



*Financial Statements
With Accompanying
Independent Auditors' Reports
Year Ended June 30, 2014*

*State of New Mexico
Eldorado Area Water
and Sanitation District*

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
 Eldorado Area Water and Sanitation District
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 June 30, 2014

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STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Directory of Officials
June 30, 2014

<u>Name</u>	<u>Board</u>	<u>Title</u>
James Jenkins		President
Jerry Cooper		Vice President
Phillip J. Speicher		Secretary
George Haddad		Director
Thomas Willmott		Director
<u>Administrative Officials</u>		
Gene Schofield		Treasurer
David Chakroff		General Manager
Paul Butt		Financial Coordinator

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FINANCIAL SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas
New Mexico State Auditor
Members of the Board of Directors
Eldorado Area Water and Sanitation District
Santa Fe, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of Eldorado Area Water and Sanitation District (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the budgetary comparison presented as supplementary information, as defined by the Governmental Accounting Standards Board for the year ended June 30, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of June 30, 2014, and the respective change in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparison for the year ended June 30, 2014 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 12 through 16 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements and the budgetary comparison. Supporting Schedules II and III required by Section 2.2.2 NMAC and the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Schedules II and III required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedules II and III required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2014 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* in considering the District's internal control over financial reporting and compliance.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
November 20, 2014

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Management's Discussion and Analysis
June 30, 2014

Introduction

As management of the Eldorado Area Water and Sanitation District (the "District"), the Board of Directors offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014.

Financial Highlights

Key events for the fiscal year 2014 are:

- The assets of the District exceeded liabilities at the close of the most recent fiscal year by \$14,571,658 (*total net position*). The components of net position include restricted net position of \$2,058,808, unrestricted net position of \$504,430, and net investment in capital assets of \$12,008,420.
- The District's total reported net position increased by \$1,021,886 compared to the prior year net position, with an excess of expenditures over total revenues of \$440,735.
- As of June 30, 2014, the District had current and noncurrent assets totaling \$735,362 and \$24,676,800, respectively. Capital assets, net of accumulated depreciation, totaled \$22,438,884. Current liabilities include \$56,050 in customer deposits, \$187,921 in accounts payable, \$13,097 in interest payable, \$22,204 in accrued payroll expenses, \$7,710 in compensated absences, and \$690,759 in loans payable. Noncurrent liabilities include \$8,521,764 in loans payable, and \$1,340,999 in bond premium received during fiscal year 2014.

Overview of the Financial Statements

The District is a special purpose government agency engaged only in business-type activities. Therefore, in accordance with GASB Statement No. 34, the District's financial statements are comprised of two components:

1. Government-wide enterprise fund financial statements consisting of:
 - a. Statement of net position;
 - b. Statement of revenues, expenses and changes in net position;
 - c. Statement of cash flows; and,
 - d. Notes to the financial statements
2. A budgetary comparison presented as supplementary information

These financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the District's net position changed during the most recent Fiscal Year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (e.g., uncollected taxes and accounts payable).

The Statement of Cash Flows presents information on how the District's cash was used. It shows net cash used by or provided by operating activities, capital financing activities, noncapital financing activities and investing activities. It also reconciles beginning cash balances to ending cash balances.

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Management's Discussion and Analysis
June 30, 2014

Overview of the Financial Statements (continued)

The Notes to the Financial Statements provide additional information that explains the numbers provided in the financial statements.

The Budgetary Comparison compares current period activity on a budgetary basis of accounting to the legally adopted budget. In general, the amounts presented in the budgetary comparison statement will agree with amounts presented in the statement of revenues, expenses and changes in fund net position. This is because the District prepares its budget on the accrual basis of accounting with the exception of depreciation and principal payment on debt and, accordingly, amounts presented in the budgetary comparison statement are on the non-GAAP budgetary basis of accounting. The budgetary comparison statement has been presented as supplementary information to demonstrate compliance with state budget law.

Government-Wide Financial Analysis – Broad Overview of Finance

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, a positive net position balance (assets exceeding liabilities) of \$14,571,658 is reported at the close of the most recent Fiscal Year.

The District reports \$504,430 of net position as unrestricted.

Overview of the Statement of Net Position

	<u>2014</u>	<u>2013</u>	<u>Variance</u>
Assets:			
Current assets	\$ 735,362	\$ 672,512	\$ 62,850
Capital assets, net	22,438,884	21,498,826	940,058
Other assets	<u>2,237,916</u>	<u>2,993,445</u>	<u>(755,529)</u>
Total assets	<u>\$ 25,412,162</u>	<u>\$ 25,164,783</u>	<u>\$ 247,379</u>
Liabilities:			
Current liabilities	\$ 977,741	\$ 1,051,321	\$ (73,580)
Noncurrent liabilities	<u>9,862,763</u>	<u>10,563,690</u>	<u>(700,927)</u>
Total liabilities	<u>10,840,504</u>	<u>11,615,011</u>	<u>(774,507)</u>
Net Position:			
Net investment in capital assets	12,008,420	10,964,457	1,043,963
Restricted	2,058,808	2,236,869	(178,061)
Unrestricted	<u>504,430</u>	<u>348,446</u>	<u>155,984</u>
Total net position	<u>14,571,658</u>	<u>13,549,772</u>	<u>1,021,886</u>
Total liabilities and net position	<u>\$ 25,412,162</u>	<u>\$ 25,164,783</u>	<u>\$ 247,379</u>

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Management's Discussion and Analysis
June 30, 2014

Government-Wide Financial Analysis – Broad Overview of Finance (continued)

