

**State of New Mexico**  
**Alto Lakes Water and**  
**Sanitation District**

Basic Financial Statements and  
Required Supplementary Information  
For the Year Ended June 30, 2012  
and Independent Auditors' Report

# STATE OF NEW MEXICO ALTO LAKES WATER AND SANITATION DISTRICT

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**STATE OF NEW MEXICO  
ALTO LAKES WATER AND SANITATION DISTRICT**

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**STATE OF NEW MEXICO  
ALTO LAKES WATER AND SANITATION DISTRICT**

**OFFICIAL ROSTER  
JUNE 30, 2012**

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**Board of Directors**

Earl Adamy  
Daniel B. Knorr  
Gary G. Parker  
William B. Pope  
Robert G. Decker

Chairman  
Vice-Chairman  
Secretary  
Treasurer  
Director



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## INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor  
and the Board of Directors of the  
Alto Lakes Water and Sanitation District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the budgetary comparison for the general fund of the Alto Lakes Water and Sanitation District (the "District"), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the District, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary

information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Strickler & Prieto, LLP*

October 29, 2012

**STATE OF NEW MEXICO  
ALTO LAKES WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2012**

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This discussion and analysis of the Alto Lakes Water and Sanitation District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ending June 30, 2012. The MD&A should be read in conjunction with the basic financial statements and the accompanying notes to those financial statements.

**FINANCIAL HIGHLIGHTS**

The District completed its fourth full fiscal year of operating the water and wastewater systems on June 30, 2012. The District Board and Management are pleased to report significant progress on many fronts since acquiring the assets of the Alto Lakes Water Corporation on April 1, 2008:

- Net Income from Operations, which is used to fund system improvements, debt service, interest costs and replacement reserves, increased to \$525,461.
- Cash totaled \$1.81 million at June 30, 2012. This includes \$326,120 in Reserves for Replacement and \$309,421 in accrued System Upgrade Fees which will be applied to the installation of new 8" waterline backbone along High Mesa, French, and Deer Park Drive.
- The District began construction of a new 8" system backbone along High Mesa, French, and Deer Park Drive in October 2011; however the project ran into issues with undocumented utilities conflicts in the shoulders of the road. The District has funded the entire cash match required under the Water Trust Board funding for the project. The project has been redesigned and construction will begin in November 2012.
- Debt, carrying rates between ½% and 2% for 20 years, will increase from \$4.0 million to approximately \$4.4 million upon completion of Distribution System Upgrade Phase A.
- Phase II Water Treatment, intended to significantly reduce water hardness, will produce large quantities of brine. Earlier this year, the District retained a consultant to evaluate treatment options utilizing the land which the District owns adjacent to the Plant. The report indicates that available treatment options would result in treatment costs of \$3 to \$7 per thousand gallons which would double or triple existing Level 1 water rates. The District Board believes that such a large increase can not be justified and has decided to put this project on hold until the District can acquire the needed land or the required water treatment technology becomes less expensive.
- The funding for Phase II Water Treatment is no longer required. District customers will shortly be given the opportunity to decide if the System Upgrade Fee will be redirected to other needed projects or eliminated.

**OPERATIONAL HIGHLIGHTS**

- The District's water supply is in excellent shape with sustainable production exceeding twice our peak sustained usage. The District has sufficient water rights to meet the needs of District customers through build-out; however we have become concerned by the increasing demands from the Village of Ruidoso on ground water resources in Eagle Creek. The Board retained a hydrology consultant which has developed extensive water resource modeling capabilities for the District's well fields. The District is working closely with its hydrologist and water rights counsel to take proactive steps to insure the District's water supply is not compromised by the Village's well drilling program in Eagle Creek.

- The District's water continues to meet all Federal and State primary drinking water standards.
- The wastewater treatment plant, which serves the Club house and town homes, continues to operate normally. The District is studying possible improvements to the system.
- Our small staff of four system operators not only keeps the system running but has been productive in upgrading the system. Pressure Regulating Valves (PRV's) are critical to maintaining consistent household water pressure; especially within a system that includes so many changes in elevation. When the District acquired the water system in the spring of 2008, only 4 of the 21 PRV's were fully operational. District Staff has repaired or replaced 16 of the system PRV's.

