is accurate for the Tier 6

**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) Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to Department of Finance & Administration - Local Government Division (DFA-LGD).
- 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 Procedures**

In the testing of the bank accounts and whether they were complete and reconciled timely. 5 of 12 reconciliations were tested for accuracy and traced to the general ledger. One of the bank reconciliations was not completed in a timely manner. Financial reports were submitted to DFA without exception. 3 of 12 months were tested for uninsured bank balances. The financial institution did not need to pledged collateral for the funds deposited in the financial institution as required by state statute, since the balance was never above the FDIC Insurance level.

**3. CAPITAL ASSETS**

**Procedure**

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

**Results of Procedure**

The District's perform a yearly inventory as required by Section 12-6-10 NMSA 1978.

Brian S. Colón, Esq., State Auditor and  
The Board of Directors of  
Valley Water and Sanitation District

#### 4. DEBT

##### **Procedure**

- a) 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 District loan payment was paid as required. The District keeps a reserve for the loan in the form of certificates of deposits.

#### 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 based on accountant's judgment and test using 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 Procedures**

Revenue was analytically tested and there were variances in tax distributions from expected and budgeted amounts. The receipts tested were 40%. The receipts were determined to be properly recorded as to amount, classification and period. The receipts were traced to the bank statements.

#### 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 cancelled 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 13-1-99 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 Procedures**

Thirty disbursements were tested of the one hundred thirty-six disbursements made. Disbursements tested were accurate as to amount, payee, date and description, were properly authorized, and were in compliance with the budget, procurement code, and the Per Diem and Mileage Act, where applicable. No exceptions were noted. The District did not have a purchase order system in place. We tested fourteen payroll checks.

Brian S. Colón, Esq., State Auditor and  
The Board of Directors of  
Valley Water and Sanitation District

## 7. JOURNAL ENTRIES

### Procedures

Test all non-routine journal entries, such as 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 Procedures

Journal entries appeared to be reasonable. The journal entries did not show evidence of a review or approval process.

## 8. BUDGET

### Procedures

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

- a) Verify, through a review of the minutes and correspondence, that the original budget 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 budget at the legal level of budgetary control; if the answer is yes, 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.

### Results of Procedures

The budget was reviewed and determined to be properly authorized by the District Board and certified by DFA-LGD. Expenditures did not exceed the budgeted amounts for the fund level, which is the legal level of budgetary control. The Schedule of Revenues and Expenditures - Budget and Actual (Cash Basis) are presented on pages 8 of this report.

## 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.
- c) Determine that the bid process (or request for proposal process if applicable), 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.

Brian S. Colón, Esq., State Auditor and  
The Board of Directors of  
Valley Water and Sanitation District

- 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.

**Results of Procedure**

The disbursements for capital outlay was verified, was properly authorized and purchased according to a legal budget. The disbursement did not require any procurement other than 3 quotes. The District does not have a procurement officer. The District did not receive an award to pay for the capital outlay.

10. OTHER

**Procedure**

- a) 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 (I) (3) (C) NMAC.

**Results of Procedures**

Nothing else was noted that is required to be disclosed.

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 on the District's financial reporting to the State Auditor as described above. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures; other matters might have come to my attention that would have been reported to you. This report is intended solely for the information and use of State of New Mexico Valley Water & Sanitation District, New Mexico Office of the State Auditor, the New Mexico Legislature, and the New Mexico Department of Finance and Administration and is not intended to be and should not be used by anyone other than those specified parties.

This report is intended solely for the information and use of the management of Abiquiu Mutual Domestic Water & Sewer Association, the New Mexico State Auditor, the Department of Finance and Administration and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than those specified parties.

*Accounting & Financial Solutions, LLC*  
Farmington, New Mexico  
November 11, 2019

SUPPLEMENTAL SECTION  
OF  
**VALLEY WATER AND SANITATION DISTRICT**  
AGREED-UPON PROCEDURES REPORT  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2019

STATE OF NEW MEXICO  
VALLEY WATER & SANITATION DISTRICT

PROPRIETARY FUND

Schedule of Revenues, Expenses, and Changes in Fund Net Position -  
Budget and Actual (Non-GAAP Budgetary Basis)

Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
<b>Operating revenue:</b>				
Monthly service sales	\$ 343,500	\$ 343,500	\$ 360,449	\$ 16,949
San Juan County gross receipts tax	83,000	83,000	82,522	(478)
Construction/engineering fees	-	-	725	725
Other (Capital Donation)	46,724	46,724	-	(46,724)
Total operating revenue	473,224	473,224	443,696	(29,528)
<b>Operating expenses:</b>				
City of Farmington collection	80,000	80,000	85,126	(5,126)
Secretarial	8,400	8,400	8,760	(360)
Operations Maintenance Service	174,400	174,400	151,260	23,140
Pre-treatment (chemicals)	75,000	75,000	63,044	11,956
Office expense	3,400	3,400	4,071	(671)
Repairs and maintenance	35,000	35,000	49,229	(14,229)
Equipment rental	2,700	2,700	2,778	(78)
Insurance	11,050	11,050	11,231	(181)
Utilities	20,000	20,000	19,995	5
Legal and professional	4,500	4,500	4,439	61
Miscellaneous	56,220	56,220	9,273	46,947
Total operating expenses	470,670	470,670	409,206	61,464
<i>Change in net position - budgetary basis</i>	\$ 2,554	\$ 2,554	34,490	\$ 31,936
<b>Net position beginning of the year</b>	-	-	4,638,584	4,638,584
<b>Net position end of the year</b>	\$ 2,554	\$ 2,554	4,673,074	\$ 4,670,520
<b>RECONCILIATION TO GAAP BASIS:</b>				
Change in property and equipment			976,355	
Change in payable			(37,038)	
Depreciation			(112,331)	
<b>Change in net position</b>			\$ 861,476	