Overview of the Statement of Revenues, Expenses and Changes in Net Position

	<u>2014</u>	<u>2013</u>	<u>Variance</u>
Revenues:			
Water sales	\$ 2,266,094	\$ 2,404,782	\$ (138,688)
Ad valorem tax	914,597	978,472	(63,875)
Intergovernmental grants	218,750	-	218,750
Interest income	4,905	4,562	343
Miscellaneous income	-	25,050	(25,050)
Total Revenues	<u>3,404,346</u>	<u>3,412,866</u>	<u>(8,520)</u>
Expenses:			
Operating expenses	2,088,672	2,360,185	(271,513)
Bond interest expense	283,069	641,539	(358,470)
Bond call premium	-	196,900	(196,900)
Bond administrative fees	10,719	76,275	(65,556)
Amortization of bond issue costs	-	578,702	(578,702)
Total Expenses	<u>2,382,460</u>	<u>3,853,601</u>	<u>(1,471,141)</u>
Increase in net position	1,021,886	(440,735)	1,462,621
Total net position, beginning of year	<u>13,549,772</u>	<u>13,990,507</u>	<u>(440,735)</u>
Total net position - end of year	<u>\$ 14,571,658</u>	<u>\$ 13,549,772</u>	<u>\$ 1,021,886</u>

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Management's Discussion and Analysis
June 30, 2014

Financial Analysis of the District's Funds and Fiscal Year 2014 Budgetary Highlights

As noted above, net position increased by \$1,021,886 from fiscal year 2013 to fiscal year 2014. Total revenues decreased by \$8,520, owing in part to a decrease in water sales of \$138,688 and a decrease in ad valorem tax receipts of \$63,875. In fiscal year 2014, water sales were \$2,266,094. However, operating expenses also decreased in fiscal year 2014 to \$2,382,460, a decrease of \$1,471,141 from the fiscal year 2013 expenses of \$3,853,601. A detailed breakout of budget vs. actual revenue and expenses can be found in the supplementary section of this report.

Other highlights of fiscal year 2014 financial activities include:

- Capital expenditures increased substantially, to \$1,412,367 from \$691,241 in fiscal year 2013.
- Two construction contracts were issued. The first is for replacement of a major booster station in the center of the District (Torreon Booster Pump Station). The second contract is for a well that either will replace or be used in tandem with the District's existing Well 2.
- The contracts for Operations and Management Services, Financial Coordination, Geohydrological, Legal and Project Management services were renewed.

Capital Asset Administration

The District's investment in capital assets for business-type activities as of June 30, 2014 totals \$22,438,921 (net of accumulated depreciation). Major capital events during the fiscal year included the following:

- The District completed construction of the Old Road Ranch Booster Pump station. Capitalized cost of the project is \$639,131.
- The District implemented a project to make significant improvements to its SCADA (supervisory control and data acquisition) system. Capitalized cost of the project, through substantial completion, is \$528,792. Total project cost is estimated at \$578,425.
- The District replaced 242 customer meters, for a capitalized cost of \$160,957. Meter replacement is part of the District's annual utility maintenance program.
- Engineering design was started for the first phase of a major project to modify the transmission and distribution of water within the utility system, in order to reduce excessive water line pressures and more efficiently use existing water tank capacity (Pressure Zone Optimization). Construction is expected to begin in 2015.

Financial Outlook for Next Year

The District's approved budget for fiscal year 2015 includes revenues of \$2,275,850 (operating) plus \$914,450 (property tax revenue) and cash balances of \$1,368,265. Proposed expenses include \$2,233,775 (operating and capital projects funded from water sales revenue), \$1,368,265 (capital projects funded from the District's Capital Reserve), \$160,900 (capital projects funded from property taxes), plus \$608,435 (debt service and administrative expenses funded from property taxes). The budget also includes \$204,150 in projected contributions to reserves. Total budget, inclusive of existing grants, is \$5,078,068.

Requests for Information

This financial report is designed to provide a general overview of the Eldorado Area Water and Sanitation District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Eldorado Area Water and Sanitation District, 1 Caliente Road Suite F, Santa Fe, NM 87508.

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BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Statement of Net Position
June 30, 2014

	Business-Type Activities
Assets	
<i>Current assets</i>	
Cash and cash equivalents	\$ 151,383
Investments	193,325
Ad valorem taxes receivable	31,495
Accounts receivable, net of allowance for doubtful accounts	323,491
Prepaid expenses	35,668
<i>Total current assets</i>	735,362
<i>Noncurrent assets</i>	
Restricted cash:	
Unspent loan proceeds	123,058
Meter deposits	56,050
Debt service	577,035
Restricted investments:	
Debt service	119,540
Cost of utility acquisition and improvements	1,270,589
Water rights acquisition	91,125
Reserve Contingency Fund	519
Capital assets, net of accumulated depreciation	22,438,884
<i>Total noncurrent assets</i>	24,676,800
<i>Total assets</i>	\$ 25,412,162

The accompanying notes are an integral part of these financial statements

	<u>Business-Type Activities</u>
<i>Liabilities and net position</i>	
<i>Current liabilities</i>	
Accounts payable	\$ 187,921
Accrued payroll expenses	22,204
Interest payable	13,097
Compensated absences	7,710
Customer deposits	56,050
Loans payable	<u>690,759</u>
<i>Total current liabilities</i>	<u>977,741</u>
<i>Noncurrent liabilities</i>	
Loans payable	8,521,764
Bond premium, net	<u>1,340,999</u>
<i>Total noncurrent liabilities</i>	<u>9,862,763</u>
<i>Total liabilities</i>	<u>10,840,504</u>
<i>Net position</i>	
Net investment in capital assets	12,008,420
Restricted for:	
Cost of utility acquisition and improvements	1,270,589
Water rights acquisition	91,125
Debt service	696,575
Reserve Contingency Fund	519
Unrestricted	<u>504,430</u>
<i>Total net position</i>	<u>14,571,658</u>
<i>Total liabilities and net position</i>	<u><u>\$ 25,412,162</u></u>

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STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