The District Board and Management is dedicated to the completion of current and projected system upgrade projects to facilitate improved service to our customers, and to do so within the confines of our fiduciary responsibility of public funds.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: management's discussion and analysis (this section); the basic financial statements; and other required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District government, reporting the District's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how general government services were financed in the short term as well as what remains for spending.
  - Proprietary fund statements offer short and long term financial information about the activities the government operates like businesses, such as the water and sewer system.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide statements report information about the District as a whole using accounting methods similar to those used in private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current fiscal year's revenues and expenses are accounted for in the statement of activities regardless of when cash was received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, is one way to measure the District's financial health, or position.

- Over-time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.



**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

<b>Government-Wide Activities</b>		
	<b>2011</b>	<b>2012</b>
Current and other assets	\$ 1,745,082	\$ 2,047,647
Capital assets (net of depreciation)	<u>3,943,346</u>	<u>4,414,243</u>
Total assets	<u>\$ 5,688,428</u>	<u>\$ 6,461,890</u>
Current liabilities	\$ 292,725	\$ 141,688
Long-term liabilities	<u>3,914,212</u>	<u>4,313,268</u>
Total liabilities	<u>\$ 4,206,937</u>	<u>\$ 4,454,956</u>
Net assets:		
Invested in capital assets, net of related debt	\$ (124,831)	\$ 137,042
Unrestricted	<u>1,606,322</u>	<u>1,869,892</u>
Total net assets	<u>\$ 1,481,491</u>	<u>\$ 2,006,934</u>

**CAPITAL ASSETS AND LONG-TERM LIABILITIES**

During FY2012, the District completed projects to include Valve Replacements I and II. Construction in Progress includes Water Distribution Upgrade A, Pressure Reducing Valves Replacement, ongoing Meter Replacement, Site-C Lift Station Repair, and Water Treatment Plant, Phase II.

Capital purchases included a new Water Rights and Hydrology Model and Waste Water Treatment and Disposal Equipment.

<b>Government-Wide Activities</b>		
	<b>2011</b>	<b>2012</b>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 1,521,064	\$ 1,576,641
General Revenue		
Property taxes	-	-
Miscellaneous income	<u>34,017</u>	<u>135,663</u>
Total revenue	<u>1,555,081</u>	<u>1,712,304</u>
<b>Expenses</b>		
General government	-	-
Water	905,840	1,020,777
Wastewater	98,373	95,251
Interest	<u>54,100</u>	<u>70,833</u>
Total expenses	<u>1,058,313</u>	<u>1,186,861</u>
Change in net assets	<u>496,768</u>	<u>525,443</u>
Net assets - Beginning of year	<u>984,723</u>	<u>1,481,491</u>
Net assets - End of year	<u>\$ 1,481,491</u>	<u>\$ 2,006,934</u>

The District increased revenue during FY2012 by adjusting rate structure, effective September 1, 2011, based on Cost of Living Index increases.

Expenses increased during FY2012 due to salary increases with related benefit costs, increased electric rates for well pumps, operational supplies and increased repairs and maintenance on aging equipment.

## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
ALTO LAKES WATER AND SANITATION DISTRICT**

**STATEMENT OF NET ASSETS  
JUNE 30, 2012**

	Primary Government Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ -	\$ 1,807,969	\$ 1,807,969
Receivables, net of allowance for uncollectibles			
Accounts	-	202,996	202,996
Deferred financing costs, net of accumulated amortization of \$4,086	-	36,682	36,682
Capital assets			
Land and construction in progress	-	1,363,976	1,363,976
Other capital assets, net of accumulated depreciation	-	3,050,267	3,050,267
	<u>-</u>	<u>4,414,243</u>	<u>4,414,243</u>
Total capital assets	<u>-</u>	<u>4,414,243</u>	<u>4,414,243</u>
Total assets	<u>\$ -</u>	<u>\$ 6,461,890</u>	<u>\$ 6,461,890</u>
<b>LIABILITIES:</b>			
Accounts payable	\$ -	\$ 101,580	\$ 101,580
Accrued liabilities and other expenses	-	40,108	40,108
Long-term liabilities:			
Portion due or payable within one year:			
Compensated absences	-	14,785	14,785
Notes payable	-	190,236	190,236
Portion due or payable after one year:			
Compensated absences	-	21,282	21,282
Notes payable	-	4,086,965	4,086,965
	<u>-</u>	<u>4,454,956</u>	<u>4,454,956</u>
Total liabilities	<u>-</u>	<u>4,454,956</u>	<u>4,454,956</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	-	137,042	137,042
Unrestricted	-	1,869,892	1,869,892
	<u>-</u>	<u>2,006,934</u>	<u>2,006,934</u>
Total net assets	<u>\$ -</u>	<u>\$ 2,006,934</u>	<u>\$ 2,006,934</u>