MICHELLE LUJAN GRISHAM  
GOVERNOR



OLIVIA PADILLA - JACKSON  
CABINET SECRETARY

DONNIE J. QUINTANA  
DIRECTOR

STATE OF NEW MEXICO  
DEPARTMENT OF FINANCE AND ADMINISTRATION  
LOCAL GOVERNMENT DIVISION

Bataan Memorial Building ♦ 407 Gallisteo St. ♦ Suite 202 ♦ Santa Fe, NM 87501  
PHONE (505) 827-4950 ♦ FAX (505) 827-4948

July 17, 2019

Jacqueline Foutz  
Madam Chair  
Valley WSD  
P.O. Box 3015  
4286 US Highway 64  
Kirtland, NM 87417

Dear Ms. Foutz:

The final budget for your local government entity for Fiscal Year 2019-20, as approved by your governing body, has been examined and reviewed. The Department of Finance and Administration, Local Government Division (LGD) finds it has been developed in accordance with applicable statutes and budgeting guidelines, and sufficient resources appear to be available to cover budgeted expenditures. In addition, the Budget Certification of Local Public Bodies rule, 2.2.3 NMAC, requires that your entity's audit The Tiered System rule, 2.2.2.16 NMAC, requires that your entity's "Agreed Upon Procedures" for Fiscal Year 2017-2018 should have been submitted to the Office of the State Auditor as of this time. The LGD's information indicates that you are in compliance with this requirement. Therefore, in accordance with Section 6-6-2(E) NMSA 1978, the LGD certifies your entity's final Fiscal Year 2019-20 budget.

Budgets approved by the LGD are required to be made a part of the minutes of your governing body in compliance with Section 6-6-5 NMSA 1978. In addition, Section 6-6-6 NMSA 1978 provides that the approved budget is binding on local officials and governing authorities, and any official or governing authority approving claims or paying warrants in excess of the approved budget or available funds will be liable for the excess amounts. Furthermore, state statute requires all revenue sources be expended only for public purposes, and if applicable, in accordance with the Procurement Code, Chapter 13, Article 1, NMSA 1978. Use of public revenue is also governed by Article 9, Section 14 of the Constitution of the State of New Mexico, commonly referred to as the anti-donation clause.

**Finally, as required by Section 6-6-2(H), NMSA 1978, LGD is required to approve all budget increases and transfers between funds not included in the final approved budget.**

If you have any questions regarding this matter, please call Eric Luchetti of my staff at 505-827-4976 .

Sincerely,

A handwritten signature in black ink, appearing to read "Donnie J. Quintana".

Donnie J. Quintana, Director  
Local Government Division

xc: file

INSTRUCTIONS Cells in which are meant to be filled out are explained below. All other columns are locked and not meant to be filled out.  
 Fill out the Approved Budget, 1st Qtr, 2nd Qtr, 3rd Qtr, 4th Qtr columns.  
 Fill out Cash, Savings, CDs, Investments under the "Approved Budget" column with APPROVED BUDGET at beginning of yr. THESE AMOUNTS DO NOT CHANGE THROUGHOUT THE YEAR.  
 Fill out Reserves (if reserve amounts change throughout the year under the "Year to Date(YTD) Totals" column.

Name: Valley Water and Sanitation District  
 Mailing Address: 1030 Walnut Dr.  
 Email Address: vwsd@comcast.net  
 Phone number: 505-325-1853

Calendar Year 2019/2020

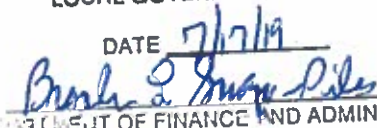
	APPROVED BUDGET	1st QR: Jul - Sept	2nd QR: Oct - Dec	3rd QR: Jan - Mar	4th QR: Apr - Jun	Year to Date(YTD) Totals	YTD (over/under BUDGET)	% of Budget
<b>Beginning balances:</b>								
Cash	177,970							
Savings								
CDs								
Investments								
<b>Beginning Balance TOTAL</b>	<b>\$ 177,970</b>							
<b>REVENUES</b>								
Monthly Service Sales	300,000					0	300,000	0%
San Juan County Gross Receipts Tax	88,500					0	88,500	0%
Maintenance Reimbursements	24,000					0	24,000	0%
Grant - Booster Pump Station	570,000					0	570,000	0%
Construction Loan Reimbursements						0	0	-
New Customers/Connections						0	0	-
Construction Sales						0	0	-
<b>TOTAL</b>	<b>\$ 982,500</b>						<b>982,500</b>	<b>0%</b>
<b>EXPENDITURES</b>								
Construction Loan Payments	1,500					0	1,500	0%
Service Line Construction/Land Improvements	570,000					0	570,000	0%
Engineer Services	30,000					0	30,000	0%
Construction Inspection Services	15,000					0	15,000	0%
Operations Maintenance Services	140,000					0	140,000	0%
Cleaning/Inspection Services	4,400					0	4,400	0%
Pre-Treatment Services (Chemicals)	75,000					0	75,000	0%
City of Farmington Collection Services	85,000					0	85,000	0%
Billing Services	5,100					0	5,100	0%
Professional/Accountant Services	4,500					0	4,500	0%
Land Lease	2,800					0	2,800	0%
System Repairs	10,000					0	10,000	0%
Supplies						0	0	-
Small Tools						0	0	-
Office	100					0	100	0%
Secretarial	9,120					0	9,120	0%
One-Call Locates	9,700					0	9,700	0%
Insurance	11,300					0	11,300	0%
Utilities	20,000					0	20,000	0%
						0	0	-
						0	0	-
<b>TOTAL</b>	<b>\$ 893,620</b>						<b>893,620</b>	<b>0%</b>
<b>Ending Balance</b>	<b>146,950</b>							
LESS: Operating Reserve						177,970		
Emergency Reserve								
Capital Improvement Reserve								
Debt Reserve								
<b>Ending Available Cash Balance</b>	<b>\$ 146,950</b>					<b>\$ 177,970</b>		