Exhibit B

	<u>Business-Type Activities</u>
<i>Operating revenues</i>	
Water sales	\$ 2,266,094
<i>Total operating revenues</i>	<u>2,266,094</u>
<i>Operating expenses</i>	
Contractual services	1,096,441
Depreciation	472,310
General and administrative	217,550
Personnel services	194,617
Materials and maintenance	95,248
Supplies	2,895
Water conservation fee	4,787
Travel	4,824
<i>Total operating expenses</i>	<u>2,088,672</u>
<i>Operating income</i>	<u>177,422</u>
<i>Non-operating revenues (expenses)</i>	
Ad valorem tax	914,597
Interest income	4,905
Bond interest expense	(283,069)
Bond administrative fees	(10,719)
<i>Total non-operating revenues (expenses)</i>	<u>625,714</u>
Income before contributions	803,136
Capital grants	<u>218,750</u>
<i>Change in net position</i>	1,021,886
<i>Total net position - beginning of year</i>	<u>13,549,772</u>
<i>Total net position, end of year</i>	<u><u>\$ 14,571,658</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Statement of Cash Flows
For the Year Ended June 30, 2014

	Business-Type Activities
<i>Cash flows from operating activities</i>	
Cash received from customers	\$ 2,251,828
Cash paid to suppliers and contractors	(1,523,967)
Cash paid to employees for services	(177,134)
	550,727
<i>Cash flows from noncapital financing activities</i>	
Ad valorem taxes received	914,444
	914,444
<i>Cash flows from capital and financing activities</i>	
Bond administrative fee	(10,719)
Purchase of capital assets	(1,412,368)
Proceeds from issuance of loans	129,167
Proceeds from capital grants	218,750
Bond and loan principal payments	(675,590)
Bond interest payments	(428,747)
	(2,179,507)
<i>Cash flows from investing activities</i>	
Sale of investments	438,812
Interest income	4,905
	443,717
<i>Net decrease in cash and cash equivalents</i>	(270,619)
<i>Cash and cash equivalents - beginning of year</i>	1,178,145
<i>Cash and cash equivalents - end of year</i>	\$ 907,526
<i>Cash per Exhibit A</i>	
Cash and cash equivalents	\$ 151,383
Unspent loan proceeds	123,058
Meter deposits	56,050
Debt service	577,035
	577,035
<i>Total cash per Exhibit A</i>	\$ 907,526

The accompanying notes are an integral part of these financial statements

	<u>Business-Type Activities</u>
<i>Reconciliation of operating income to net cash provided by operating activities</i>	
Operating income	\$ 177,422
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	472,310
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(16,466)
(Increase) decrease in prepaid expenses	(133)
Increase (decrease) in accounts payable	(102,089)
Increase (decrease) in accrued payroll expenses	16,788
Increase (decrease) in compensated absences	695
Increase (decrease) in customer deposits	<u>2,200</u>
Net cash provided by operating activities	<u><u>\$ 550,727</u></u>

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Notes to the Financial Statements
June 30, 2014

NOTE 1. HISTORY AND ORGANIZATION

The Eldorado Area Water and Sanitation District (the District) was organized pursuant to Sections 73-21-1 through 73-21-55, NMSA, 1978 Comp, and by order of the New Mexico First Judicial District Court in Santa Fe County, New Mexico on July 3, 1997. The District is a governmental subdivision of the State of New Mexico and a body with all the powers of a public or quasi-municipal corporation. The District was created for the statutory purpose of providing water, sewer and other services to residents within the District's boundary. An elected five-member Board of Directors governs the operations of the District.

On January 1, 2003 and March 28, 2003, the District authorized resolutions for the issuance of Utility Acquisition and Improvement General Obligation Bonds to obtain funding for the acquisition of the utility and for necessary utility improvements. Utility Acquisition and Improvement General Obligation Bonds, in the amount of \$7,900,000 were issued on January 1, 2004.

On February 10, 2004, the District filed, in the First Judicial District Court, a condemnation action against El Dorado Utilities, Inc. (EUI), seeking to acquire the water utility through exercise of the District's powers of eminent domain. Initially, the District asked the Court to permit immediate possession by the District. The case was heard in May 2004 but the judge denied immediate possession. The judge, however, set up a jury trial for September, 2004, to resolve the valuation of the water system.

On September 22, 2004, the jury empanelled to determine just compensation in the condemnation action determined that the fair market value of the utility was \$11,047,128, which was 75% greater than the actual value for which the utility was offered for sale on the open market. The District's board was informed that abandonment of the condemnation action would mean that the District would not acquire the utility and could result in a requirement that the District pay the utility owner's reasonable costs and attorney fees incurred in the condemnation action, without benefit to the District or the District's ratepayers.

On September 30, 2004 the District's board resolved to continue its efforts to acquire the utility at a reasonable purchase price, which would not, in any event, be greater than the amount of the jury verdict plus any reasonable interest thereon. The District's attorneys were instructed to take such actions as are legally reasonable and appropriate to seek a reversal or downward modification of the jury determination, including but not limited to, an appeal of the district court decision. The District's officers were instructed to seek additional funding in such amounts as may be necessary to pay the purchase price of the utility. The District's officers were further instructed to advise the owner of the utility of the District's intentions and to seek, if possible, a negotiated settlement of all issues so that the District may acquire the utility in the most expeditious manner possible, at a reasonable price.

On December 1, 2004, the District took possession of the water utility. Between that date and May 24, 2005, the District worked on obtaining additional funding to purchase the utility. Water Utility Revenue Bonds, in the amount of \$5,800,000 were issued and on May 27, 2005, the District completed the acquisition of the water utility at an adjudicated price of \$11,216,996.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted (US GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing US GAAP for state and local government accounting and financial reporting principles.

During the year ended June 30, 2014, GASB Statement No. 65 ("GASB 65"), Items Previously Reported as Assets and Liabilities, went into affect. GASB 65 established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The effect of GASB 65 is reflected in the Statement of Activities. No restatement was necessary for the year ended June 30, 2014 as the District had none of the assets or liabilities in question as of July 1, 2013.