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
ALTO LAKES WATER AND SANITATION DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Functions/Programs:</b>							
Primary government:							
Governmental activities:							
General government	\$ 18	\$ -	\$ -	\$ -	\$ (18)	\$ -	\$ (18)
Total governmental activities	18	-	-	-	(18)	-	(18)
Business-type activities:							
Water	1,020,777	1,482,051	-	-	-	461,274	461,274
Wastewater	95,251	94,590	-	-	-	(661)	(661)
Interest on long-term debt	70,833	-	-	-	-	(70,833)	(70,833)
Total business-type activities	1,186,861	1,576,641	-	-	-	389,780	389,780
Total primary government	\$ 1,186,879	\$ 1,576,641	\$ -	\$ -	(18)	389,780	389,762
General revenues:							
Interest income					-	14,555	14,555
Grant Revenue					-	133,297	133,297
Other income (expense)					-	(12,171)	(12,171)
Total general revenues					-	135,681	135,681
Change in net assets					(18)	525,461	525,443
Net assets, beginning of year					18	1,481,473	1,481,491
Net assets, end of year					\$ -	\$ 2,006,934	\$ 2,006,934

See accompanying notes to financial statements.

## **FUND FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
ALTO LAKES WATER AND SANITATION DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2012**

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	<b>General Fund</b>
<b>ASSETS:</b>	
Taxes receivable	\$ - <hr/>
Total assets	\$ - <hr/>
 <b>LIABILITIES AND FUND BALANCES:</b>	
<b>LIABILITIES:</b>	
Deferred revenue	\$ - <hr/>
Total liabilities	- <hr/>
<b>FUND BALANCE:</b>	
Unassigned	- <hr/>
Total liabilities and fund balances	\$ - <hr/>

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
ALTO LAKES WATER AND SANITATION DISTRICT**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2012**

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Total fund balances for governmental funds \$ -

Total net assets reported for governmental activities in the statement of net assets is different because:

Recognition of property tax revenue is reflected on full accrual basis within the statement of net assets. Governmental funds recognize property tax on the modified accrual basis.

-

Net assets of governmental activities

\$ -

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
ALTO LAKES WATER AND SANITATION DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

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	<b>General Fund</b>
REVENUES:	
Local effort taxes	\$ -
	<hr/>
Total revenues	-
	<hr/>
EXPENDITURES:	
Current:	
General government	11
	<hr/>
Total expenditures	11
	<hr/>
Net changes in fund balances	(11)
Fund balances, beginning of year	11
	<hr/>
Fund balances, end of year	\$ -
	<hr/>

See accompanying notes to financial statements.



**STATE OF NEW MEXICO  
ALTO LAKES WATER AND SANITATION DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

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Net change in fund balances - total governmental funds \$ (11)

The changes in net assets reported for governmental activities in the statement of activities are different because:

Uncollected property tax revenue is reported as deferred revenue on the governmental funds, but is current revenue on the governmental activities statement. This is prior year deferred revenue (\$7) less current year \$0. (7)

Change in net assets of governmental activities \$ (18)

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
ALTO LAKES WATER AND SANITATION DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL ON BUDGETARY BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES:</b>				
Local effort taxes	\$ 60	\$ 60	\$ -	\$ (60)
Total general fund revenues	<u>60</u>	<u>60</u>	<u>-</u>	<u>(60)</u>
<b>EXPENDITURES:</b>				
General government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	60	60	-	(60)
Fund balance - beginning of year	<u>11</u>	<u>11</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ 71</u>	<u>\$ 71</u>	<u>\$ -</u>	<u>\$ (60)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Write-off of property taxes not budgeted			<u>(11)</u>	
Net changes in fund balance GAAP basis			<u>\$ (11)</u>	

See accompanying notes to financial statements.