I HEREBY CERTIFY THE CONTENTS IN THIS REPORT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND THAT THIS REPORT DEPICTS ALL FUNDS.

  
 President/Chairperson

7.9.19  
 Date

APPROVED PURSUANT TO  
 SECTION 6-6-2 NMSA 1978  
 LOCAL GOVERNMENT DIVISION

DATE 7/7/19  
 BY   
 DEPARTMENT OF FINANCE AND ADMINISTRATION

SPECIAL DISTRICT NAME: Valley Water and Sanitation District

FISCAL CYCLE: 2019/2020  
 (FY = Fiscal Year 7/1-6/30)  
 (CY = Calendar Year 1/1-12/31)

FUND TITLE	FUND NUMBER	UNAUDITED BEGINNING CASH BALANCE @ JULY 1 (OR JAN. 1)	INVESTMENTS	BUDGETED REVENUES	BUDGETED TRANSFERS	BUDGETED EXPENDITURES	ESTIMATED ENDING CASH BALANCE	(OPTIONAL)* LOCAL RESERVE	ADJUSTED ENDING CASH BALANCE
GENERAL FUND - Operating (GF)	101	177,970	-	962,500	-	993,320	146,950	-	146,950
INTERGOVERNMENTAL GRANTS	218	-	-	-	-	-	-	-	-
OTHER	299	-	-	-	-	-	-	-	-
DEBT SERVICE	400	-	-	-	-	-	-	-	-
<b>Grand Total</b>		<b>\$ 177,970</b>	<b>\$ -</b>	<b>\$ 962,500</b>	<b>\$ -</b>	<b>\$ 993,320</b>	<b>\$ 146,950</b>	<b>\$ -</b>	<b>\$ 146,950</b>

Check if this form is a re-submission.

Re-submission No. \_\_\_\_\_

Re-submission Date: \_\_\_\_\_

\*Column used for additional funding set aside as a reserve approved by action of the governing body.

**RESOLUTION NUMBER  
19-20-02**

**STATE OF NEW MEXICO  
SPECIAL DISTRICT OF  
VALLEY WATER AND SANITATION DISTRICT**

**FINAL BUDGET ADOPTION  
FISCAL YEAR 2019/2020**

**WHEREAS**, the Governing body in and for the Special District of Valley Water and Sanitation District, State of New Mexico has developed a budget for fiscal year 2019/2020; and

**WHEREAS**, said budget was developed on the basis of need and through cooperation with all elected officials; and

**WHEREAS**, said budget was open for inspection by the public at a public hearing held on July 17, 2019; and

**WHEREAS**, it is the majority opinion of the Board that the Final budget meets the requirements as currently determined for fiscal year 2019/2020

**NOW, THEREFORE, BE IT RESOLVED** by the Governing Body of the Special District of Valley Water and Sanitation District, State of New Mexico hereby adopts the budget hereinabove described and respectfully requests approval from the Local Government Division of the Department of Finance and Administration.

**RESOLVED:** In session this 17th day of July, 2019.

**BOARD OF DIRECTORS  
VALLEY WATER AND SANITATION DISTRICT**

Attest:

  
Member

  
Jacqueline Foutz, Chairman

19-20-01

STATE OF NEW MEXICO  
SPECIAL DISTRICT OF  
VALLEY WATER AND SANITATION DISTRICT

RESOLUTION TO APPROVE  
JUNE 30, 2019 YEAR END  
FINANCIAL REPORT

WHEREAS, the Board of Directors ("Board") of Valley Water and Sanitation District ("District") approves the financial statements for the year ending on June 30, 2019;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Valley Water and Sanitation District that the financial statements for the year ending on June 30, 2019 are approved

PASSED, APPROVED AND ADOPTED THIS 9<sup>th</sup> DAY OF July 2019

BOARD OF DIRECTORS  
VALLEY WATER AND SANITATION DISTRICT

Attest: William L. Flock  
Director

Jacqueline Foutz  
Jacqueline Foutz, Chairman

INSTRUCTIONS: Cells in which are meant to be filled out are explained below. All other columns are locked and not meant to be filled out.

Fill out the Approved Budget, 1st Qtr, 2nd Qtr, 3rd Qtr, 4th Qtr columns.

Fill out Cash, Savings, CDs, Investments under the "Approved Budget" column with APPROVED BUDGET at beginning of yr. THESE AMOUNTS DO NOT CHANGE THROUGHOUT THE YEAR.

Fill out Reserves (if reserve amounts change throughout the year under the "Year to Date(YTD) Totals" column.

Name: Valley Water and Sanitation District

Mailing Address: 1030 Walnut Dr.