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Notes to the Financial Statements
June 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Financial Reporting Entity

The District is a special-purpose government created pursuant to statute and is comprised of an elected Board of Directors. The officers of the District are elected for four-year terms on the second Tuesday in January of each odd-numbered year at staggered two-year intervals. The District is a governmental subdivision of the State of New Mexico and a body with all the powers of a public or quasi-municipal corporation and these financial statements include all funds and activities over which the District officers have oversight responsibility.

The officers of the District have decision-making authority, the power to designate management, the responsibility to significantly-influence operations and primary accountability for fiscal matters. The District is not included in any other governmental reporting entity as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. There are no component units.

B. Basic Financial Statements - GASB Statement No. 34

The GASB Statement No. 34 reporting model focus is on either the District, as a whole, or major individual funds (within the fund financial statements). The District is a single-program government that engages in only business-type activities and has no component units.

Pursuant to GASB Statement No. 34, governments engaged only in business-type activities present only the financial statements for enterprise funds. For these governments, basic financial statements consist of: (a) enterprise fund financial statements consisting of the statement of net position, the statement of revenues, expenses and changes in net position and the statement of cash flows, and (b) notes to the financial statements. The enterprise fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with its activities are reported. Enterprise fund equity is classified as net position. When an expense is incurred for purposes for which both restricted and unrestricted assets are available, the District first uses restricted resources and then unrestricted resources.

C. Basis of Presentation -Fund Financial Statements

The accounts of the District are organized on the basis of one fund that is considered a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenses. Government resources are allocated to and accounted for in the fund based upon the purpose for which spending activities are controlled. In this report, the fund is presented in the financial statements as a proprietary fund.

The *Enterprise Fund* is used to account for operations (a) that are financed and operated in a manner similar to private business enterprise -where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied. The proprietary fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. The revenues are recognized when earned and expenses are recognized when the liability is incurred or the economic asset is used. 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.

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Notes to the Financial Statements
June 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates for the District include management's estimate of the allowance for uncollectible accounts for water sales and depreciation on assets over their estimated useful lives.

F. Assets, Liabilities, Net Position, Revenues and Expenses

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

Investments for the District are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Ad Valorem Taxes: The Board of Directors has the power and authority to levy and collect ad valorem taxes on and against all taxable property within the District. Each year the Board of Directors determine the amount of money necessary to be raised by taxation, taking into consideration other sources of revenue of the District, and submits a budget request to the Department of Finance and Administration, Local Government Division (DFA-LGD) sufficient to meet its operating, debt service, construction and other costs. The DFA-LGD utilizes property valuations obtained from the county assessor's office to set the mil levy. The results are provided to the county treasurer who presents all county-wide mil levies to the Board of County Commissioners for approval by October 1. The Board of County Commissioners levies the tax upon the assessed valuation of all taxable property within the District. Taxes levied are due one-half on November 10 and one-half on April 10. It is the duty of the Board of County Commissioners to levy taxes within the District. The County Treasurer collects the taxes and remits such taxes to the District. All taxes levied, until paid, constitute a perpetual lien on and against the property taxed.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items consist of director's and officers' liability, property insurance and prepaid rent totaling \$35,668 as of June 30, 2014.

Bond Issuance Costs: The District immediately expends bond issuance costs in the year in which they are incurred.

Restricted Assets: Restricted assets consist of those funds expendable for the operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be used.

Capital Assets: Capital assets are tangible assets that have initial useful lives that extend beyond a single reporting period. Capital assets are reported at historical cost or estimated fair value, if donated. Capital assets are depreciated using zero salvage value and the straight-line method over their estimated useful lives. Before the 2005 legislative session, only items costing more than \$1,000 were capitalized.

STATE OF NEW MEXICO
 Eldorado Area Water and Sanitation District
 Notes to the Financial Statements
 June 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, Net Position, Revenues and Expenses (continued)

Capital Assets (continued): Effective June 19, 2005, House Bill 1074 amended Section 12-6-10, NMSA 1978, to increase the capitalization threshold to items costing more than \$5,000. The major classifications of capital assets and their related depreciable lives are as follows:

<u>Assets</u>	<u>Years</u>
Water utility – original	30
Water utility – improvements	7-30
Water utility – Well 17 and 18	30
Vehicles	5
Furniture and fixtures	15
Office equipment (including software)	3

The District's water system is depreciated on a straight-line basis over its useful life. Revenue and General Obligation bonds for the acquisition of the water utility system were refunded in fiscal year 2013 with loans from the New Mexico Finance Authority (PP-2900 and PP-2901).

Operating Revenues and Expenses: Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. They include all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities. Non-operating revenues include ad valorem taxes (property), miscellaneous income and interest income.

Net Position Classifications: Net investment in capital assets represents the historical cost of assets or fair value on the date of receipt less accumulated depreciation, reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by the District or external restrictions by other governments, creditors or grantors or other amounts restricted by enabling legislation. Unrestricted net position is all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Water and Sanitation Districts follow procedures that are promulgated by the Department of Finance and Administration, Local Government Division (DFA-LGD). Those procedures are as follows:

1. In March and April the Treasurer, assisted by the District Financial Coordinator, develops a proposed initial operating budget for the upcoming fiscal year. The proposed initial operating budget is presented to the Board for review and update in April. Changes to the proposed budget are made accordingly.
2. In the first Board meeting in May, the Board holds a public meeting to present the proposed initial operating budget to the communities served and to hear public comment regarding the proposed budget.
3. Any changes directed by the Board are made to the proposed initial budget, which the treasurer then submits to the Board for approval at a second Board meeting in May. The operating budget includes proposed expenditures and the means of financing them.
4. After the Board approves the proposed initial budget, it is then submitted to the DFA-LGD for review and certification in time to meet the DFA-LGD deadline of June 1.