## **PROPRIETARY FUNDS**

**STATE OF NEW MEXICO  
ALTO LAKES WATER AND SANITATION DISTRICT**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2012**

	<b>Water and Wastewater Fund</b>
<b>ASSETS:</b>	
Current assets	
Cash and cash equivalents	\$ 1,807,969
Accounts receivable, net	202,996
	<hr/>
Total current assets	2,010,965
	<hr/>
Deferred financing costs, net of accumulated amortization of \$4,086	36,682
	<hr/>
Capital assets	4,414,243
	<hr/>
Total assets	<u>\$ 6,461,890</u>
<b>LIABILITIES:</b>	
Current liabilities	
Accounts payable	\$ 101,580
Accrued liabilities and other expenses	40,108
Accrued compensated absences	14,785
Current portion notes payable	190,236
	<hr/>
Total current liabilities	346,709
	<hr/>
Non-current liabilities	
Accrued compensated absences	21,282
Notes payable	4,086,965
	<hr/>
Total non-current liabilities	4,108,247
	<hr/>
Total liabilities	4,454,956
	<hr/>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	137,042
Unrestricted	1,869,892
	<hr/>
Total net assets	2,006,934
	<hr/>
Total liabilities and net assets	<u>\$ 6,461,890</u>

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
ALTO LAKES WATER AND SANITATION DISTRICT**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Water and Wastewater Fund</b>
Operating revenues:	
Water revenue	\$ 743,555
Irrigation water revenue	422,043
Wastewater revenue	94,590
Fire protection fees	95,557
System upgrade fees	115,064
Solid waste charges	53,098
Other charges for services	52,734
	<hr/>
Total operating revenues	1,576,641
Operating expenses:	
Personnel services	449,594
Utilities and fuel	180,207
Other operating expenses	280,843
Depreciation expense	205,384
	<hr/>
Total operating expenses	1,116,028
Operating income	460,613
Nonoperating revenues (expenses)	
Interest income	14,555
Interest expense	(70,833)
Grant revenue	133,297
Loss on sale of capital assets	(12,171)
	<hr/>
Total nonoperating revenues (expenses)	64,848
Changes in net assets	525,461
Net assets, beginning of year	1,481,473
Net assets, end of year	<u>\$ 2,006,934</u>

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
ALTO LAKES WATER AND SANITATION DISTRICT**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Water and Wastewater Fund</b>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 1,567,485
Cash payments to suppliers for good and services	(532,362)
Cash payments to employees for services	(337,928)
	<u>697,195</u>
Net cash provided by operating activities	<u>697,195</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Proceeds from grants	<u>133,297</u>
Net cash provided by non-capital financing activities	<u>133,297</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(357,514)
Proceeds from sale of capital assets	29,064
Expense component added to notes payable	35,793
Principal payments on notes payable	(186,771)
Payments for debt issue costs	(15,609)
Interest paid on notes payable	(70,833)
	<u>(565,870)</u>
Net cash used in capital and related financing activities	<u>(565,870)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	<u>14,555</u>
Net cash provided by investing activities	<u>14,555</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	279,177
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,528,792</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,807,969</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 460,613
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	206,743
Changes in assets and liabilities	
Accounts receivable	(9,156)
Accounts payable	14,179
Accrued liabilities and other expenses	14,559
Compensated absences	10,257
	<u>236,582</u>
Total adjustment	<u>236,582</u>
Net cash provided by operating activities	<u>\$ 697,195</u>
NONCASH TRANSACTIONS	
Financed purchase of equipment	<u>\$ 360,002</u>

See accompanying notes to financial statements.

# STATE OF NEW MEXICO

## ALTO LAKES WATER AND SANITATION DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

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#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Alto Lakes Water and Sanitation District (the "District"), is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the District's management, who is responsible for their integrity and objectivity.

The Alto Lakes Water and Sanitation District was created in 2005 under the authority of the Water and Sanitation District Act of New Mexico, NMSA 1978, Sections 73-21-1 through 73-21-5. The District operates under a Board of Directors consisting of five elected members. The purpose of the District is to provide water, wastewater, and other services in the subdivisions of Alto Lakes and adjacent areas of Lincoln County, New Mexico.

