

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

Financial Statements
With Accompanying Independent Auditors'
Reports

Year Ended June 30, 2015



LEGEND

- W-1 (AWSD Well with well number)
- Boundary of EAWSD Service Area as of September 2010
- EAWSD District Boundary as of September 2010



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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, 2015

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STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Directory of Officials
June 30, 2015

<u>Name</u>	<u>Board</u>	<u>Title</u>
James Jenkins		President
Thoma L. Willmott		Vice President & Secretary
John Calzada		Director
Carolyn M. Horne		Director
	<u>Administrative Officials</u>	
Vacant		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

Timothy Keller
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, 2015, 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, 2015, 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, 2015, 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, 2015 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 and Schedules I and II on pages 47 and 48, respectively, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge 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 IV through VI 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 IV and V 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 IV and V 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 and Schedule VI have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2015 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
October 20, 2015

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Management's Discussion and Analysis
June 30, 2015

Introduction

Management of the Eldorado Area Water and Sanitation District (the "District") 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, 2015.

Financial Highlights

Key events for the fiscal year 2015 are:

- The assets of the District exceeded liabilities at the close of the most recent fiscal year by \$15,870,295 (*total net position*). The components of net position include restricted net position of \$1,710,211, unrestricted net position of \$530,835, and net investment in capital assets of \$13,629,249.
- The District's total reported net position increased by \$1,298,637 compared to the prior year increase in net position of \$1,021,886.
- As of June 30, 2015, the District had current assets, noncurrent assets, and deferred outflows totaling \$822,845, \$25,616,610, and \$14,505, respectively. Capital assets, net of accumulated depreciation, totaled \$23,355,998. Current liabilities include \$62,152 in customer deposits, \$61,413 in accounts payable, \$16,607 in interest payable, \$18,582 in accrued payroll expenses, \$7,948 in compensated absences, \$717,146 in loans payable, and \$488,249 in unearned revenue. Noncurrent liabilities include \$7,805,480 in loans payable, \$1,204,123 in unamortized bond premium, and \$145,100 in net pension liability during fiscal year 2015.

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, 2015

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 \$15,870,295 is reported at the close of the most recent Fiscal Year.

The District reports \$530,835 of net position as unrestricted.

Overview of the Statement of Net Position

	<u>2015</u>	<u>2014</u>	<u>Variance</u>
Assets:			
Current assets	\$ 822,845	\$ 735,362	\$ 87,483
Capital assets, net	23,355,998	22,438,884	917,114
Other assets	2,260,612	2,237,916	22,696
Deferred outflows of resources	14,505	-	14,505
Total assets and deferred inflows of resources	<u>\$ 26,453,960</u>	<u>\$ 25,412,162</u>	<u>\$ 1,041,798</u>
Liabilities:			
Current liabilities	\$ 1,372,097	\$ 977,741	\$ 394,356
Noncurrent liabilities	9,154,703	9,862,763	(708,060)
Total liabilities	<u>10,526,800</u>	<u>10,840,504</u>	<u>(313,704)</u>
Deferred inflows of resources	<u>56,865</u>	<u>-</u>	<u>56,865</u>
Net Position:			
Net investment in capital assets	13,629,249	12,008,420	1,620,829
Restricted	1,710,211	2,058,808	(348,597)
Unrestricted	530,835	504,430	26,405
Total net position	<u>15,870,295</u>	<u>14,571,658</u>	<u>1,298,637</u>
Total liabilities, deferred inflows, and net position	<u>\$ 26,453,960</u>	<u>\$ 25,412,162</u>	<u>\$ 1,041,798</u>

STATE OF NEW MEXICO
 Eldorado Area Water and Sanitation District
 Management's Discussion and Analysis
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Government-Wide Financial Analysis – Broad Overview of Finance (continued)

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

	<u>2015</u>	<u>2014</u>	<u>Variance</u>
Revenues:			
Water sales	\$ 2,292,544	\$ 2,266,094	\$ 26,450
Ad valorem tax	877,479	914,597	(37,118)
Capital grants	899,434	218,750	680,684
Interest income	6,303	4,905	1,398
Total Revenues	<u>4,075,760</u>	<u>3,404,346</u>	<u>671,414</u>
Expenses:			
Operating expenses	2,296,486	2,088,672	207,814
Bond interest expense	274,372	283,069	(8,697)
Bond administrative fees	10,354	10,719	(365)
Total Expenses	<u>2,581,212</u>	<u>2,382,460</u>	<u>198,752</u>
Increase in net position	1,494,548	1,021,886	472,662
Total net position, beginning of year	14,571,658	13,549,772	1,021,886
Restatement (note 12)	<u>(195,911)</u>	<u>-</u>	<u>(195,911)</u>
Total net position - end of year	<u>\$ 15,870,295</u>	<u>\$ 14,571,658</u>	<u>\$ 1,298,637</u>

Financial Analysis of the District's Funds and Fiscal Year 2015 Budgetary Highlights

As noted above, net position increased by \$1,494,548 from fiscal year 2014 to fiscal year 2015. Total revenues increased by \$671,414, owing in part to an increase in water sales of \$26,450, a decrease in ad valorem tax receipts of \$37,118, and an increase in capital grant revenue of \$680,684. In fiscal year 2015, water sales were \$2,266,094. However, operating expenses also increased in fiscal year 2015 to \$2,296,486, an increase of \$207,814 from the fiscal year 2014 expenses of \$2,088,672. A detailed breakout of budget vs. actual revenue and expenses can be found in the supplementary section of this report.