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Notes to the Financial Statements
June 30, 2014

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

5. DFA-LGD returns the approved initial budget on the first Monday in July. Fiscal year-end cash balances and any final budget adjustments are then posted to the initial budget to produce the District's final budget, which must be submitted to DFA-LGD by July 30.
6. Upon certification by the DFA-LGD, the budget becomes a legally binding document which does not allow total expenditures in any fund to exceed the amount budgeted.
7. The Board is authorized to make budget revisions with the DFA-LGD's approval.
8. Formal budgetary integration is employed as a management control device during the year.

Budgets for revenues and most expenses are adopted on a Non-GAAP basis of cash receipts and disbursements due to the District not budgeting for depreciation expense or amortized issuance costs related to its outstanding debt and budgeting principal payments on its outstanding bonds; consequently, certain revenues and the related assets (receivables) are recognized when earned rather than when received and certain expenses are recognized when the obligation is incurred rather than when paid. Budgetary comparisons in this report are presented on the Non-GAAP budgetary basis.

The budgetary information presented in these financial statements has been properly amended by the District's board in accordance with the above procedures. These amendments resulted in no changes to the excess (deficiency) of revenues over expenditures for the current year.

NOTE 4. DEPOSITS AND INVESTMENTS

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. The District is not aware of any invested funds that did not meet the State investment requirements as of June 30, 2014.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations 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 collateralized as required by statute.

The rate of interest in 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 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.

By operation of federal law, beginning January 1, 2013, funds deposited in noninterest bearing accounts will no longer receive unlimited deposit insurance coverage by the Federal Deposit Insurance Corporation (FDIC). Beginning January 1, 2013, all of the District's accounts at an insured depository institution, including noninterest bearing accounts, are insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63 NMSA 1978). 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.

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Notes to the Financial Statements
June 30, 2014

NOTE 4. DEPOSITS AND INVESTMENTS (continued)

As of June 30, 2014, \$114,137 of the District's bank balance of \$364,137 was exposed to custodial credit risk. However all of the \$114,137 was collateralized by securities not in the District's name. None of the District's deposits were uninsured and uncollateralized at June 30, 2014. Bank accounts were collateralized as follows:

	First National Bank of Santa Fe
Amount of deposits	\$ 364,137
FDIC Coverage	(250,000)
Total uninsured public funds	114,137
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name	114,137
Uninsured and uncollateralized	\$ -
Collateral requirement (50% of uninsured funds)	57,069
Pledged Collateral	662,539
Over (Under) collateralized	\$ 605,470

Investments

Credit Risk

As of June 30, 2014, the District's investment in the State Treasurer Local Government Investment Pool was rated as AAAM by Standard & Poor's.

The New Mexico Local Government Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(I) through 6-10-10(P) and Sections 6-10-10.1(A) and (E), NMSA 1978. The LGIP's investments are monitored by the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1(F), NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary.

Concentration of Credit Risk – Investments. For an investment, concentration of credit risk is when any one issuer is 5% or more of the investment portfolio of the District. The investments in U.S Treasury Money Market Mutual Funds represent 29% of the investment portfolio. The investments in LGIP represent 71% of the investment portfolio.

STATE OF NEW MEXICO
 Eldorado Area Water and Sanitation District
 Notes to the Financial Statements
 June 30, 2014

NOTE 4. DEPOSITS AND INVESTMENTS (continued)

As of June 30, 2014 the District had the following investments and maturities:

Investment Type	Rating	Fair Value	Weighted Average Maturity
State Treasurer:			
Local Government Investment Pool			
Property Tax Revenue - G.O. Bonds	AAAm	\$ 119,540	48.6 Days
Utility Acquisition and Improvement	AAAm	1,270,589	48.6 Days
Operating Reserve	AAAm	249,375	48.6 Days
Reserve Contingency Fund	Unrated	519	Does not earn interest
Restricted LGIP Water Rights	AAAm	91,125	48.6 Days
U.S. Treasury MM Mutual Fund**	AA+	<u>700,093</u>	<90 days
 Total investments		 <u><u>\$ 2,431,241</u></u>	

**These U.S. Treasury MM Mutual Fund amounts are classified as restricted cash equivalents on the statement of net position due to their weighted average maturity of less than 90 days, but for disclosure purposes the amounts are considered investments.

The LGIP operating reserve amount of \$249,375 is included in the Statement of Net Position as both restricted cash and an unrestricted cash and cash equivalents in the amount of \$56,050 and \$193,325 respectively, but for disclosure purposes the amounts are considered investments.

Interest Rate Risk – Investments. The District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates. The District follows state law with investment activities.

Reconciliation to the Statement of Net Position

Cash and cash equivalents-Exhibit A	\$ 151,383
Restricted cash-unspent loan proceeds-Exhibit A	123,058
Restricted cash-meter deposits-Exhibit A	56,050
Restricted cash-debt service-Exhibit A	577,035
Investments-Property Tax Revenue-G.O. Bonds-Exhibit A	119,540
Investments-cost of utility acquisition and improvements-Exhibit A	1,270,589
Investments-water rights acquisition-Exhibit A	91,125
Investments-Operating reserve	193,325
Investments-Reserve Contingency Fund-Exhibit A	<u>519</u>
 Total cash, cash equivalents and investments	 2,582,624
 Add: outstanding checks for operations	 212,754
Less: investments in NM State Treasurer's LGIP	(1,730,629)
Less: Reserve Contingency Fund	(519)
Less: investments in U.S. Treasury MM Mutual Fund	<u>(700,093)</u>
 Bank balance of deposits	 <u><u>\$ 364,137</u></u>

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Notes to the Financial Statements
June 30, 2014

NOTE 5. AD VALOREM TAXES RECEIVABLE

At year-end, the receivables represent current and delinquent taxes. The District considers the amount fully collectible and therefore has not estimated the amount of taxes levied that will be uncollectible. Taxes receivable are as follows:

Ad valorem taxes receivable	<u>\$ 31,495</u>
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NOTE 6. ACCOUNTS RECEIVABLE

Accounts receivable is water utility revenue billed and unbilled but uncollected. The District has estimated that \$77,333 of the current account receivable balance will be uncollectible. Accounts receivable and the allowance for doubtful accounts are as follows:

Accounts receivable	\$ 400,824
Less: Allowance for doubtful accounts	<u>(77,333)</u>
Net accounts receivable	<u>\$ 323,491</u>

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Notes to the Financial Statements
June 30, 2014

NOTE 7. CHANGES IN CAPITAL ASSETS

The following is a summary of capital assets and changes occurring during the year ended June 30, 2014. Land, easements, water rights, and construction in progress are not subject to depreciation.