Email Address: vwsd@comcast.net

Phone number: 505-325-1853

Calendar Year 2018/2019

	APPROVED BUDGET	1st QR: Jul - Sept	2nd QR: Oct -Dec	3rd QR: Jan - Mar	4th QR: Apr - Jun	Year to Date(YTD) Totals	YTD (over/under BUDGET)	% of Budget
<b>Beginning balances:</b>								
Cash	181,957							
Savings								
CDs								
Investments								
<b>Beginning Balance TOTAL</b>	<b>\$ 181,957</b>							
<b>REVENUES</b>								
Monthly Service Sales	325,000	72,859	81,318	76,179	73,089	303,445	21,556	93%
San Juan County Gross Receipts Tax	83,000	17,946	11,340	23,065	18,096	70,448	12,552	85%
Maintenance Reimbursements	18,500	10,820	0		17,728	28,548	(10,048)	154%
Construction Loan Reimbursements	46,724	11,681	(11,681)			0	46,724	0%
New Customers/Connections		850	275	1,589	1,242	3,956	(3,956)	-
Construction Sales			725			725	(725)	-
<b>TOTAL</b>	<b>\$ 473,224</b>	<b>114,156</b>	<b>81,977</b>	<b>100,832</b>	<b>110,156</b>	<b>407,120</b>	<b>66,104</b>	<b>86%</b>
<b>EXPENDITURES</b>								
Construction Loan Payments	48,220	2,150	(998)	374	374	1,902	46,318	4%
Service Line Construction/Land Improvements			8,199			8,199	(8,199)	-
Engineer Services	5,000	0	13,834	13,101		26,935	(21,935)	539%
Construction Inspection Services			169			169	(169)	-
Operations Maintenance Services	170,000	36,015	36,333	32,954	37,589	142,891	27,109	84%
Cleaning/Inspection Services	4,400	0				0	4,400	0%
Pre-Treatment Services (Chemicals)	75,000	15,748	15,268	32,030		63,044	11,956	84%
City of Farmington Collection Services	80,000	23,750	19,492	21,293	20,591	85,128	(5,126)	106%
Billing Services	3,300	825	825	1,111	1,254	4,015	(715)	122%
Professional/Accountant Services	4,500	0		4,263		4,439	61	99%
Land Lease	2,700	0			2,778	2,778	(78)	103%
System Repairs	30,000	9,880	10,799	1,615	0	22,294	7,706	74%
Supplies						0	0	-
Small Tools						0	0	-
Office	100	0		56		56	44	56%
Secretarial	8,400	2,100	2,100	2,280	2,280	8,760	(360)	104%
One-Call Locates	8,000	2,101	3,218	1,017	2,938	9,273	(1,273)	116%
Insurance	11,050	0	11,231			11,231	(181)	102%
Utilities	20,000	5,327	4,836	4,985	4,846	19,995	5	100%
						0	0	-
						0	0	-
<b>TOTAL</b>	<b>\$ 470,670</b>	<b>97,897</b>	<b>125,306</b>	<b>116,078</b>	<b>72,827</b>	<b>411,107</b>	<b>59,563</b>	<b>87%</b>
<b>Ending Balance</b>	<b>184,510</b>					<b>177,970</b>		
LESS: Operating Reserve								
Emergency Reserve								
Capital Improvement Reserve								
Debt Reserve								
<b>Ending Available Cash Balance</b>	<b>\$ 184,510</b>					<b>\$ 177,970</b>		

I HEREBY CERTIFY THE CONTENTS IN THIS REPORT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND THAT THIS REPORT DEPICTS ALL FUNDS.

  
 President/Chairperson

7.9.19  
 Date

Valley Water and Sanitation District  
Income Statement  
For the Twelve Months Ending June 30, 2019

	Current Month		Year to Date	
<b>Revenues</b>				
Construction/Engineering Sales	\$ 0.00	0.00	\$ 724.63	0.18
Application Fee Sales	0.00	0.00	450.00	0.11
Connection/Tap Fee Sales	1,241.68	1.13	3,505.58	0.86
Monthly Service Sales	73,089.28	66.35	303,444.64	74.53
Standby Charge	0.00	0.00	0.00	0.00
Admission Fee Sales	0.00	0.00	0.00	0.00
Maintenance Income	17,728.21	16.09	28,547.72	7.01
Lagoon's Loan Repayment	0.00	0.00	0.00	0.00
Interest Income	0.00	0.00	0.00	0.00
San Juan County GRT	18,096.47	16.43	70,447.80	17.30
San Juan County GRT Unishare	0.00	0.00	0.00	0.00
Disconnect/Reconnect Fee	0.00	0.00	0.00	0.00
Other Income	0.00	0.00	0.00	0.00
Late Fee	0.00	0.00	0.00	0.00
Sales/Fees Discounts	0.00	0.00	0.00	0.00
Lagoon Loan Repayment	0.00	0.00	0.00	0.00
<b>Total Revenues</b>	<u>110,155.64</u>	<u>100.00</u>	<u>407,120.37</u>	<u>100.00</u>
<b>Cost of Sales</b>				
Engineering Costs	0.00	0.00	26,934.93	6.62
Construction Inspection Costs	0.00	0.00	0.00	0.00
Service Line Construction Cost	0.00	0.00	8,198.94	2.01
Operations Maintenance Costs	37,589.39	34.12	142,891.46	35.10
Cleanin/Inspections Services	0.00	0.00	0.00	0.00
Admission Court/Clerk Fees	0.00	0.00	169.26	0.04
Pre-Treatment (Chemicals)	0.00	0.00	63,043.72	15.49
Meter Reads	0.00	0.00	0.00	0.00
City of Farmington Collection	20,590.96	18.69	85,126.29	20.91
Cost of Sales	0.00	0.00	0.00	0.00
Inventory Adjustments	0.00	0.00	0.00	0.00
<b>Total Cost of Sales</b>	<u>58,180.35</u>	<u>52.82</u>	<u>326,364.60</u>	<u>80.16</u>
<b>Gross Profit</b>	<u>51,975.29</u>	<u>47.18</u>	<u>80,755.77</u>	<u>19.84</u>
<b>Expenses</b>				
Advertising	0.00	0.00	0.00	0.00
Billing Services	1,254.00	1.14	4,015.00	0.99
Payroll Tax Expense	0.00	0.00	0.00	0.00
Bad Debt Expense	0.00	0.00	0.00	0.00
Harper Valley HOA Fees	0.00	0.00	0.00	0.00
Income Tax Expense	0.00	0.00	0.00	0.00
Legal Services	0.00	0.00	0.00	0.00
Other Taxes Expense	0.00	0.00	0.00	0.00
Professional/Accountant	176.99	0.16	4,439.49	1.09
Rent or Lease Expense	2,778.01	2.52	2,778.01	0.68
Penalties/Interest Charged	0.00	0.00	0.00	0.00
Fuel/Oil	0.00	0.00	0.00	0.00
System Maintenance & Repairs	0.00	0.00	22,293.58	5.48
Supplies Expense	0.00	0.00	0.00	0.00
Small Tools Expense	0.00	0.00	0.00	0.00
Town of Kirtland	0.00	0.00	0.00	0.00
Utilities Expense	4,846.46	4.40	19,994.61	4.91
Office Expense	0.00	0.00	56.00	0.01
Telephone Expense	0.00	0.00	0.00	0.00
Secretarial Expense	2,280.00	2.07	8,760.00	2.15