The following is a summary of the final budget as compared to actual activity at June 30, 2015. See Schedule III for additional details over the budget.

	<u>Final</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues	\$ 4,940,825	\$ 4,075,760	\$ (865,065)
Expenses	(6,291,919)	(4,325,282)	1,966,637
Designated Cash	1,351,094	-	(1,351,094)
	<u>\$ -</u>	<u>\$ (249,522)</u>	<u>\$ (249,522)</u>

Other highlights of fiscal year 2015 financial activities include:

- Capital expenditures increased slightly to \$1,445,833 from \$1,412,368 in fiscal year 2014.
- One construction contract for \$510,400 was issued, for Pressure Zone Optimization, phase one. This project will reduce excess water pressure in areas where it occurs throughout the District. It will also increase the amount of water supplied from the District's largest water storage tank, Tank 4, which is underutilized, and decrease the amount of water supplied from Tank 3, which serves a disproportionate number of connections. Estimated total project cost for phase one is \$800,000.

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Management's Discussion and Analysis
June 30, 2015

Financial Analysis of the District's Funds and Fiscal Year 2015 Budgetary Highlights (continued)

- The contract for Operations, Maintenance, Management and Customer Billing Services (O&M) was renewed with an increase of 2.5% in the contract base fee. Additional detail regarding the O&M contract is presented in Note 14, Commitments and Contingencies. The Financial Coordination contract was renewed with an increase of approximately 2.6% in rates. The Geohydrological, and Project Management services were renewed, with no increase in rates.
- A new contract for legal services was issued. Law & Resource Planning Associates, which has provided legal services to the District for the previous four years, was selected through a competitive procurement. Senior attorney rates for hourly services increased slightly from the previous contract. Other rates were unchanged. In fiscal year 2015, 15% of total billing was charged at senior attorney rates. Total impact of the increased rate is projected to be less than \$1,000 in fiscal year 2016.

Capital Asset Administration

The District's investment in capital assets for business-type activities as of June 30, 2015 totals \$23,355,998 (net of accumulated depreciation) compared to \$22,438,884. Major capital events during the fiscal year included the following:

- Three capital projects started in previous fiscal years were substantially or fully completed:
 - Torreon Booster Pump Station - replacement of a major booster station in the center of the District. Capitalized cost of the project is \$626,341. Total project cost is estimated at \$630,800.
 - SCADA (Systems Control and Data Acquisition) system improvements (Utility-Wide). Capitalized cost of the project, through substantial completion, is \$575,225. Total project cost is estimated at \$581,500.
 - Well 2b – currently used as a replacement for the District's existing Well 2a. Capitalized cost of the project is \$606,872. System upgrades will be implemented in the future so that Well 2b may be used in tandem with Well 2a.
- The District replaced 207 customer meters, for a capitalized cost of \$125,416.
- Geohydrology and engineering studies were made in order to locate the best available site for a new production well for the District (Well 19). A contract for engineering design of the well, through the completion of the pilot well, was approved in June 2015. Construction of the pilot well is expected to begin in late 2015.

Long-term debt

At June 30, 2015 and 2014, Eldorado Area Water and Sanitation District had NMFA loans outstanding of \$8,522,626. Of the outstanding balance, \$717,146 is considered to be a current obligation. No new debt was issued during fiscal year 2015.

The District made principal payments towards loans in the amount of \$689,897 for the year ended June 20, 2015. Interest expense and administrative fees related to the outstanding loans were paid in the amounts of \$274,372 and \$10,354, respectively. Additional information on Eldorado Area Water and Sanitation District's long-term debt can be found in note 8 of the financial statements

Financial Outlook for Next Year

The District's approved budget for fiscal year 2016 totals \$5,312,259. Projected revenues include \$2,288,057 from water sales, interest and miscellaneous revenue. In May 2015, the District Board approved an increase of one mill in the District property tax levy, effective beginning in fiscal year 2016. Initial projections are that property tax receipts will increase from fiscal year 2015 actual net receipts of \$863,822 to \$1,198,971 from property tax revenue. Additional funds available for expenditure include \$945,801 in capital project grant proceeds and \$877,531 cash in the District's Capital Reserve for capital improvement projects.

Proposed expenses include \$2,288,057 funded from water sales revenue and \$1,198,971 funded from property tax receipts for operating and administrative expense, capital projects and contributions to reserves. Total projected contributions to reserves are \$260,986.

A major part of the District's fiscal year 2016 budget consists of expenditures for capital projects. In fiscal year 2016, \$13,940 from operating revenue, \$268,615 from property tax receipts and \$877,531 from accumulated property tax receipts from prior fiscal years are committed to capital improvement projects.

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Management's Discussion and Analysis
June 30, 2015

Financial Outlook for Next Year (continued)

Major projects scheduled for fiscal year 2016 include purchase and installation of a storage building for water treatment chemicals (hypochlorite), the fiscal year 2016 Meter Replacement project, augmented by funds from a New Mexico Water Trust Board grant of \$256,674, Pressure Zone optimization (phase 1) and pilot well development for a new well, which will become Well 19. Total fiscal year 2016 budget for capital projects is \$1,681,372.