On April 1, 2008, the District purchased all the assets of the Alto Lakes Water Corporation, including a water and wastewater utility, wastewater treatment plant, land and other assets for \$2,505,265. Effective April 1, 2008 the District began operating the water and wastewater utility.

The following is a summary of the District's accounting policies.

#### A. Reporting Entity

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including or excluding a potential component unit with the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units.

#### B. Basis of Presentation, Basis of Accounting

##### Basis of Presentation

**Government-Wide Financial Statements**—The statement of net assets and the statement of activities report information about the primary government (the District). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes,

intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specially associated with a program or function and, therefore, are clearly identifiable to a particular function.

The net assets of the District are reported in three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted. Restricted net assets result from constraints placed on the use of net assets when externally imposed by creditors, grantors, laws and regulations of other governments and imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as needed.

Program revenues include fees, fines, and charges paid by the recipients of good and services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

***Fund Financial Statements***—The fund financial statements provide information about the District's funds. Separate statements for each fund category-governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental fund:

***General Fund***—The General Fund is the general operating fund of the District prior to the purchase of the water utility. It is used to account for all financial resources, except those accounted for in another fund.

The District reports the following major enterprise fund:

***Water and Wastewater Fund***—The fund accounts for the activities of the District's water and wastewater utility, which provides service to the residents of the subdivisions of Alto Lakes and adjacent areas of Lincoln County, New Mexico.

#### **Measurement Focus, Basis of Accounting**

***Government-Wide and Proprietary Financial Statements***—The government-wide and proprietary financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.



Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Derived tax revenues such as property taxes are recognized in the period when the underlying exchange transaction has occurred and the resources are available.

***Governmental Fund Financial Statements***—Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and interest are considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred.

All governmental and business-type activities of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The District elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

**C. Cash and Cash Equivalents and Restricted Cash**

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

State statutes authorize the District to invest in interest bearing accounts with local financial institutions, direct obligations of the U.S. Treasury or New Mexico political subdivision, and the State Treasurer's Investment Pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owner of such public monies, in an amount not less than 50% of the uninsured public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the District. The pledged securities remain in the name of the financial institution.

**D. Receivables**

All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowance for doubtful accounts is based on management's assessment of the collectibility of specific customer accounts, the aging of the accounts receivable, historical experience, and other currently available evidence. The District believes it will collect all of its receivables, and accordingly has not recorded an allowance for doubtful accounts.

**E. Capital Assets**

All purchased capital assets are valued at cost where historical records are available and at an estimated cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Capital assets, which include property, plant, equipment, software, and infrastructure assets are reported in the applicable columns in the government-wide financial statements.

The District defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Major outlays for capital assets and improvements are capitalized as constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

	<b>Business-type Activities</b>
Buildings and improvements	5-40
Water and sewer system	10
Office furniture, equipment and software	3 - 10
Vehicles	5 - 10

***F. Compensated Absences***

The District permits its employees to accumulate a limited amount of earned but unused vacation, which will be paid if not used, upon termination. Accumulated sick leave benefits vest with each employee in accordance with District policy and will be paid at 50% of the employee's pay rate, if not used, upon termination. All vacation pay and applicable accumulated sick leave is accrued when incurred in the government-wide financial statements.

***G. Long-Term Obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net assets.

***H. Deferred Charges***

Deferred charges consist of financing costs related to the District's long-term debt and are amortized over the term of the debt using a method that approximates the effective interest method. Amortization expense for the year ended June 30, 2012 was \$1,359.

***I. Analysis for Impairment***

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is determined based upon a comparison of future cash flows to the recorded value of the assets. Impairment losses are measured based upon the fair value of the impaired assets. No such impairment losses were recorded during the year ended June 30, 2012.

***J. Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results may differ from those estimates.

***K. Fund Balance***

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

***Nonspendable Fund Balance***—Represents amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

***Restricted Fund Balance***—Represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

***Committed Fund Balance***—Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the District's highest level of decision-making authority removes or changes the specified use by taking the same action it employed to previously commit those amounts.

***Assigned Fund Balance***—Represents amounts that are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed.

***Unassigned Fund Balance***—Represents the residual classification for the general fund or deficit balance in other funds.