For Management Purposes Only

Valley Water and Sanitation District  
Income Statement  
For the Twelve Months Ending June 30, 2019

	Current Month		Year to Date	
Interest Expense - N/P Whipple	0.00	0.00	0.00	0.00
Training Expense	0.00	0.00	0.00	0.00
Misc. Expenses	0.00	0.00	0.00	0.00
One-Call Locate	2,937.56	2.67	9,273.15	2.28
Permit/Application Fees	0.00	0.00	0.00	0.00
Service Charge Expense	0.00	0.00	0.00	0.00
Purchase Disc-Expense Items	0.00	0.00	0.00	0.00
Insurance Expense	0.00	0.00	11,231.00	2.76
Depreciation Expense	88,824.90	80.64	138,171.00	33.94
Gain/Loss - Sale of Assets Exp	0.00	0.00	0.00	0.00
<b>Total Expenses</b>	<b>103,097.92</b>	<b>93.59</b>	<b>221,011.84</b>	<b>54.29</b>
<b>Net Income</b>	<b>\$ (51,122.63)</b>	<b>(46.41)</b>	<b>\$ (140,256.07)</b>	<b>(34.45)</b>

For Management Purposes Only



Valley Water and Sanitation District  
Balance Sheet  
June 30, 2019

ASSETS

Current Assets		
Checking Account	\$	177,969.73
Harper V. Loan - Current		6,603.40
Harper V. Loan - Noncurrent		692,975.72
Lagoons Loan - Current		1,184.00
Lagoons Loan - Noncurrent		<u>32,594.98</u>
 Total Current Assets		 911,327.83
Property and Equipment		
Land		33,200.00
Land Improvements		4,862,646.00
Buildings		1,859.52
Accumulated Depreciation		<u>(586,058.00)</u>
 Total Property and Equipment		 4,311,647.52
Other Assets		
 Total Other Assets		 <u>0.00</u>
 Total Assets	\$	 <u><u>5,222,975.35</u></u>

LIABILITIES AND CAPITAL

Current Liabilities		
 Total Current Liabilities		 0.00
Long-Term Liabilities		
N/P Whipple Taps	\$	11,500.00
N/P SJC Lagoons Loan		29,383.07
N/P SJC Harper Valley Loan		<u>699,579.12</u>
 Total Long-Term Liabilities		 <u>740,462.19</u>
 Total Liabilities		 740,462.19
Capital		
Fund Balance - Fixed Assets		4,607,119.31
Fund Balance - Operating		15,649.92
Net Income		<u>(140,256.07)</u>
 Total Capital		 <u>4,482,513.16</u>
 Total Liabilities & Capital	\$	 <u><u>5,222,975.35</u></u>

Unaudited - For Management Purposes Only

## **SCHEDULE OF FINDINGS AND RESPONSES**

Year Ended June 30, 2019

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### **I. CURRENT YEAR FINDINGS**

There were no findings to be reported for the current year.

### **II. PRIOR YEAR FINDINGS**

There were no prior year findings.

**REQUIRED DISCLOSURES**

Year Ended June 30, 2019

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The financial statements were prepared by the independent public accountants.