The District began a rate study at the end of fiscal year 2014. A rate study committee was appointed and Nelisa Heddin Consulting was engaged to conduct a Cost of Service and Rate Design study. The study covers a five-year period and the rates are designed to raise the required revenues each year during that period. The rate design includes annual rate increases for fiscal year 2016 through fiscal year 2019. A public forum regarding the proposed rate increases was held August 11, 2015. A public hearing regarding the rates was held September 28, 2015. Implementation of the fiscal year 2016 rate increases is scheduled for January 2016. Additional information about the Rate Study and the rate change process is in Note 15. Additional revenues generated from the proposed rate increase are not included in the initial fiscal year 2016 budget, but an adjusted budget that shows projected additional revenues in fiscal year 2016 will be prepared in fiscal fourth quarter.

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, 2015

	Business-Type Activities
Assets	
<i>Current assets</i>	
Cash and cash equivalents	\$ 234,736
Investments	181,079
Ad valorem taxes receivable	31,097
Accounts receivable, net of allowance for doubtful accounts	313,576
Grants receivable	25,177
Prepaid expenses	37,180
<i>Total current assets</i>	822,845
<i>Noncurrent assets</i>	
Restricted cash:	
Unspent grant proceeds	488,249
Meter deposits	62,152
Debt service	583,990
Restricted investments:	
Debt service	151,315
Cost of utility acquisition and improvements	877,531
Water rights acquisition	97,375
Capital assets, net of accumulated depreciation	23,355,998
<i>Total noncurrent assets</i>	25,616,610
<i>Deferred outflows of resources</i>	
Employer contributions subsequent to the measurement date	14,505
<i>Total deferred outflows of resources</i>	14,505
<i>Total assets and deferred outflows of resources</i>	\$ 26,453,960

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	\$ 61,413
Accrued payroll expenses	18,582
Interest payable	16,607
Compensated absences	7,948
Customer deposits	62,152
Loans payable	717,146
Unearned revenue	488,249
	<hr/>
<i>Total current liabilities</i>	1,372,097
	<hr/>
<i>Noncurrent liabilities</i>	
Loans payable	7,805,480
Bond premium, net	1,204,123
Net pension liability	145,100
	<hr/>
<i>Total noncurrent liabilities</i>	9,154,703
	<hr/>
<i>Total liabilities</i>	10,526,800
	<hr/>
<i>Deferred inflows of resources</i>	
Change in assumption	98
Net difference between projected and actual investment earnings	56,767
	<hr/>
<i>Total deferred inflows of resources</i>	56,865
	<hr/>
<i>Net position</i>	
Net investment in capital assets	13,629,249
Restricted for:	
Cost of utility acquisition and improvements	877,531
Water rights acquisition	97,375
Debt service	735,305
Unrestricted	530,835
	<hr/>
<i>Total net position</i>	15,870,295
	<hr/>
<i>Total liabilities, deferred inflows of resources, and net position</i>	\$ 26,453,960
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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, 2015

Exhibit B

	<u>Business-Type Activities</u>
<i>Operating revenues</i>	
Water sales	\$ 2,292,544
<i>Total operating revenues</i>	<u>2,292,544</u>
<i>Operating expenses</i>	
Contractual services	1,268,386
Depreciation	528,719
General and administrative	88,973
Personnel services	189,013
Utilities	84,908
Materials and maintenance	67,300
Facilities rent	56,712
Supplies	5,474
Water conservation fee	4,682
Travel	2,319
<i>Total operating expenses</i>	<u>2,296,486</u>
<i>Operating loss</i>	<u>(3,942)</u>
<i>Non-operating revenues (expenses)</i>	
Ad valorem tax	877,479
Interest income	6,303
Bond interest expense	(274,372)
Bond administrative fees	(10,354)
<i>Total non-operating revenues (expenses)</i>	<u>599,056</u>
Income before State capital grants	595,114
State capital grants	<u>899,434</u>
<i>Change in net position</i>	1,494,548
<i>Net position - beginning, as originally stated</i>	14,571,658
<i>Net position - restatement (note 12)</i>	(195,911)
<i>Net position - beginning, as restated</i>	<u>14,375,747</u>
<i>Total net position, end of year</i>	<u>\$ 15,870,295</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, 2015

	Business-Type Activities
<i>Cash flows from operating activities</i>	
Cash received from customers	\$ 2,308,561
Cash paid to suppliers and contractors	(1,706,774)
Cash paid to employees for services	(200,848)
<i>Net cash provided by operating activities</i>	400,939
<i>Cash flows from noncapital financing activities</i>	
Ad valorem taxes received	877,877
<i>Net cash provided by noncapital financing activities</i>	877,877
<i>Cash flows from capital and financing activities</i>	
Bond administrative fee	(10,354)
Purchase of capital assets	(1,445,833)
Proceeds from capital grants	1,362,506
Bond and loan principal payments	(689,897)
Bond interest payments	(407,738)
<i>Net cash used by capital and financing activities</i>	(1,191,316)
<i>Cash flows from investing activities</i>	
Net cash proceeds from sale of investments	367,798
Interest income	6,303
<i>Net cash provided by investing activities</i>	374,101
<i>Net increase in cash and cash equivalents</i>	461,601
<i>Cash and cash equivalents - beginning of year</i>	907,526
<i>Cash and cash equivalents - end of year</i>	\$ 1,369,127
<i>Cash per Exhibit A</i>	
Cash and cash equivalents	\$ 234,736
Unspent loan proceeds	488,249
Meter deposits	62,152
Debt service	583,990
<i>Total cash per Exhibit A</i>	\$ 1,369,127

