

**STATE OF NEW MEXICO**

**GAMERCO WATER & SANITATION DISTRICT**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures  
and  
Compilation Report of Independent Accountant and  
Compiled Financial Statements**

**For the Year Ended  
December 31, 2017**



**STATE OF NEW MEXICO**  
**GAMERCO WATER & SANITATION DISTRICT**

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**STATE OF NEW MEXICO  
GAMERCO WATER & SANITATION DISTRICT  
OFFICIAL ROSTER  
DECEMBER 31, 2017**

**Board of Directors**

<u>Name</u>	<u>Title</u>
Tom J. Devlin	President
Salvador Nava	Vice-President
Jason Sanchez	Treasurer

**Administration**

Steve A. Petranovich	Certified Public Accountant
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**INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES**

Board of Directors  
Gamerco Water & Sanitation District  
and  
Wayne A. Johnson  
New Mexico State Auditor  
Santa Fe, New Mexico

I have performed the procedures enumerated below which were agreed to by State of New Mexico Gamerco Water & 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, Long-Term Debt, Revenues, Expenditures, Journal Entries, and Budget information and its compliance with Section 12-6-3(B) NMSA 1978 and Section 2.2.2.16 NMAC, as of and for the year ended December 31, 2017. Gamerco Water & Sanitation District is responsible for its financial reporting as described above. 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 Audit Act – Section 12-6-3 B (6) NMSA 1978 and Section 2.2.2.16 NMAC, my procedures and associated results of procedures are as follows:

**1. REVENUE CALCULATION**

**Procedures**

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

**Results of Procedures**

The District revenues for the year ending December 31, 2017 were \$485,771 which requires Tier 6 Agreed-Upon Procedures.

## **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. For purposes of performing my procedures "timely" means completion of the bank reconciliations within one month after the last day of the reporting month and "complete" means that statements for bank and investment accounts are all accounted for by the District.

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 Department of Finance & Administration - Local Government Division (DFA-LGD). For purposes of performing my procedures "accuracy" means that reconciling items agree to deposit slips and subsequent bank or investment statements, and the reconciliations are mathematically correct.

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**

Bank reconciliations were completed timely. Bank reconciliations were accurate, and reconciled balances were agreed to the general ledger without exception. Pledged collateral was not required because the bank accounts were fully insured throughout the year.

## **3. CAPITAL ASSETS**

### **Procedures**

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

### **Results of Procedures**

The December 31, 2017 capital asset inventory was performed in accordance with Section 12-6-10 NMSA 1978.

#### **4. DEBT**

##### **Procedures**

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

##### **Results of Procedures**

The District has one outstanding loan from the New Mexico Environment Department. The required payment was made during the year. The loan agreement does not have a reserve requirement, therefore this step is not applicable.

#### **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 Procedures**

Revenue was analytically reviewed and met expectations. Variances were adequately supported. 4 month's receipts, totaling \$159,205, were tested. Receipts were properly recorded in the general ledger, properly classified, agreed to the bank deposits, and were adequately supported.

## **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 13-1-99 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**

30 disbursements, totaling \$48,165, were tested and it was determined that amounts recorded as disbursed agreed to adequate supporting documentation and the amounts, payees, dates and descriptions agreed to the vendor's invoice, purchase order, contract, pay stubs, timesheets and cancelled checks, as applicable. Disbursements were authorized in compliance with the budget and legal requirements, and were properly approved. Procurement and travel were not tested because the District did not have any purchases that were subject to the NM Procurement Code or the Regulations Governing the Per Diem and Mileage Act.

## **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 Procedures**

100% of 2017 journal entries were tested. The entries were reasonable and adequately supported. The District has a process for reviewing and approving journal entries, and all journal entries were approved.

## **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, 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 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.

### **Results of Procedures**

The District's budget was approved by the Board of Directors and DFA-LGD, without exception. Actual expenses did not exceed budgeted expenses at the fund level, which is the legal level of budgetary control. The Schedule of Revenues and Expenses - Budget and Actual (Cash Basis) is presented on page 8 of this report.

## **9. CAPITAL OUTLAY APPROPRIATIONS**

This step is not applicable.

## **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(L) NMAC.



**Results of Procedures**

Nothing else was noted.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. I was 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 Gamerco Water & Sanitation District's financial reporting and compliance 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 Gamerco 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.