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
Capital assets not depreciated:				
Land	\$ 463,000	\$ -	\$ -	\$ 463,000
Easements	465,435	-	-	465,435
Water rights	11,751,450	-	-	11,751,450
Construction in progress	36,762	265,255	-	302,017
Total capital assets not depreciated:	<u>12,716,647</u>	<u>265,255</u>	<u>-</u>	<u>12,981,902</u>
Capital assets depreciated:				
Water utility - original	7,914,015	-	-	7,914,015
Water utility - improvements	1,375,280	1,144,253	11,891	2,507,642
Water utility well 17	856,880	-	-	856,880
Water utility well 18	1,201,263	2,860	-	1,204,123
Vehicles	176,211	-	96,196	80,015
Furniture and fixtures	16,436	-	-	16,436
Office equipment (including software)	113,221	-	-	113,221
Total depreciable assets	<u>11,653,306</u>	<u>1,147,113</u>	<u>108,087</u>	<u>12,692,332</u>
Total assets	<u>24,369,953</u>	<u>1,412,368</u>	<u>108,087</u>	<u>25,674,234</u>
Accumulated depreciation:				
Water utility - original	2,135,700	263,801	-	2,399,501
Water utility - improvements	339,255	103,616	11,891	430,980
Water utility well 17	146,974	33,458	-	180,432
Water Utility well 18	72,474	40,123	-	112,597
Vehicles	116,937	15,597	96,196	36,338
Furniture and Fixtures	6,857	1,096	-	7,953
Office equipment (including software)	52,930	14,619	-	67,549
Total accumulated depreciation	<u>2,871,127</u>	<u>472,310</u>	<u>108,087</u>	<u>3,235,350</u>
Net book value	<u>\$ 21,498,826</u>	<u>\$ 940,058</u>	<u>\$ -</u>	<u>\$ 22,438,884</u>

Depreciation expense for the year totaled \$472,310.

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Notes to the Financial Statements
June 30, 2014

NOTE 8. LONG-TERM DEBT

During the year ended June 30, 2014, the following changes occurred in the liabilities reported in the Statement of Net Position:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
Business-type activities					
New Mexico Finance Authority Loans	\$ 9,758,946	\$ 129,167	\$ 675,590	\$ 9,212,523	\$ 690,759
Accrued compensated absences	7,015	12,539	11,844	7,710	7,710
Total	<u>\$ 9,765,961</u>	<u>\$ 141,706</u>	<u>\$ 687,434</u>	<u>\$ 9,220,233</u>	<u>\$ 698,469</u>

NMFA Debt Outstanding

On January 17, 2014, the District authorized and executed three Loan/Grant agreements with the Water Trust Board of the New Mexico Finance Authority (NMFA) through resolution in the amounts of \$470,000, \$360,000, and \$205,000. Of these amounts, \$47,000, \$36,000, and \$20,500 was loan principal, and \$423,000, \$324,000, and \$184,500 was grant principal. Principal payments on the loan portions are due annually through June 1, 2033. The loans are interest free, but the District pays administrative fees over the life of the loans of approximately \$115, \$88, and \$50 annually. The loan will be payable from revenues of the water utility system.

On April 24, 2014, the District authorized and executed a fourth Loan/Grant agreement with the Water Trust Board of the New Mexico Finance Authority through resolution in the amount of \$256,674, of which \$25,667 is loan principal, and \$231,007 is grant principal. Loan payments are due to NMFA annually through June 1, 2034. The loan is interest free, but the District pays administrative fees over the life of the loans of approximately \$35 annually. The loan will be payable from revenues of the water utility system.

Certain of the District's loan agreements with NMFA contain a covenant that the District's pledged revenues (as defined) are equal to or in excess of 130% of the aggregate annual debt service requirement (as defined). For the fiscal year ended June 30, 2014, the District is in compliance with this covenant.

The annual requirements to amortize the loans with NMFA as of June 30, 2014, including interest are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 690,759	\$ 413,949	\$ 1,104,708
2016	717,146	393,476	1,110,622
2017	743,681	365,294	1,108,975
2018	780,445	329,108	1,109,553
2019	812,400	290,949	1,103,349
2020-2024	4,023,065	879,110	4,902,175
2025-2029	1,312,918	132,755	1,445,673
2030-2034	132,109	11,371	143,480
	<u>\$ 9,212,523</u>	<u>\$ 2,816,012</u>	<u>\$12,028,535</u>

NOTE 9. LEASES

The District rents administrative office space for the water utility operations office for \$4,326 per month. Either party may cancel the lease at any time upon 30 days notice.

The District rents storage space from both La Tienda at Eldorado (four units totaling \$240 per month) and from Eldorado Self Storage (one unit at \$160 per month). Both rental agreements are month-to-month.

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Notes to the Financial Statements
June 30, 2014

NOTE 9. LEASES (continued)

There are no future minimum lease payments. Rent expense for the year ended June 30, 2014 was \$56,617.

NOTE 10. NET POSITION

At June 30, 2014, a portion of the net position totaling \$1,270,589 was restricted for costs of utility acquisition and improvements (new wells, pipes, pumps reservoirs, structures, etc.) and not available for general operating expenses and restricted by enabling legislation.