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	\$ (3,942)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	528,719
Employer pension contributions	(14,505)
Pension expense	6,054
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	9,915
(Increase) decrease in prepaid expenses	(1,512)
Increase (decrease) in accounts payable	(126,508)
Increase (decrease) in accrued payroll expenses	(3,622)
Increase (decrease) in compensated absences	238
Increase (decrease) in customer deposits	<u>6,102</u>
Net cash provided by operating activities	<u>\$ 400,939</u>

Supplementary Non-Cash Disclosure

In fiscal year 2015 the District implemented GASB 68. The implementation of GASB 68 resulted in non-cash increases and (decreases) to the following accounts:

Net pension liability	\$ (64,610)
Deferred inflows	56,865
Deferred outflows	14,505

The bond premium was reduced due to amortization totaling \$137,059 in fiscal year 2015.

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Notes to the Financial Statements
June 30, 2015

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, 2015, the District adopted GASB Statements No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* (“GASB 68”), and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* (“GASB 71”). These two Statements are required to be implemented at the same time. GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governments through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Notes to the Financial Statements
June 30, 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit plan, plan assets are also legally protected from creditors of the plan members.

GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. As a result of the implementation of GASB 68, the government recognized a net pension liability (“NPL”) measured as of a date no later than the end of its prior fiscal year. If the government employer makes a contribution to the pension plan subsequent to the measurement date, but prior to the end of the current fiscal year, GASB 68 requires the government to recognize that contribution as a deferred outflow of resources. In addition, GASB 68 requires the recognition of deferred outflows of resources and deferred inflows of resources for changes in the NPL that arise from other types of events, but does not require the government to recognize beginning deferred outflows of resources or deferred inflows of resources if the amounts are not practical to estimate. At transition to Statement 68, Statement 71 requires the employer or nonemployer contributing entity to recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability, but before the start of the government’s fiscal year, thus avoiding possible understatement of an employer or nonemployer contributing entity’s beginning net position and expense in the initial period of implementation. This pronouncement has materially impacted the financial statements and additional disclosures are included in the notes to the financial statements to highlight the effects.

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.

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Notes to the Financial Statements
June 30, 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

STATE OF NEW MEXICO
 Eldorado Area Water and Sanitation District
 Notes to the Financial Statements
 June 30, 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 \$37,180 as of June 30, 2015.

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. The District has restricted cash and restricted investments. Restricted cash consists of meter deposits of \$62,152, unspent grant proceeds of \$488,249, and cash restricted for debt service of \$583,990. Restricted investments consist of debt service of \$151,315, cost of utility right acquisition and improvements of \$877,531, and water right acquisitions of \$97,375.

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.

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).

Deferred Outflows of Resources: In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The District has only one type of item that qualifies for reporting in this category. Employer pension contributions after the measurement date of June 30, 2014 are recognized as a deferred outflow at June 30, 2015 and accounted for as a direct reduction of the Net Pension Liability in the subsequent measurement period. The District has recorded \$14,505 related to contributions subsequent to the measurement date.

Deferred Inflows of Resources: In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by corresponding deferred inflows of resources. The District has two types of deferred inflows, which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the deferred inflows, net difference between expected and actual earnings and change in assumptions, are reported on the Statement of Net Position. Deferred inflow amounts related to the net

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Notes to the Financial Statements
June 30, 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

difference between expected and actual investment earnings are amortized into pension expense over a five-year period. Deferred inflows related to changes in assumptions are amortized into pension expense over the average remaining service life of the employee participants. The District has recorded \$98 related to change in assumptions and \$56,767 related to the net difference between expected and actual investment earnings.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

Capital Grants: Capital grant revenues received from NMED and the NMFA Water Trust Board are recognized on a reimbursement basis. Reimbursements are received when the District incurs and submits qualifying expenses. For the year ended June 30, 2015, the District received \$899,434 in revenues from capital grants.

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.
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.

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Notes to the Financial Statements
June 30, 2015

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

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, 2015.

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, 2015

NOTE 4. DEPOSITS AND INVESTMENTS (continued)

As of June 30, 2015, \$188,276 of the District's bank balance of \$438,276 was exposed to custodial credit risk. However all of the \$188,276 was collateralized by securities not in the District's name. None of the District's deposits were uninsured and uncollateralized at June 30, 2015. Bank accounts were collateralized as follows:

	First National Bank of Santa Fe
Amount of deposits	\$ 438,276
FDIC Coverage	(250,000)
Total uninsured public funds	188,276
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name	188,276
Uninsured and uncollateralized	\$ -
Collateral requirement (50% of uninsured funds)	94,138
Pledged Collateral	1,063,973
Over (Under) collateralized	\$ 969,835

Investments

Credit Risk

As of June 30, 2015, 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 44% of the investment portfolio. The investments in LGIP represent 66% of the investment portfolio.