*James L. Hartogensis, CPA LLC*

Albuquerque, New Mexico  
May 15, 2018

**STATE OF NEW MEXICO  
GAMERCO WATER & SANITATION DISTRICT  
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		Favorable (Unfavorable)
<b>OPERATING REVENUES:</b>				
Water & sewer fees	\$ 363,889	\$ 363,889	\$ 320,480	\$ (43,409)
Cost of sales - water	<u>332,878</u>	<u>332,878</u>	<u>281,962</u>	<u>50,916</u>
Gross profit	31,011	31,011	38,518	7,507
Other operating revenues:				
Refuse collection	169,221	169,221	148,875	(20,346)
Loan surcharge - infrastructure	<u>16,400</u>	<u>16,400</u>	<u>16,416</u>	<u>16</u>
<b>Total operating revenues</b>	<u>216,632</u>	<u>216,632</u>	<u>203,809</u>	<u>(12,823)</u>
<b>OPERATING EXPENSES:</b>				
Wages	48,663	48,663	45,667	2,996
Field repairs	35,553	35,553	27,867	7,686
Truck expense	21,172	21,172	7,339	13,833
Insurance	18,608	18,608	9,359	9,249
Road maintenance	16,000	16,000	-	16,000
Accounting	13,534	13,534	11,602	1,932
Miscellaneous	12,241	12,241	-	12,241
Field supplies	4,347	4,347	7,910	(3,563)
Payroll taxes	3,883	3,883	3,644	239
Interest expense	3,217	3,217	3,011	206
Telephone	2,557	2,557	2,396	161
Office & supplies	2,084	2,084	1,659	425
Training expense	1,000	1,000	170	830
Dues and subscriptions	300	300	568	(268)
Other taxes	-	-	269	(269)
Water samples	-	-	6,405	(6,405)
Agreed-upon procedures	-	-	5,265	(5,265)
Outside consulting	-	-	1,559	(1,559)
Equipment rental	<u>-</u>	<u>-</u>	<u>3,884</u>	<u>(3,884)</u>
<b>Total operating expenses</b>	<u>183,159</u>	<u>183,159</u>	<u>138,574</u>	<u>44,585</u>
<b>Excess (deficiency) of revenues over expenses</b>	<u>\$ 33,473</u>	<u>\$ 33,473</u>	<u>\$ 65,235</u>	<u>\$ 31,762</u>

**STATE OF NEW MEXICO**  
**GAMERCO WATER & SANITATION DISTRICT**  
**4<sup>TH</sup> QUARTER REPORT SUBMITTED TO DFA**  
**YEAR ENDED DECEMBER 31, 2017**

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: Gamerco Wtr & San  
 Quarter Ending: 12/31/2017  
 Prepared by: Steve Petranovich

Steve A. Petranovich  
 (signature line)

QUARTERLY YEAR TO DATE TRANSACTIONS PER BOOK

FUND TITLE	FUND NUMBER	UNAUDITED BEGINNING CASH BALANCE @ JULY 1 (or JAN. 1)	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 - Operating (GF)	101	89,063	-	187,393	-	136,575	137,881	-	-	(67,282)	70,599	-	-
INTERGOVERNMENTAL GRANTS	218	-	-	-	-	-	-	-	-	-	-	-	-
OTHER	299	-	-	-	-	-	-	-	-	-	-	-	-
DEBT SERVICE	400	-	-	-	-	-	-	-	-	-	-	-	-
<b>Grand Total</b>		<b>\$ 89,063</b>	<b>\$ -</b>	<b>\$ 187,393</b>	<b>\$ -</b>	<b>\$ 136,575</b>	<b>\$ 137,881</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (67,282)</b>	<b>\$ 70,599</b>	<b>\$ -</b>	<b>\$ -</b>





**STATE OF NEW MEXICO**  
**GAMERCO WATER & SANITATION DISTRICT**  
**4<sup>TH</sup> QUARTER REPORT SUBMITTED TO DFA**  
**YEAR ENDED DECEMBER 31, 2017**