Also at June 30, 2014, District had \$696,575 in restricted net position for debt reserve and debt service requirements.

In addition, net position of \$91,125 is restricted by enabling legislation for water rights acquisition, \$519 is restricted in contingency funds held in the Reserve Contingency Fund. The remaining net position of \$504,430 is unrestricted at June 30, 2014.

NOTE 11. RISK MANAGEMENT AND LITIGATION

The District covers its insurance needs through various insurance policies. The coverage includes business and personal property, commercial general liability, owned, non-owned and hired automobiles, and directors' and officers' liability. The premiums paid on the policies during the year were \$41,337.

If the District's losses exceed its premiums, there is no supplemental assessment; on the other hand, if the District's losses are less than its premiums, it does not receive a refund. Therefore, except for deductible amounts, risk has been transferred to the insurance carrier. There are no pending or known threatened legal proceedings involving material matters to which the District is a party.

NOTE 12. COMMITMENTS AND CONTINGENCIES

Effective July 1, 2011, the District renewed its contract with a contractor to provide day-to-day operations and management of the District's water system. The term of the agreement was for four years commencing on the 1st day of July 2011, with an option to extend for an additional period of up to four years through formal amendment. The agreement was renewed June 16, 2014, effective July 1, 2014.

The Contractor's compensation for services performed under this agreement is \$1,015,415, plus NM gross receipts tax, for the fourth year of this agreement. As part of the contract renewal, a fixed annual increase of 2.5% was agreed upon for base fees for the fifth through eighth contract years. Contractor compensation consists of the base fee, \$888,638, an allowance of \$52,777 for services related to the District's mandatory participation in the NM 811 (NM One Call) underground utility location program, an allowance of \$60,000 for materials and specialty services for utility repairs, and an allowance of \$14,000 for fuel.

A major part of the District's fiscal year 2015 budget consists of expenditures for capital projects. In fiscal year 2015, \$25,675 from operating revenue, \$87,000 from property tax receipts and \$1,368,265 from accumulated property tax receipts from prior fiscal years are committed to capital improvement projects. Major projects scheduled for fiscal year 2015 include completion of system-wide SCADA upgrades, Torreon booster pump station replacement, Pressure Zone optimization (phase 1), re-drilling of Well 2, and siting and pilot well development for a new well, which will become Well 19.

NOTE 13. SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2014, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is November 20, 2014 which is the date on which the financial statements were available to be issued. The following events were noted for disclosure.

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Notes to the Financial Statements
June 30, 2014

NOTE 13. SUBSEQUENT EVENTS (continued)

During the 2014 legislative session, the District was awarded legislative grants totaling \$192,000 for siting, property acquisition and drilling of a pilot well for what will become Well 19. Confirmation of the grant was received in October 2014. Investigation of two candidate sites is in progress.

In 2013, the District received a commitment by the New Mexico Finance Authority for a loan of approximately \$1 million to assist in the construction of a combined maintenance and administrative facility. In October of 2014, such commitment was rescinded due to projected increased construction costs and certain procedural matters. The project is now on hold, and alternative funding sources are being evaluated.

In early 2014, the District's Board approved a study to evaluate the rates and fees it charges its customers. The objective of the study is to assure that revenues generated from such rates and fees produce income that is adequate to fund the District's operations, debt service, and capital improvements, as well as assure that all bond covenants are met. A contract for professional services was awarded in November 2014 to a water rate study consultant, to assist in the evaluation and re-design of the District's rate structure.

NOTE 14. SUBSEQUENT PRONOUNCEMENTS

In June 2012, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The District will implement this standard during the fiscal year June 30, 2015, which is expected to have a significant impact on the District's financial statements.

In January 2013, GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, Effective Date: The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application is encouraged. The provisions of this Statement generally are required to be applied prospectively. The District is still evaluating how this reporting standard will affect the District.

In November 2013, GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2014. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68. The District will implement this standard during the fiscal year June 30, 2015.

NOTE 15. PENSION PLAN-PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description: All of the District's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978.) The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at <http://www.pera.state.nm.us>

Funding Policy: Plan members are required to contribute the following percentages of their gross salary: 10.65% for District employees. The District is required to contribute the following percentages of the gross covered salary: 9.15% for District plan members. The contribution requirements of plan members and the District are established in State Statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to PERA for the fiscal years ending June 30, 2014, 2013, and 2012 were \$16,078, \$14,081, and \$13,120 respectively, which equal the amount of the required contributions for each fiscal year.

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SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Schedule of Revenues, Expenses and Changes in Net Position
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2014