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Notes to the Financial Statements
June 30, 2015

NOTE 4. DEPOSITS AND INVESTMENTS (continued)

As of June 30, 2015 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	\$ 151,315	77.7 Days
Utility Acquisition and Improvement	AAAm	877,531	77.7 Days
Operating Reserve	AAAm	243,231	77.7 Days
Restricted LGIP Water Rights	AAAm	97,375	77.7 Days
U.S. Treasury MM Mutual Fund**	AA+	<u>1,072,239</u>	<90 days
Total investments		<u>\$ 2,441,691</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.

Meter deposits included in the LGIP operating reserve total \$62,152 and are included in the Statement of Net Position as restricted cash, 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	\$ 234,736
Restricted cash-unspent grant proceeds-Exhibit A	488,249
Restricted cash-meter deposits-Exhibit A	62,152
Restricted cash-debt service-Exhibit A	583,990
Restricted investments-debt service-Exhibit A	151,315
Restricted investments-cost of utility acquisition and improvements-Exl	877,531
Restricted investments-water rights acquisition-Exhibit A	97,375
Investments-Operating reserve	<u>181,079</u>
Total cash, cash equivalents and investments	<u>2,676,427</u>
Add: outstanding checks for operations	210,850
Less: Deposits in transit	(7,310)
Less: investments in NM State Treasurer's LGIP	(1,369,452)
Less: investments in U.S. Treasury MM Mutual Fund	<u>(1,072,239)</u>
Bank balance of deposits	<u>\$ 438,276</u>

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Notes to the Financial Statements
June 30, 2015

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><u>\$ 31,097</u></u>
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NOTE 6. ACCOUNTS RECEIVABLE

Accounts receivable include both grants receivable and water billings. Capital grants receivable consist of expenses incurred for qualified capital expenses not yet reimbursed by the NMFA Water Trust Board or NMED. Accounts receivable for water billings is water utility revenue billed and unbilled but uncollected. The District has estimated that \$79,439 of the current water billings account receivable balance will be uncollectible. Accounts receivable and the allowance for doubtful accounts are as follows:

Grants receivable	<u><u>\$ 25,177</u></u>
Accounts receivable	\$ 393,015
Less: Allowance for doubtful accounts	<u>(79,439)</u>
Net accounts receivable	<u><u>\$ 313,576</u></u>

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Notes to the Financial Statements
June 30, 2015

NOTE 7. CHANGES IN CAPITAL ASSETS

The following is a summary of capital assets and changes occurring during the year ended June 30, 2015. Land, easements, water rights, and construction in progress are not subject to depreciation.

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</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	302,017	1,193,426	1,233,694	261,749
Total capital assets not depreciated:	<u>12,981,902</u>	<u>1,193,426</u>	<u>1,233,694</u>	<u>12,941,634</u>
Capital assets depreciated:				
Water utility - original	7,914,015	-	45,970	7,868,045
Water utility - improvements	2,507,642	804,610	78,539	3,233,713
Water utility well 2	-	606,872	-	606,872
Water utility well 17	856,880	-	-	856,880
Water utility well 18	1,204,123	-	-	1,204,123
Vehicles	80,015	67,979	-	147,994
Furniture and fixtures	16,436	-	-	16,436
Office equipment (including software)	113,221	6,640	-	119,861
Total depreciable assets	<u>12,692,332</u>	<u>1,486,101</u>	<u>124,509</u>	<u>14,053,924</u>
Total assets	<u>25,674,234</u>	<u>2,679,527</u>	<u>1,358,203</u>	<u>26,995,558</u>
Accumulated depreciation:				
Water utility - original	2,399,501	262,269	45,970	2,615,800
Water utility - improvements	430,980	150,697	78,539	503,138
Water utility well 2	-	2,937	-	2,937
Water utility well 17	180,432	28,562	-	208,994
Water Utility well 18	112,597	40,139	-	152,736
Vehicles	36,338	28,594	-	64,932
Furniture and Fixtures	7,953	1,095	-	9,048
Office equipment (including software)	67,549	14,426	-	81,975
Total accumulated depreciation	<u>3,235,350</u>	<u>528,719</u>	<u>124,509</u>	<u>3,639,560</u>
Net book value	<u>\$ 22,438,884</u>	<u>\$ 2,150,808</u>	<u>\$ 1,233,694</u>	<u>\$ 23,355,998</u>

Depreciation expense for the year totaled \$528,719.

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Notes to the Financial Statements
June 30, 2015

NOTE 8. LONG-TERM DEBT

During the year ended June 30, 2015, the following changes occurred in the liabilities reported in the Statement of Net Position:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
Business-type activities					
New Mexico Finance Authority Loans	\$ 1,352,523	\$ -	\$ 64,897	\$ 1,287,626	\$ 67,146
NMFA Bond Refunding (Revenue Bond)	3,550,000	-	225,000	3,325,000	230,000
NMFA Bond Refunding (GO Bond)	4,310,000	-	400,000	3,910,000	420,000
Accrued compensated absences	7,710	11,861	11,623	7,948	7,948
	<u>9,220,233</u>	<u>11,861</u>	<u>701,520</u>	<u>8,530,574</u>	<u>725,094</u>
Total	<u>\$ 9,220,233</u>	<u>\$ 11,861</u>	<u>\$ 701,520</u>	<u>\$ 8,530,574</u>	<u>\$ 725,094</u>

NMFA Debt Outstanding

On July 16, 2010, the District authorized and executed a loan agreement with the New Mexico Finance Authority (NMFA) through resolution in the amount of \$1,433,759 for the purpose of financing water system improvements and infrastructure. Loan payments are due to NMFA monthly until June 1, 2030. The blended interest rate over the term of the loan is 3.967%. The full faith and credit of the District is pledged for payment of principal and interest thereon and the loan will be payable from revenues of the water utility system.