An exit conference was held November 18, 2019 during which the audit findings were discussed. The exit conference was attended by the following individuals:

Valley Water & Sanitation District

Jacqueline Foutz	Chair
Jody Rico	Office Manager

ACCOUNTING & FINANCIAL SOLUTIONS, LLC

Terry Ogle, CPA	Partner
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STATE OF NEW MEXICO  
**VALLEY WATER AND SANITATION  
DISTRICT**

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COMPILED FINANCIAL REPORT  
WITH  
INDEPENDENT ACCOUNTANTS' COMPILATION REPORT  
YEAR ENDED JUNE 30, 2019

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INTRODUCTORY SECTION  
OF  
**VALLEY WATER AND SANITATION DISTRICT**  
COMPILED FINANCIAL REPORT  
FISCAL YEAR 2019  
JULY 1, 2018 THROUGH JUNE 30, 2019

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Year Ended June 30, 2019

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7	Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund
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# OFFICIAL ROSTER

June 30, 2019

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## Board of Directors

Jacqueline Foutz	Chairman
Tom Wethington	Vice Chairman
William L. Flack	Secretary / Treasurer
Brian Mack	Member
Peter H. Emery	Member

## Administrative Employees

Jody Rico	Bookkeeper
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FINANCIAL SECTION  
OF  
VALLEY WATER AND SANITATION DISTRICT  
COMPILED FINANCIAL REPORT  
FISCAL YEAR 2019  
JULY 1, 2018 THROUGH JUNE 30, 2019

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## INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Brian S. Colón, Esq., State Auditor and  
The Board of Directors of  
Valley Water & Sanitation District

Management is responsible for the accompanying financial statements of the business-type activities of Valley Water & Sanitation District (the District) which comprise the Statement of Net Position – Proprietary Fund, as of the year ended June 30, 2019, and the related Statement of Revenues, Expenses, and Change in Net Position – Proprietary fund, and Statement of Cash Flows – Proprietary Fund for the year then ended, and the related notes to the financial statements in accordance with Section 2.2.2.16 New Mexico Administrative Code (NMAC).

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. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

In order to comply with the requirements of Section 12-6-3(B) NMSA, the proprietary fund financial statements and the notes related to those financial statements were prepared using the modified accrual basis of accounting. However, in complying with these requirements, management has omitted the following financial statements and notes required by accounting principals generally accepted in the United States of America (GAAP): The statement of cash flows – proprietary funds and the disclosures related to the cash flow statement. These omissions result in the financial statements being presented on a basis of accounting other than GAAP.

We draw attention to Note I of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified accrual basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America

Management has elected to omit the related disclosures that are required by accounting principles generally accepted in the United States. If the omitted statements and disclosures were included in the financial statements, they might influence the user's conclusions about the District's financial position and results of operations and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This information is the representation of management. This information was subject to our compilation engagement; however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, or provide any form of assurance on such information

*Accounting & Financial Solutions, LLC*  
Farmington, New Mexico  
November 11, 2019

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BASIC FINANCIAL STATEMENTS  
OF  
**VALLEY WATER AND SANITATION DISTRICT**

AS OF AND FOR THE YEAR ENDED  
JUNE 30, 2019

STATE OF NEW MEXICO  
VALLEY WATER & SANITATION DISTRICT

PROPRIETARY FUND  
Statement of Net Position  
June 30, 2019

**Assets**

Current assets:	
Cash and cash equivalents	\$ 177,970
Accounts receivable (net of allowance of \$0.00)	73,259
Taxes receivable	12,074
Assessment receivable current portion	<u>46,533</u>
Total current assets	<u>309,836</u>
Noncurrent assets:	
Assessment receivable noncurrent portion	679,721
Capital assets:	
Land	33,200
Buildings and improvements	1,860
Buildings and irrigation system	5,839,001
Less: accumulated depreciation	<u>(586,058)</u>
Total noncurrent assets	<u>5,967,724</u>
<b>Total Assets</b>	<b><u>\$ 6,277,560</u></b>

**Liabilities**

Current liabilities:	
Accounts payable	\$ 37,038
Loans payable - current	<u>40,860</u>
Total current liabilities	77,898
Noncurrent liabilities:	
Loans payable (less current portion)	<u>699,602</u>
<b>Total Liabilities</b>	<b><u>777,500</u></b>

**Net Position**

Net investment in capital assets	5,288,003
Unrestricted	<u>212,057</u>
<b>Total Net Position</b>	<b><u>5,500,060</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 6,277,560</u></b>

See accompanying notes and accountant's report.

STATE OF NEW MEXICO  
VALLEY WATER & SANITATION DISTRICT

PROPRIETARY FUND  
Statement of Revenues, Expenses, and Changes in Net Position  
Year ended June 30, 2019

<b>Operating revenue:</b>	
Monthly service sales	\$ 360,449
San Juan County gross receipts tax	82,522
Construction/engineering fees	725
Other (Capital Donation)	<u>976,355</u>
<b>Total operating revenue</b>	<u>1,420,051</u>
<b>Operating expenses:</b>	
City of Farmington collection	91,513
Secretarial	9,520
Operations Maintenance Service	162,612
Pre-treatment (chemicals)	79,583
Office expense	4,596
Repairs and maintenance	49,353
Equipment rental	2,778
Insurance	11,231
Utilities	21,346
Legal and professional	4,439
Miscellaneous	9,273
Depreciation	<u>112,331</u>
<b>Total operating expenses</b>	<u>558,575</u>
<i>Operating income (loss)</i>	861,476
<b>Net position - beginning</b>	<u>4,638,584</u>
<b>Net position - ending</b>	<u>\$ 5,500,060</u>