The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

***L. Subsequent Events***

Management has evaluated subsequent events through October 29, 2012, the date which the financial statements were available to be issued.

## 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

### **Budgets and Budgetary Accounting**

Special Districts follow procedures that are promulgated by the Department of Finance and Administration, Local Government Division. Those procedures are as follows:

1. Prior to July 1, the District Treasurer submits to the Board of Directors a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. The budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America.
2. After the Board of Directors approves the proposed budget, it is then submitted to the Local Government Division for review and certification.
3. Upon certification the budget becomes a legally binding document which does not allow total expenditures in any fund to exceed the amount budgeted. Appropriations lapse at year-end.
4. The Board of Directors is authorized to make budget revisions with the Local Government Division's approval.
5. Formal budgetary integration is employed as a management control device during the year.

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

**Cash and deposits**—The District maintains cash in four financial institutions. The District's deposits are carried at cost.

New Mexico State Statutes authorize the District to deposit cash with a bank, savings and loan association, or credit union whose deposits are insured by an agency of the United States. All cash deposits that exceed the Federal Deposit Insurance Corporation (FDIC) amount of \$250,000, are required to be collateralized with eligible securities, as described by New Mexico State Statutes, in amounts equal to at least 50% of the deposits.

The District maintains cash in five financial institutions, City Bank, Compass Bank, First National Bank, Pioneer Bank and Washington Federal, all located in Ruidoso, New Mexico. Collateral is held in safekeeping at the Federal Home Loan Bank of Dallas ("Bank") in the form of designated securities and an Irrevocable Standby Letter of Credit ("LOC"). The LOC was offered in favor of the District for a sum not exceeding \$400,000 on the account of City Bank.

**Custodial Credit Risk—Deposits**—Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for custodial risk requires all deposits in excess of \$100,000 to be 102% collateralized by obligations of the United States.

As of June 30, 2012, the District's bank balance was exposed to custodial credit risk as follows:

	<b>City Bank</b>	<b>Pioneer Bank</b>	<b>First National Bank</b>	<b>Compass Bank</b>	<b>Washington Federal</b>
Total deposits	\$ 451,233	\$ 230,992	\$ 203,372	\$ 211,946	\$ 719,418
FDIC coverage	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Total uninsured public funds	201,233	-	-	-	469,418
Collateralized by securities held by the pledging institution	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>786,326</u>
Funds over collateralized	<u>\$ 198,767</u>	<u>\$ 19,008</u>	<u>\$ 46,628</u>	<u>\$ 38,054</u>	<u>\$ 316,908</u>

#### 4. RECEIVABLES

	<b>Water and Wastewater</b>
Water and wastewater	\$ 201,743
Fire protection fees	<u>1,253</u>
Total	<u>\$ 202,996</u>

#### 5. PROPERTY TAX

**Property Tax**—Prior to fiscal year 2012, a tax was imposed upon all property located within the District limits subject to valuation for property taxation purposes under Article 36, Chapter 7, NMSA 1978. Property tax rates for the calendar year are set no later than September 1 each calendar year by the New Mexico Secretary of Finance and administration. The Lincoln County Treasurer bills and collects the District's tax levy, which is payable in equal semiannual installments by November 10th and April 10th. Property taxes are attached as an enforceable lien on property as of the first day of each calendar year. No allowance for uncollectible taxes has been recorded since all taxes are considered collectible by the County Treasurer.

The District did not levy a property tax for fiscal year 2012.

**6. CAPITAL ASSETS**

*Changes in Capital Assets*—Capital asset activity for the District's primary government for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Retirements and Transfers	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land and rights of way	\$ 552,470	\$ -	\$ (41,235)	\$ 511,235
Construction in progress	229,511	623,230	-	852,741
Total capital assets not being depreciated	<u>781,981</u>	<u>623,230</u>	<u>(41,235)</u>	<u>1,363,976</u>
Capital assets being depreciated:				
Building and improvements	632,580	8,073	-	640,653
Office furniture and equipment	45,244	48,188	-	93,432
Water and sewer systems	2,787,547	38,025	-	2,825,572
Vehicles	78,235	-	-	78,235
Equipment	63,700	-	-	63,700
Total capital assets being depreciated	<u>3,607,306</u>	<u>94,286</u>	<u>-</u>	<u>3,701,592</u>
Less accumulated depreciation	<u>445,941</u>	<u>205,384</u>	<u>-</u>	<u>651,325</u>
Total capital assets being depreciated, net	<u>3,161,365</u>	<u>(111,098)</u>	<u>-</u>	<u>3,050,267</u>
Business-type activities capital assets, net	<u>\$ 3,943,346</u>	<u>\$ 512,132</u>	<u>\$ (41,235)</u>	<u>\$ 4,414,243</u>