DEBT SERVICE						
SPECIAL DISTRICT: <u>Gamerco Wtr &amp; San</u>				Fund Number: <b>400</b>	Quarter Ending: <b>12/31/17</b>	
(A) NAME AND TYPE	(B) DATE OF ISSUE	(C) ORIGINAL FACE AMOUNT OF ISSUE	(D) OUTSTANDING PRINCIPAL AMOUNT (Unpaid)	(E) COUPON RATE OF INTEREST	(F) PRINCIPAL DUE	(G) INTEREST DUE
Rural Infrastructure Loan RIP Loan 2007-03	6/6/2007	150,000	93,288	3.0%	-	-
	0/0/0000	-	-	0.0%	-	-
	0/0/0000	-	-	0.0%	-	-
	0/0/0000	-	-	0.0%	-	-
	0/0/0000	-	-	0.0%	-	-
	0/0/0000	-	-	0.0%	-	-
	0/0/0000	-	-	0.0%	-	-
	0/0/0000	-	-	0.0%	-	-
<b>TOTAL</b>		150,000	93,288		-	-
<b>INSTRUCTIONS - SCHEDULE OF BONDS &amp; LONG TERM LOANS</b>						
Column (A) Describe the Purpose of the DEBT along with its NAME AND TYPE.					<b>TOTAL PRINC/INT PD</b>	
Column (B) Enter the Date of Issue.						
Column (C) Enter the Original Amount of the Issue.						
Column (D) Enter Unpaid Principal Balance for Fiscal Year.						
Column (F) Enter Principal Amount To Be Paid, during Fiscal Year.						
Column (G) Enter Interest Amount To Be Paid, during Fiscal Year.						

**STATE OF NEW MEXICO**  
**GAMERCO WATER & SANITATION DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED DECEMBER 31, 2017**

**Current Year Findings**

None.

**STATE OF NEW MEXICO**  
**GAMERCO WATER & SANITATION DISTRICT**  
STATUS OF PRIOR YEAR FINDINGS  
YEAR ENDED DECEMBER 31, 2017

<b><u>Prior Year Finding</u></b>	<b><u>Disposition</u></b>
2015-002 Journal Entries Not Reviewed or Approved	Resolved
2015-003 Actual Expenses Exceeded Budgeted Expenses	Resolved
2016-001 Lack of Policies and Procedures for Approving Cash Disbursements	Resolved



**STATE OF NEW MEXICO**  
**GAMERCO WATER & SANITATION DISTRICT**  
EXIT CONFERENCE  
YEAR ENDED DECEMBER 31, 2017

The report contents were discussed at an exit conference held on May 23, 2018 with the following in attendance:

**Gamerco Water & Sanitation District**

Tom J. Devlin	President
Jason Sanchez	Treasurer
Steve Petranovich	Contract Accountant

**James L. Hartogenesis, CPA LLC**

James Hartogenesis, CPA, CGFM	Principal
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## COMPILATION REPORT OF INDEPENDENT PUBLIC ACCOUNTANT

Board of Directors  
Gamerco Water & Sanitation District  
and  
Wayne A. Johnson  
New Mexico State Auditor  
Santa Fe, New Mexico

Management is responsible for the accompanying financial statements of the business-type activities of State of New Mexico Gamerco Water & Sanitation District (District), which comprise the statement of net position as of December 31, 2017, and the related statement of revenues, expenses and changes in net position for the year then ended, and the related notes to the financial statements included in the accompanying prescribed form. I 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. I did not audit or review the financial statements included in the accompanying prescribed form nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements included in the accompanying prescribed form.

In order to comply with the requirements of Section 12-6-3(B) NMSA 1978 and 2.2.2.16 NMAC, management has presented the proprietary fund financial statements prepared using the accrual basis of accounting; and only the notes related to those financial statements. However, in complying with these requirements, management has omitted the following financial statement and notes required by accounting principles generally accepted in the United States of America (GAAP): the statement of cash flows- proprietary funds and related note disclosures. These omissions result in the financial statements being presented on a basis of accounting other than GAAP.

This report is intended solely for the information and use of the Gamerco 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 these specified parties.

*James L. Hartogensis, CPA LLC*

Albuquerque, New Mexico  
May 15, 2018

**STATE OF NEW MEXICO  
GAMERCO WATER & SANITATION DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2017**

**ASSETS**

Current assets

Cash and cash equivalents	\$ 148,029
Accounts receivable	69,938
Prepaid expenses	<u>45,000</u>
Total current assets	<u>262,967</u>

Property & equipment

Infrastructure	226,639
Equipment, buildings and vehicles	229,061
Accumulated depreciation	<u>(186,374)</u>
Property & equipment, net	<u>269,326</u>

<b>Total assets</b>	<b><u><u>\$ 532,293</u></u></b>
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**LIABILITIES**

Current liabilities

Accounts payable	\$ 24,928
Accrued payroll taxes	1,102
Current portion of note payable	<u>7,284</u>
Total current liabilities	<u>33,314</u>

Long-term liabilities

Note payable - long-term portion	<u>86,004</u>
Total long-term liabilities	<u>86,004</u>