STATE OF NEW MEXICO  
VALLEY WATER & SANITATION DISTRICT

PROPRIETARY FUND  
Statement of Cash Flows  
Year ended June 30, 2019

<b>Cash Flows From Operating Activities</b>	
Cash received from customers	\$ 1,357,948
Cash payments to employees	(9,520)
Cash payments for supplies and maintenance	<u>(420,691)</u>
<b>Net cash Provided by (used in) operating activities</b>	<u>927,737</u>
<b>Cash Flows From Capital And Related Financing Activities</b>	
Purchases of capital assets	(976,355)
Principal paid on debt	<u>687,677</u>
<b>Net cash used in capital and related financing activities</b>	<u>(288,678)</u>
<b>Cash Flows From Investing Activities</b>	
Assessment fees receivable (long term)	<u>(643,046)</u>
<i>Net decrease in cash and cash equivalents</i>	(3,987)
<b>Cash and cash equivalents at beginning of the year</b>	<u>181,957</u>
<b>Cash and cash equivalents at end of the year</b>	<u><u>\$ 177,970</u></u>
<b>Reconciliation Of Operating Income To Net Cash Provided (Used) By Operating Activities</b>	
Operating income (loss)	\$ 861,476
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	112,331
(Increase) decrease in:	
Customer receivables	(22,774)
Taxes receivable	100
Assessment fees receivable current	(39,429)
Increase (decrease) in:	
Accounts payable	<u>16,033</u>
Total adjustments	<u>66,261</u>
<b>Net cash Provided by (used in) operating activities</b>	<u><u>\$ 927,737</u></u>
<b>Noncash investing and financing activity:</b>	
Interest accrued	<u><u>\$ -</u></u>

See accompanying notes and accountant's report.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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NOTE	PAGE
I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES	
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1. Blended Component Units	
2. Discretely Presented Component Units	
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# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

Valley Water and Sanitation District (District) was created by decree of the State of New Mexico, as a political subdivision of the State. The District was incorporated for the purpose of constructing, maintaining, and operating a wastewater system for its members. The District is governed by an elected five-member Board of Directors elected by the members of the District. The District has approximately 120 members served in the Kirtland community in San Juan County. The Board of Directors of the District has decision-making authority, the power to designate management, and the ability to significantly influence operations and primary accountability for fiscal matters.

The District's financial statements include all financial information over which the Board of Directors exercises oversight responsibility. Oversight responsibility includes such aspects as appointment of governing body members, designation of management, the ability to significantly influence operations, and accountability for fiscal matters. Based upon the application of these criteria, no component units were included in the financial statements.

Generally Accepted Accounting Principles (GAAP) requires that financial statements present the District (primary government) and its component units. The District has no component units that are required to be presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*.

1. Blended Component Units

The District does not have any component units reported as blended component units.

2. Discretely Presented Component Units

The District does not have any component units reported as discretely presented component units.

The summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of Valley Water & Sanitation District's management who is responsible for their integrity and objectivity. The financial statements of the District conform to Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

### B. Proprietary Financial Statement Presentation

The proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### C. Assets, Liabilities, and Net Position or Equity

#### 1. *Deposits and investments*

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

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

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

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

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

#### 2. *Accounts Receivable*

The accounts receivable reported in the Statement of Net Assets and an allowance for doubtful accounts has been recorded. Receivables are recognized when services are rendered and revenue has been earned.

#### 3. *Capital assets*

The District's policy is to capitalize all disbursements for equipment in excess of \$5,000. Property and equipment are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expenses as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of activities.

ESTIMATED USEFUL LIVES	
ASSETS	YEARS
Land improvements	20 - 80
Buildings & Improvements	7 - 10

#### 4. *Net Position*

Net Position is presented on the Statement of Net Position and may be presented in any of three components.

##### a. 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 invested in capital assets, net of related debt. That portion of the debt is included in restricted for capital projects.

##### b. 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.

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### C. Assets, Liabilities, and Net Position or Equity (cont'd)

#### c. 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.

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.

#### 5. *Expenses*

Expenses are classified as operating or non-operating according to the following criteria: Operating expenses include activities that have the characteristics of an exchange transaction, such as a) employee salaries, benefits, and related expense; b) utilities, supplies, and other services; d) professional fees; and e) depreciation expenses related to District property, plant, and equipment. Non-operating expenses include activities that have the characteristics of nonexchange transactions, such as interest on capital asset-related debt and bond expenses that are defined as non-operating expenses.

#### 6. *Budgets*

According to State statute, the District adopts and approves an annual non-appropriated budget adopted on a cash (non-GAAP) basis. Budgetary control is prepared at the level of account classification, and serves as a management control device. Once adopted, the Board is authorized to amend the budget at the account classification and fund level.

Prior to June 1, the Board of Directors adopts a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Prior to March 1, the budget is enacted through passage of a board resolution.

The Board 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. Expenditures of the District may not exceed appropriations at the level at which the budget is adopted, that is, expenditures in each fund may not exceed the budgeted appropriation for that fund.

#### 7. *Use of Estimates*

The preparation of the 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### 8. *Tax Abatements*

Governmental Accounting Standards Board Statement No. 77 requires the District to disclose information on certain tax abatement agreements effecting the District. Accordingly, the District did not have any tax abatements effecting the District during the year ended June 30, 2019.



# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

## II. DETAILED NOTES ON ALL FUNDS

### A. Cash and Temporary Investments

#### Cash and equivalents

Reconciliation of bank balances to the financial statements:

	BALANCE
<b>Financial institution:</b>	
Bank of the Southwest	\$ 179,328
<b>Less:</b>	
Net reconciling items	(1,358)
<b>Total cash and equivalents</b>	<b>\$ 177,970</b>

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the District. Time deposits, 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 and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

At June 30, 2019, the carrying amount of the District's deposits was \$177,970 and the bank balance was \$179,328 with the difference consisting of outstanding checks. Of this balance \$179,328 was covered by federal depository insurance and none was covered by collateral held in joint safekeeping by a third party.

#### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution. The statement listed below will meet the State of New Mexico Office of the State Auditor's requirement in reporting the uninsured portion of the deposits. As of June 30, 2019, none of the District's bank balance of was exposed to custodial risk as follows:

	INSURED	UNDER INSURED	TOTAL
<b>Bank deposits:</b>			
Uninsured and uncollateralized	\$ -	\$ -	\$ -
Uninsured and collateral held by pledging bank's trust dept not in the Cooperative's name	-	-	-
Total uninsured	-	-	-
Insured (FDIC)	179,328	-	179,328
Total deposits	<u>\$ 179,328</u>	<u>\$ -</u>	<u>\$ 179,328</u>
 <b>State of New Mexico collateral requirement:</b>			
50% of uninsured public fund bank deposits	\$ -	\$ -	\$ -
Pledged security	-	-	-
Over collateralization	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2019

**II. DETAILED NOTES ON ALL FUNDS (cont'd)**

**A. Cash and Temporary Investments (cont'd)**

The following is a list of accounts held by the District:

	BANK BALANCE
<b>Bank of the Southwest</b>	
Checking	\$ 179,328

**B. Receivables**

Receivables as of June 30, 2019 are as follows:

	RECEIVABLES		
	Customer	Taxes	Assessment
General Funds	\$ 73,259	\$ 12,074	\$ 46,533

The above receivables are deemed to be 100% collectible.

**II. DETAILED NOTES ON ALL FUNDS (cont'd)**

**C. Capital Assets**

Capital assets activity for the year ended June 30, 2019 was as follows:

	BEGINNING	INCREASES	DECREASES	ENDING
<b>Business-type activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land	\$ 33,200	\$ -	\$ -	\$ 33,200
<u>Capital assets being depreciated:</u>				
Buildings	1,860	-	-	1,860
Land improvements	4,862,646	976,355	-	5,839,001
<i>Total capital assets being depreciated</i>	4,864,506	976,355	-	5,840,861
Less accumulated depreciation for:				
Buildings	(884)	(186)	-	(1,070)
Land improvements	(472,843)	(112,145)	-	(584,988)
<i>Total accumulated depreciation</i>	(473,727)	(112,331)	-	(586,058)
Total capital assets being depreciated, net	4,390,779	864,024	-	5,254,803
<b>Total capital assets, net</b>	\$ 4,423,979	\$ 864,024	\$ -	\$ 5,288,003

# NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

## D. Liabilities

**Note Payable – Whipple Taps:** The District obtained approximately one acre of land for one of its lift stations on December 4, 2009. In exchange for the land, the District gave the property owner some cash at the time and the future waste water connections. The District owes the property owner two commercial connections and nine residential connections which the property owner may take at any time in the future.

**Note Payable – San Juan County:** Installment loan payable dated December 1, 2015, in the amount of \$59,483 payable in 7 annual installments of \$8,600, noninterest bearing, and beginning in 2015.

San Juan County obtained grants for the installation of sewer lines and a lift station for an area of the Kirtland community which will be referred to as the Lagoon area. The grant did not cover the cost of the engineering of the system which was \$86,000. The residents of the Lagoon area were assessed a monthly fee of \$8.00 to pay the County back the engineering costs. The Lagoon system was connected to the District’s waste water collection system and in December 2015 the District agreed to take over the maintenance and operations of the Lagoon system. The District assumed responsibility for repayment of the remaining loan balance and began collecting the monthly fee assessment from the residents. The balance of the note at the time the District assumed responsibility was \$59,483 and requires monthly payments of \$717 through November 2022.

**Note Payable – San Juan County:** a loan agreement in the amount of \$660,736 to finance the construction costs related to connecting the Harper Valley Home Owners Association’s (HVHOA) current waste water system to the District’s system. The connection of the HVHOA system will add 137 homes to the District’s system. The loan will be financed for 19 years with an interest rate of 1.20%. Residents of the HVHOA will be assessed a monthly fee of up to \$27.69 to pay for the repayment of the loan. The District made an initial lump sum payment of \$13,206.80 and will make 221 payments of \$3,307.70 per month and a final payment of \$1,201.48.

Changes in long term debt – During the year ended June 30, 2019 the following changes occurred in liabilities:

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE	DUE WITHIN ONE YEAR
N/P - San Juan County	\$ 37,983	\$ -	\$ 8,600	\$ 29,383	\$ 8,600
N/P - Whipple	11,500	-	-	11,500	-
N/P - San Juan County	-	667,319	-	667,319	32,260
	<u>\$ 49,483</u>	<u>\$ 667,319</u>	<u>\$ 8,600</u>	<u>\$ 708,202</u>	<u>\$ 40,860</u>

Annual debt service requirements to maturity for notes payable are as follows:

YEAR ENDING JUNE 30,	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2019	\$ 45,957	\$ -	\$ 45,957
2020	45,959	-	45,959
2021	45,959	-	45,959
2022	40,940	-	40,940
2023	37,357	-	37,357
2024 - 2028	186,783	-	186,783
2029 - 2033	186,783	-	186,783
2034 - 2038	139,224	-	139,224
Total	<u>\$ 728,962</u>	<u>\$ -</u>	<u>\$ 728,962</u>

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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### III. OTHER INFORMATION

#### A. Risk Management

The District has purchased commercial insurance that transfers risks of loss to an unrelated party. This coverage minimizes the District's retained risks of loss up to the policy limits.

#### B. Employee Retirement Plan

The District has not elected to be included in the New Mexico Public Employees Retirement Fund (PERA) and does not have any retirement plan in place for its employees.

#### C. Subsequent Events

Subsequent events were evaluated through November 11, 2019 which is the date the financial statements were available to be issued.