*Depreciation Expense*—Depreciation expense was \$205,384 and was charged to the water activity for the year ended June 30, 2012.

**7. ACCRUED LIABILITIES AND OTHER EXPENSES**

Business-type accrued liabilities and other expenses are as follows at June 30, 2012:

	Water and Wastewater
Accrued salaries	\$ 5,910
Insurance payable	4,147
Customer deposits	14,279
Accrued interest payable	<u>15,772</u>
Total	<u>\$ 40,108</u>

**8. ACCRUED COMPENSATED ABSENCES**

The District's leave policy allows employees to accumulate sick leave and vacation leave. Vacation leave accrues monthly and is available to use after an employee's anniversary date. All vacation leave earned in the prior year must be used prior to the employee's next anniversary date. Upon termination, any accumulated vacation will be paid to the employee. Fifty percent of the accumulated sick leave is paid upon termination. As of June 30, 2012 employees had approximately 1,070 hours of accumulated vacation leave, totaling \$26,379, and approximately 730 hours of accumulated sick leave, totaling \$9,688.

9. **LONG-TERM DEBT**

Changes in long-term debt during the year ended June 30, 2012, were as follows:

	<b>Balance</b>			<b>Balance</b>	<b>Due Within</b>
	<b>June 30, 2011</b>	<b>Increase</b>	<b>Decreases</b>	<b>June 30, 2012</b>	<b>One Year</b>
Business-type activities:					
New Mexico Finance Authority loan					
	\$ 4,040,956	\$ 395,795	\$ (185,363)	\$ 4,251,388	\$ 188,761
DPV Assessment	27,221	-	(1,408)	25,813	1,475
Compensated absences	25,810	22,575	(12,318)	36,067	14,785
	<u>\$ 4,093,987</u>	<u>\$ 418,370</u>	<u>\$ (199,089)</u>	<u>\$ 4,313,268</u>	<u>\$ 205,021</u>

Compensated absences typically have been liquidated in the fund to which the employees are assigned.

**New Mexico Finance Authority Loan**

On March 31, 2008, the District entered into a \$4,090,500 drinking water revolving fund loan agreement with the New Mexico Finance Authority to finance the purchase of the water and wastewater utility and for future capital improvements. As of June 30, 2012, \$4,076,748 has been borrowed under the agreement. The loan bears interest at 2% and is payable in forty semi-annual installments of principal and interest pursuant to the final loan agreement payment schedule, beginning November 2, 2011 and ending May 2, 2031. The loan is secured by the revenues of the utility system and contains several loan covenants. The loan balance at June 30, 2012 was \$3,908,962.

On September 1, 2010, Deer Park Valley started charging an assessment fee for paving work done. As of June 30, 2012, the District is paying the fee for two lots in Deer Park Valley. The assessment fee is payable in installments of \$671 per lot for the next 15 years starting April 2011. Installments are payable in two installments per year, in April and October over the term of the loan. The loan bears interest at 2.375%. The loan balance at June 30, 2012 was \$25,813.

On June 17, 2011, the District entered into a loan/grant agreement with the New Mexico Finance Authority to finance the costs of rezoning 24% of their existing water distribution system to meet national standards. Under the agreement, the District will borrow \$360,002 and will accept a grant in the amount of \$1,440,006. As of June 30, 2012, \$360,002 has been borrowed under the agreement. The loan is payable in twenty annual installments of principal pursuant to the debt service schedule, beginning June 1, 2012 and ending June 1, 2031, without interest and with an administrative fee equal to 0.25% per annum of the unpaid principal balance of the loan amount. The loan is secured by the revenues of the utility system. The loan balance at June 30, 2012 was \$342,426.