<b>Total liabilities</b>	<b><u>119,318</u></b>
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**NET POSITION**

Investment in capital assets, net of related debt	176,038
Restricted	45,000
Unrestricted	<u>191,937</u>
Total net position	<u>412,975</u>

<b>Total liabilities and net position</b>	<b><u><u>\$ 532,293</u></u></b>
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See Independent Accountant's Compilation Report and Accompanying Notes

**STATE OF NEW MEXICO  
GAMERCO WATER & SANITATION DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**OPERATING REVENUES:**

Water sales:

Water & sewer fees	\$ 320,480
Cost of sales - water	<u>281,962</u>
Gross profit	<u>38,518</u>

Other operating revenues:

Refuse collection	148,875
Loan surcharge - infrastructure	<u>16,416</u>

<b>Total operating revenues</b>	<u>203,809</u>
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**OPERATING EXPENSES:**

Wages	45,667
Field repairs	27,867
Depreciation	12,904
Accounting	11,602
Insurance	9,359
Field supplies	7,910
Truck expense	7,339
Water samples	6,405
Audit Tier 6	5,265
Equipment rental	3,884
Payroll taxes	3,644
Interest expense	3,011
Telephone	2,396
Office & supplies	1,659
Outside consulting	1,559
Dues and subscriptions	568
Other taxes	269
Training expense	<u>170</u>

<b>Total operating expenses</b>	<u>151,478</u>
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Change in net position	52,331
Net position, beginning of year	<u>360,644</u>

Net position, end of year	<u>\$ 412,975</u>
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See Independent Accountant's Compilation Report and Accompanying Notes

**STATE OF NEW MEXICO  
GAMERCO WATER & SANITATION DISTRICT  
NOTES TO COMPILED FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 - ORGANIZATION**

The Gamerco Water & Sanitation District (District) is a water and sanitation district organized pursuant to Sections 73-21-1 through 54 of the New Mexico Statutes Annotated, 1978 Edition. The District was created by decree of the District Court of the Eleventh Judicial District on November 30, 1982.

As a political subdivision of the State of New Mexico, exercising substantial governmental functions, such as the power to tax, the power of eminent domain and the power to impose and enforce regulations, it is, therefore, exempt from Federal Income Tax pursuant to Section 115 of the Code.

The purpose of the District is to provide water, wastewater, and garbage services to the subdivision of Gamerco, located in McKinley County, New Mexico.

The District operates under a Board of Directors consisting of three members.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. Following is a summary of the District's significant accounting policies.

A. Financial Reporting Entity

The financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based upon this criteria, the District does not have any component units, and is not a component unit of another government agency.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The District's proprietary (enterprise) fund is accounted for on the economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. All assets and liabilities associated with operations are included on the statement of net position. Net position is segregated into net investment in capital assets, restricted, and unrestricted components.

STATE OF NEW MEXICO  
GAMERCO WATER & SANITATION DISTRICT  
NOTES TO COMPILED FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation, continued

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses result from providing services in connection to the fund's principle ongoing operations. The main operating revenues of the District's enterprise fund are charges for water delivery and refuse collection. Operating expenses for the enterprise fund includes the cost of services, administrative expenses and depreciation on capital assets. Any revenues or expenses not meeting this definition are reported as non-operating.

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

The District reports the following major proprietary fund:

*General Fund* – the General Fund is the District's primary operating fund and accounts for all activities of the District.

C. Assets, Liabilities and Net Position

*Cash* – 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 at time of acquisition.

*Accounts receivable* – Accounts receivable are reported at their net realizable value and consist of accounts receivable associated with water sales and refuse collections.

*Prepaid expenses* – Prepaid expenses consists of monies set aside to comply with a required grant match with McKinley County.

*Accounts payable* – Accounts payable are comprised of unpaid vendor and supplier invoices and are recognized when the liability is incurred.

*Capital assets* - Capital assets include equipment, buildings, vehicles, and infrastructure assets (water lines and associated items). Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

**STATE OF NEW MEXICO  
GAMERCO WATER & SANITATION DISTRICT  
NOTES TO COMPILED FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

C. Assets, Liabilities and Net Position, continued

*Capital assets, continued* – Capital assets are depreciated using the double declining balance method over the following estimated useful lives:

Equipment	3-7 years
Buildings	15-39 years
Vehicles	5 years

Infrastructure associated with the water delivery system is not depreciated.