On June 13, 2013 the District executed two loan refunding agreements with the New Mexico Finance Authority (NMFA) (NMFA Bond Refunding (Revenue Bond) and NMFA Bond Refunding (GO Bond)) through resolution, in the amount of \$3,775,000 and \$4,700,000 respectively. The loans were issued at a total premium of \$1,478,149. The District used these new debt issuances to refund the 2005 Series Revenue Bonds and the 2004 Series General Obligation Bonds. The maturity dates of the Revenue Bond and GO Bond are June 1, 2025 and June 1, 2023 respectively. The blended interest rate for the Revenue Bond and GO Bond are approximately 4.89% and 4.70%, respectively. The Revenue Bond is payable from the net revenues of the water utility system and the GO Bond is payable from general ad valorem taxes.

The District's loan agreements with NMFA contain a debt covenant for 7 of 8 loans. To meet the covenants, the District's pledged revenues for each debt instrument are required to be equal to or in excess of a contractually designated percentage of the aggregate annual debt service requirement. The District's debt service requirements for fiscal year 2016 total \$1,110,622. For the fiscal year ended June 30, 2015, the District is in compliance with these covenants.

The annual requirements to amortize the loans with NMFA as of June 30, 2015, including interest are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	849,541	258,469	1,108,010
2021-2025	4,096,842	688,537	4,785,379
2026-2030	497,252	70,838	568,090
2031-2035	25,319	5,392	30,711
	<u>\$ 8,522,626</u>	<u>\$ 2,402,063</u>	<u>\$10,924,689</u>

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Notes to the Financial Statements
June 30, 2015

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.

There are no future minimum lease payments. Rent expense for the year ended June 30, 2015 was \$56,712.

NOTE 10. NET POSITION

At June 30, 2015, a portion of the net position totaling \$877,531 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, 2015, District had \$735,305 in restricted net position for debt reserve and debt service requirements.

In addition, net position of \$97,375 is restricted by enabling legislation for water rights acquisition. The remaining net position of \$530,835 is unrestricted at June 30, 2015.

NOTE 11. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN

General Information about the Pension Plan. The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Contributions. The contribution requirements of defined benefit plan members and Eldorado Area Water and Sanitation District are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at:

http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf.

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Notes to the Financial Statements
June 30, 2015

NOTE 11. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN (continued)

The PERA coverage option that applies to Eldorado Area Water and Sanitation District is: Municipal General Division (Municipal Plan 2). Statutorily required contributions to the pension plan from Eldorado Area Water and Sanitation District were \$14,505 for the year ended June 30, 2015 and there were no employer paid members benefits that were “picked up” by the employer for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978.

Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. Eldorado Area Water and Sanitation District’s proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to fiscal year 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General, at June 30, 2015, Eldorado Area Water and Sanitation District reported a liability of \$145,100 for its proportionate share of the net pension liability. At June 30, 2014, the District’s proportion was 0.0186 percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, Eldorado Area Water and Sanitation District recognized PERA Fund Division Municipal General pension expense of \$6,054. At June 30, 2015, Eldorado Area Water and Sanitation District reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 98
Net difference between projected and actual earnings on pension plan investments	-	56,767
Eldorado Area Water and Sanitation District contributions subsequent to the measurement date	14,505	-
Total	<u>\$ 14,505</u>	<u>\$ 56,865</u>

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Notes to the Financial Statements
June 30, 2015

NOTE 11. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN (continued)

\$14,505 reported as deferred outflows of resources related to pensions resulting from Eldorado Area Water and Sanitation District contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. There were no other amounts reported as deferred outflows of resources. Deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$(14,216)
2017	(14,216)
2018	(14,216)
2019	(14,217)
2020	-
Thereafter	-

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
• Investment rate of return	7.75% annual rate, net of investment expense
• Payroll growth	3.50% annual rate
• Projected salary increases	3.50% to 14.25% annual rate
• Includes inflation at	3.00% annual rate

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

STATE OF NEW MEXICO
 Eldorado Area Water and Sanitation District
 Notes to the Financial Statements
 June 30, 2015

NOTE 11. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN (continued)

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.1%	5.00%
International Equity	24.8	5.20
Private Equity	7.0	8.20
Core and Global Fixed Income	26.1	1.85
Fixed Income Plus Sectors	5.0	4.80
Real Estate	5.0	5.30
Real Assets	7.0	5.70
Absolute Return	<u>4.0</u>	4.15
Total	<u>100.0%</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Eldorado Area Water and Sanitation District's net pension liability in each PERA Fund Division that Eldorado Area Water and Sanitation District participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

PERA Fund Division	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Eldorado's proportionate share of the net pension liability	\$273,546	\$ 145,100	\$45,869

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan. At June 30, 2015 there were no contributions due and payable to PERA for the District.

NOTE 12. NET POSITION RESTATEMENT

The District has a prior period adjustment of \$(195,911) which was required for implementation of GASB 71. The adjustment reflects a beginning net pension liability of \$(210,416) and a beginning of deferred outflow of resources-employer contributions subsequent to the measurement date of \$14,505.