Loan principal and interest payments for each of the next five years and thereafter are as follows:

<b>Year Ending June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 190,236	\$ 70,472	\$ 260,708
2014	193,774	67,362	261,136
2015	197,385	64,189	261,574
2016	201,068	60,951	262,019
2017	212,845	60,365	273,210
2018-2022	1,082,654	234,158	1,316,812
2023-2027	1,176,451	142,417	1,318,868
2028-2032	<u>1,022,788</u>	<u>42,405</u>	<u>1,065,193</u>
Totals	<u>\$ 4,277,201</u>	<u>\$ 742,319</u>	<u>\$ 5,019,520</u>

#### 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains insurance policies acquired from independent insurance carriers covering all structural property, automobiles, crime coverage, personal property and general liability.



**OTHER SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
ALTO LAKES WATER AND SANITATION DISTRICT  
SUPPLEMENTAL SCHEDULE OF DEPOSITS  
JUNE 30, 2012**

Account type	City Bank	Compass Bank	Pioneer Bank	First National Bank	Washington Federal	Total
Checking	\$ 451,233	\$ -	\$ -	\$ -	\$ -	\$ 451,233
Certificate of Deposit	-	211,946	230,992	203,372	719,418	1,365,728
Amounts on deposit	451,233	211,946	230,992	203,372	719,418	1,816,961
Reconciling items	(9,142)	-	-	-	-	(9,142)
Cash on hand	-	-	-	-	-	150
	<u>\$ 442,091</u>	<u>\$ 211,946</u>	<u>\$ 230,992</u>	<u>\$ 203,372</u>	<u>\$ 719,418</u>	<u>\$ 1,807,969</u>

**STATE OF NEW MEXICO  
ALTO LAKES WATER AND SANITATION DISTRICT  
SUPPLEMENTAL SCHEDULE OF PLEDGED COLLATERAL  
JUNE 30, 2012**

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Name of Depository	Pledged Collateral	Maturity	Letter of Credit/ CUSIP Number	Name and Location of Custodian	Fair Market Value June 30, 2012
City Bank	Irrevocable standby letter of credit	July 2, 2012	9224000021	FHLB Bank, Dallas, Texas	\$ 400,000
Washington Federal	FHLMC Gold PC A94288	October 1, 2040	312942XR1	State Street Bank, Boston, MA	\$ 786,326

**STATE OF NEW MEXICO  
ALTO LAKES WATER AND SANITATION DISTRICT**

**SUPPLEMENTAL SCHEDULE OF CAPITAL OUTLAY APPROPRIATIONS  
JUNE 30, 2012**

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<b>Capital Project</b>	<b>Project Appropriation</b>	<b>Expenditures to Date</b>	<b>Outstanding Balance</b>	<b>Appropriation Period</b>
New Mexico Finance Authority Loan	\$4,090,500	\$4,076,748	\$13,752	June 30, 2012
New Mexico Finance Authority Loan	\$360,002	\$360,002	\$0	June 30, 2012

## **COMPLIANCE SECTION**



## **Strickler & Prieto, LLP**

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### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Hector H. Balderas, State Auditor  
and the Board of Directors of the  
Alto Lakes Water and Sanitation District

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the budgetary comparison for the general fund of Alto Lakes Water and Sanitation District (the "District") as of and for the year ended June 30, 2012, and have issued our report thereon dated October 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not be designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the District, the District's Board of Directors, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Strickler & Prieto, LLP

October 29, 2012

**STATE OF NEW MEXICO  
ALTO LAKES WATER AND SANITATION DISTRICT**

**SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2012**

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CURRENT YEAR

NONE NOTED

PRIOR YEAR

NONE NOTED



**STATE OF NEW MEXICO  
ALTO LAKES WATER AND SANITATION DISTRICT**

**EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2012**

An exit conference was conducted on November 27, 2012 at the District's offices with the following individuals in attendance:

**Alto Lakes Water and Sanitation District**

Daniel B. Knorr  
David Edington  
Delores Brewington

Vice-Chairman, Treasurer  
District Manager  
Office Manager

**Strickler & Prieto, LLP**

Phillip Strickler

Audit Partner

**Financial Statement Preparation**

The District's independent public accountants prepared the accompanying financial statements; however, the District is responsible for the financial statement content.