Schedule I

	Budgeted Amounts		Non-GAAP Budgetary Basis	Variances Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
<i>Operating revenues</i>				
Water sales	\$ 2,436,191	\$ 2,260,000	\$ 2,266,094	\$ 6,094
<i>Total operating revenues</i>	<u>2,436,191</u>	<u>2,260,000</u>	<u>2,266,094</u>	<u>6,094</u>
<i>Operating expenses</i>				
Contractual services	1,283,918	1,356,560	1,191,689	164,871
Other operating costs	248,030	236,466	217,550	18,916
Personnel services	190,564	193,215	194,617	(1,402)
Supplies	3,900	4,900	2,895	2,005
Water conservation fee	5,200	5,073	4,787	286
Travel	1,350	2,000	4,824	(2,824)
Capital outlay	4,121,125	4,002,751	1,412,367	2,590,384
Debt service				
Principal	679,447	675,675	675,590	85
Interest	406,806	413,821	420,219	(6,398)
<i>Total operating expenses</i>	<u>6,940,340</u>	<u>6,890,461</u>	<u>4,124,538</u>	<u>2,765,923</u>
<i>Non-operating revenues (expenses)</i>				
Ad valorem taxes	992,440	918,805	914,597	(4,208)
Other revenue	2,200	65,617	-	(65,617)
Interest income	2,490	3,350	4,905	1,555
Other expenses	(11,825)	(11,075)	(10,719)	356
<i>Total non-operating revenues (expenses)</i>	<u>985,305</u>	<u>976,697</u>	<u>908,783</u>	<u>(67,914)</u>
<i>Capital Contributions</i>				
Capital grant	1,422,500	1,472,500	218,750	(1,253,750)
<i>Total capital contributions</i>	<u>1,422,500</u>	<u>1,472,500</u>	<u>218,750</u>	<u>(1,253,750)</u>
<i>Excess (deficiency) of revenues and sources over expenses and uses</i>				
	<u>(2,096,344)</u>	<u>(2,181,264)</u>	<u>(730,911)</u>	<u>1,450,353</u>
<i>Other financing sources (uses)</i>				
Designated cash	2,096,344	2,181,264	-	(2,181,264)
<i>Total other financing sources (uses)</i>	<u>2,096,344</u>	<u>2,181,264</u>	<u>-</u>	<u>(2,181,264)</u>
Change in net position (Non-GAAP budgetary basis)	<u>\$ -</u>	<u>\$ -</u>	<u>(730,911)</u>	<u>\$ (730,911)</u>
<i>Adjustments for GAAP basis</i>				
Depreciation			(472,310)	
Amortization of bond premiums			137,150	
Capital outlay			1,412,367	
Principal payments on debt			<u>675,590</u>	
<i>Change in net position, Exhibit B</i>			1,021,886	
<i>Net position - beginning of year</i>			<u>13,549,772</u>	
<i>Net position- end of year</i>			<u>\$ 14,571,658</u>	

The accompanying notes are an integral part of these financial statements

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
 Eldorado Area Water and Sanitation District
 Schedule of Collateral Pledged by Depository For Public Funds
 June 30, 2014

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	FMV/ Par Value June 30, 2014	Name and Location of Safekeeper
First National Bank of Santa Fe	Lufkin Tex	8/15/2016	549798SD9	\$ 381,884	Fifth Third Bank of Cincinnati
First National Bank of Santa Fe	Tomball Tex Indpt Sch Dist	2/15/2027	889855UZ3	<u>280,655</u>	Fifth Third Bank of Cincinnati
Total Pledged Collateral				<u>\$ 662,539</u>	

* Pursuant to section 6-10-16 (C) NMSA 1978 securities which are of obligations of the State of New Mexico, its agencies, institutions, counties, municipalities, or other subdivisions shall be accepted as securities at par value.

See independent auditors' report

STATE OF NEW MEXICO
 Eldorado Area Water and Sanitation District
 Schedule of Deposit and Investment Accounts
 June 30, 2014

Account Name/Type	Deposits		Investments		Totals
	First National Bank of Santa Fe	U.S. Treasury MM Mutual Fund	NewMexigrow LGIP		
Deposits:					
First National Bank of Santa Fe					
Checking	\$ 372,416	\$ -	\$ -		\$ 372,416
Savings	26,653	-	-		26,653
Tax accounts	5,685	-	-		5,685
New Mexico					
Finance Authority:					
Program funds	-	123,058	-		123,058
Reserve Account	-	484,020	-		484,020
Debt Service Account	-	51,489	-		51,489
Investments					
LGIP-Property					
Tax Revenue	-	-	119,540		119,540
LGIP-Utility					
Acquisition	-	-	1,270,589		1,270,589
LGIP-Operating					
Reserve	-	-	340,500		340,500
Reserve Contingency					
Fund	-	-	519		519
Total deposits and investments	404,754	658,567	1,731,148		2,794,469
Reconciling items	(253,371)	41,526	-		(211,845)
Reconciled balance	\$ 151,383	\$ 700,093	\$ 1,731,148		\$ 2,582,624
Unrestricted cash:					
Cash and cash equivalents					
					\$ 151,383
Restricted cash:					
Unspent loan proceeds per Exhibit A					
					123,058
Meter deposits per Exhibit A					
					56,050
Debt service per Exhibit A					
					577,035
Total restricted cash					756,143
Unrestricted investments:					
Investments					
					193,325
Restricted investments:					
Debt service per Exhibit A					
					119,540
Cost of utility acquisition and improvements per Exhibit A					
					1,270,589
Water rights acquisition per Exhibit A					
					91,125
Reserve Contingency Fund-per Exhibit A					
					519
Total restricted investments					1,481,773
Total cash and investments					\$ 2,582,624

See independent auditors' report

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COMPLIANCE SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

**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***

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas
New Mexico State Auditor
Members of the Board of Directors
Eldorado Area Water and Sanitation District
Santa Fe, New Mexico

We have audited, in accordance with the 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, the financial statements of the business-type activities of the Eldorado Area Water and Sanitation District (District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and related budgetary comparison of the District presented as supplementary information, and have issued our report thereon dated November 20, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP

Albuquerque, NM

November 20, 2014

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Schedule of Findings and Responses
June 30, 2014

Schedule IV

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 2. Internal Control over financial Reporting | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| c. Noncompliance material to the financial statements? | No |

SECTION II-STATUS OF PRIOR YEAR FINDINGS

There were no prior year audit findings.

SECTION III-CURRENT YEAR FINDINGS

There were no current year audit findings.

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Other Disclosures
June 30, 2014

A. AUDITOR PREPARED FINANCIAL STATEMENTS

Accounting and Consulting Group, LLP prepared the GAAP-basis financial statements and footnotes of the District from the original books and records provided to them by the management of the District. The responsibility for the financial statements remains with the District.

B. EXIT CONFERENCE

The contents of this report were discussed on November 24, 2014. The following members of the District's Finance committee, acting as the Audit committee, were in attendance.

Eldorado Area Water and Sanitation District
Jim Jenkins, President
Paul Butt, Financial Coordinator
Phillip Speicher, Treasurer
Elizabeth Roghair, Finance committee member

Accounting & Consulting Group, LLP
Ray Roberts, CPA, Managing Partner