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Notes to the Financial Statements
June 30, 2015

NOTE 13. 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 \$42,525.

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 14. 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 for the additional four year period on June 16, 2014, effective July 1, 2014.

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.

The Contractor's compensation for services performed under this agreement in fiscal year 2016 is \$1,038,745, plus NM gross receipts tax, for the fifth year of this agreement.

Contractor compensation consists of the base fee, \$910,853, an allowance of \$53,892 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 no-cost change order was proposed by OMI and accepted by the District, for SCADA system improvement services, as a good-faith effort by OMI to address the District's concerns about the impact of the OMI contract on the District's budget. The stated value of the services covered under Change Order #3 is \$47,062.

NOTE 15. SUBSEQUENT EVENTS

The date through which events occurring after June 30, 2015 have been evaluated for possible adjustment to the financial statements or disclosures is October 20, 2015. No events were noted for adjustments to the financial statements. The following is a summary of events noted for disclosure:

During the 2015 special legislative session, the District was awarded a legislative grant for \$200,000 for siting, property acquisition and drilling of a pilot well for what will become Well Nineteen. Confirmation of the grant was received in September 2015. A site for the well has been selected, an easement for access to and use of the site has been obtained, and the design engineering for the pilot well completed. The pilot well construction contract is scheduled to go to bid in October, with a desired completion date on or before December 31, 2015.

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 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. The rate study was completed in July 2015.

The proposed new rates are designed to ensure that the District's revenue requirements are met in upcoming years. Annual increases are included in the new rate package, which covers fiscal years 2016 through 2019. In addition to operating, administrative and capital projects requirements, the new rates are designed specifically to ensure continued compliance with debt service coverage ratio covenants on the District's existing loans and on prospective loans or bonds that are secured by its water revenues.

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Notes to the Financial Statements
June 30, 2015

NOTE 15. SUBSEQUENT EVENTS (continued)

A public forum to present the proposed new rates and invite public comment was held August 11, 2015. Input received from District tax and ratepayers was used to make some changes to the revenue requirements to be raised through the proposed new rates. Proposed rates were increased slightly in response to numerous comments and recommendations that additional programs be funded, including addition of a capital projects manager position to District staff and establishment of a water line replacement reserve and a new debt service reserve, as part of the revenue requirements.

The modified proposed rates were approved by the District Board at a public meeting held August 20, 2015.

A public hearing per the requirements of NMSA 1978, Sec. 73-21-55(C) was held September 28, 2015. The hearing officer is required to submit a recommended decision regarding the new rates by October 28, 2015. At the next Board meeting, scheduled for November 5, the Board may approve, amend or reject the recommended decision.

Implementation of the new rates for fiscal year 2016 is planned for January 2016.

The District has submitted a request to the New Mexico Finance Authority for a loan of \$900,000 from the New Mexico Drinking Water State Revolving Loan Fund. NMFA Board action on the loan request is expected to take place at a meeting in October 2015.

NOTE 16. SUBSEQUENT PRONOUNCEMENTS

In June 2015, GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. This pronouncement will not effect the District's financial statements.

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The District is still evaluating how this pronouncement will effect the financial statements.

In June 2015, GASB Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The District will implement this standard during the fiscal year ended June 30, 2016. The District expects the pronouncement to have a material effect on the financial statements.

In August 2015, GASB Statement No. 77 *Tax Abatement Disclosures*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The District will implement this standard during the fiscal year ended June 30, 2017. The District is still evaluating how this pronouncement will effect the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO

Schedule I

Eldorado Area Water and Sanitation District
 Schedule of Proportionate Share of the Net Pension Liability of PERA Division
 Public Employees Retirement Association (PERA) Plan
 PERA Fund Division
 Last 10 Fiscal Years*

	2015 Measurement Date (As of and for the year ended <u>June 30, 2014</u>)
Eldorado Area Water and Sanitation District's proportion of the net pension liability	0.0186%
Eldorado Area Water and Sanitation District's proportionate share of the net pension liability	\$ 145,100
Eldorado Area Water and Sanitation District's covered-employee payroll	\$ 150,963
Eldorado Area Water and Sanitation District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	96.12%
Plan fiduciary net position as a percentage of the total pension liability	81.29%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Eldorado Area Water and Sanitation District will present information for those years for which information is available.

See independent auditors' report
 See notes to required supplementary information

STATE OF NEW MEXICO
 Eldorado Area Water and Sanitation District
 Schedule of Contributions
 Public Employees Retirement Association (PERA) Plan
 PERA Fund Division
 Last 10 Fiscal Years*

Schedule II

	As of and for the year ended June 30, 2015
Contractually required contribution	\$ 14,505
Contributions in relation to the contractually required contribution	<u>14,505</u>
Contribution deficiency (excess)	<u>\$ -</u>
Eldorado Area Water and Sanitation District's covered-employee payroll	\$ 152,135
Contributions as a percentage of covered-employee payroll	9.53%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Eldorado Area Water and Sanitation District will present information for those years for which information is available.

See independent auditors' report
 See notes to required supplementary information

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at: http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Changes of assumptions. Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2014 report is available at:
http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf.