*Net position* – Net position is classified into the following components:

- 1) Invested in capital assets, net of related debt. Consists of net position invested in capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction or improvement of capital assets.
- 2) Restricted net position. Consists of net position with constraints placed on the use by either a) external parties, or b) enabling legislation.
- 3) Unrestricted net position. All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

*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.

D. Stewardship, Compliance and Accountability

The District follows defined procedures in establishing their annual budget. Each year the District determines amounts required for construction, maintenance, operations and debt service expenditures. Budget amounts are as originally adopted and as amended by the Board of Directors and approved by the Local Government Division of the State of New Mexico Department of Finance and Administration (DFA) and are prepared on a non-GAAP budgetary cash basis of accounting. The District is required to submit their budget to DFA by December 1 for the following calendar year. DFA must approve the budget prior to its legal enactment.

**STATE OF NEW MEXICO  
GAMERCO WATER & SANITATION DISTRICT  
NOTES TO COMPILED FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

D. Stewardship, Compliance and Accountability, continued

To meet legal compliance, actual expenses cannot exceed the total budgeted expenses for the fund. Adjustments to the budget must be submitted to and approved by DFA in the form of a “budget adjustment request”. The District does not use encumbrances. The legal level of budgetary control is at the fund level.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Cash and cash equivalents include cash on hand, amounts in demand deposits and certificates of deposit. As of December 31, 2017, the District did not own any certificates of deposit. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations. The District follows the investment policy described in state statute (Section 6-10-1 to 6-10-63, NMSA 1978). The District did not own any investments at December 31, 2017.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more financial institutions 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 they are collateralized as required by statute. The financial institution holding the deposit must pledge collateral with a fair market value of at least 50% of any uninsured balance.

*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. The District’s policy for deposit custodial credit risk is set forth in state statute, Section 6-10-1 to 6-10-63, NMSA 1978. As of December 31, 2017, none of the Districts deposits were exposed to custodial credit risk, and all of the District’s deposits were fully insured.

**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable as of December 31, 2017 are as follows:

Water and refuse billings	<u>\$ 69,938</u>
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All of the above accounts receivable are deemed by the District to be fully collectible.



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**NOTE 5 – CAPITAL ASSETS**

The following is a summary of capital assets as of December 31, 2017 and changes in capital assets for the year then ended:

	Balance December 31, 2016	Additions	Deletions	Balance December 31, 2017
Assets not depreciated:				
Infrastructure	\$ 226,639	\$ -	\$ -	\$ 226,639
Assets being depreciated:				
Equipment, buildings and vehicles	221,797	7,264	-	229,061
Total capital assets	<u>448,436</u>	<u>7,264</u>	<u>-</u>	<u>455,700</u>
Accumulated depreciation				
Equipment, buildings and vehicles	(173,470)	(12,904)	-	(186,374)
Total accumulated depreciation	<u>(173,470)</u>	<u>(12,904)</u>	<u>-</u>	<u>(186,374)</u>
Net capital assets	<u>\$ 274,966</u>	<u>\$ (5,640)</u>	<u>\$ -</u>	<u>\$ 269,326</u>

Depreciation expense was \$12,904 for the year ended December 31, 2017.

**NOTE 6 – LONG-TERM DEBT**

On March 27, 2007, the District entered into a loan agreement with the New Mexico Environment Department under the New Mexico Rural Infrastructure Act, for improvements to the District's water system. The original loan amount was \$150,000, and is payable in annual installments of \$10,082. The loan carries an interest rate of 3% and matures on March 27, 2027. The note requires a surcharge of \$3 be added to all monthly customer bills solely for repayment of the loan.

The following is a summary of changes in long-term debt for the year ended December 31, 2017:

	Balance December 31, 2016	Additions	Deletions	Balance December 31, 2017	Current Portion
Note payable	<u>\$ 100,360</u>	<u>\$ -</u>	<u>\$ (7,072)</u>	<u>\$ 93,288</u>	<u>\$ 7,284</u>

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**NOTE 6 – LONG-TERM DEBT – CONTINUED**

Debt service requirements as of December 31, 2017 are as follows:

Year ended December 31:

2018	\$	7,284
2019		7,502
2020		7,727
2021		7,959
2022		8,198
Thereafter		54,618
	\$	93,288

**NOTE 7 – RISK MANAGEMENT, COMMITMENTS AND CONTINGENCIES**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters. The District carries a commercial insurance policy to limit exposure to these types of risks.

As of December 31, 2017, the District had no construction in progress or other significant commitments that would require disclosure in the financial statements.

As of December 31, 2017, there is no pending litigation or any other contingencies that would require disclosure or recognition in the financial statements.