The summary of Key Findings for the PERA Fund (on page 2 of the report) states “based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

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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, 2015

Schedule III

	Budgeted Amounts		Non-GAAP Budgetary Basis	Variances Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
<i>Operating revenues</i>				
Water sales	\$ 2,275,850	\$ 2,275,850	\$ 2,292,544	\$ 16,694
<i>Total operating revenues</i>	<u>2,275,850</u>	<u>2,275,850</u>	<u>2,292,544</u>	<u>16,694</u>
<i>Operating expenses</i>				
Contractual services	1,150,303	1,294,022	1,335,686	(41,664)
Other operating costs	306,820	320,181	230,593	89,588
Personnel services	196,969	197,619	189,013	8,606
Supplies	3,300	5,900	5,474	426
Water conservation fee	4,900	5,250	4,682	568
Travel	1,950	7,180	2,319	4,861
Capital outlay	3,273,505	3,273,505	1,445,833	1,827,672
Debt service				
Principal	690,182	690,759	689,897	862
Interest	416,286	412,828	411,431	1,397
<i>Total operating expenses</i>	<u>6,044,215</u>	<u>6,207,244</u>	<u>4,314,928</u>	<u>1,892,316</u>
<i>Non-operating revenues (expenses)</i>				
Ad valorem taxes	914,450	890,500	877,479	(13,021)
Other revenue	2,200	2,200	-	(2,200)
Interest income	4,710	4,710	6,303	1,593
Other expenses	(84,675)	(84,675)	(10,354)	74,321
<i>Total non-operating revenues (expenses)</i>	<u>836,685</u>	<u>812,735</u>	<u>873,428</u>	<u>60,693</u>
<i>Capital Contributions</i>				
Capital grant	1,767,565	1,767,565	899,434	(868,131)
<i>Total capital contributions</i>	<u>1,767,565</u>	<u>1,767,565</u>	<u>899,434</u>	<u>(868,131)</u>
<i>Excess (deficiency) of revenues and sources over expenses and uses</i>				
	<u>(1,164,115)</u>	<u>(1,351,094)</u>	<u>(249,522)</u>	<u>1,101,572</u>
<i>Other financing sources (uses)</i>				
Designated cash	1,164,115	1,351,094	-	(1,351,094)
<i>Total other financing sources (uses)</i>	<u>1,164,115</u>	<u>1,351,094</u>	<u>-</u>	<u>(1,351,094)</u>
Change in net position (Non-GAAP budgetary basis)	<u>\$ -</u>	<u>\$ -</u>	<u>(249,522)</u>	<u>\$ (249,522)</u>
<i>Adjustments for GAAP basis</i>				
Depreciation			(528,719)	
Amortization of bond premiums			137,059	
Capital outlay			1,445,833	
Principal payments on debt			689,897	
<i>Change in net position, Exhibit B</i>			<u>1,494,548</u>	
<i>Net position - beginning, as restated</i>			<u>14,375,747</u>	
<i>Net position- end of year</i>			<u>\$ 15,870,295</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, 2015

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value June 30, 2015	Name and Location of Safekeeper
First National Bank of Santa Fe	Lufkin Tex	8/15/2016	549798SD9	\$ 369,296	Fifth Third Bank of Cincinnati
First National Bank of Santa Fe	Alamogordo NM Muni Sch D	8/1/2020	011464HV9	308,799	Fifth Third Bank of Cincinnati
First National Bank of Santa Fe	Murphy Tex	2/15/2018	626752PD5	<u>385,878</u>	Fifth Third Bank of Cincinnati
Total Pledged Collateral				<u><u>\$ 1,063,973</u></u>	

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Schedule of Deposit and Investment Accounts
June 30, 2015

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	\$ 367,960	\$ -	\$ -	\$ -	\$ 367,960
Savings	49,836	-	-	-	49,836
Tax accounts	20,480	-	-	-	20,480
New Mexico Finance Authority:					
Grant Program Funds	-	488,249	-	-	488,249
Reserve Account	-	485,795	-	-	485,795
Debt Service Account	-	48,118	-	-	48,118
Investments					
LGIP-Property					
Tax Revenue	-	-	151,315	-	151,315
LGIP-Utility Acquisition	-	-	877,531	-	877,531
LGIP-Operating Reserve	-	-	340,606	-	340,606
Total deposits and investments	438,276	1,022,162	1,369,452	-	2,829,890
Reconciling items	(203,540)	50,077	-	-	(153,463)
Reconciled balance	\$ 234,736	\$ 1,072,239	\$ 1,369,452	\$ -	\$ 2,676,427
Unrestricted cash:					
Cash and cash equivalents					
					\$ 234,736
Restricted cash:					
Unspent grant proceeds per Exhibit A					
					488,249
Meter deposits per Exhibit A					
					62,152
Debt service per Exhibit A					
					583,990
Total restricted cash					1,134,391
Unrestricted investments:					
Investments					
					181,079
Restricted investments:					
Debt service per Exhibit A					
					151,315
Cost of utility acquisition and improvements per Exhibit A					
					877,531
Water rights acquisition per Exhibit A					
					97,375
Total restricted investments					1,126,221
Total cash and investments					\$ 2,676,427

See independent auditors' report

STATE OF NEW MEXICO
 Eldorado Area Water and Sanitation District
 Schedule of Vendor Information for Purchases Exceeding \$60,000 (Excluding GRT)
 For the Year Ended June 30, 2015

Prepared by: Eldorado Personnel
 Title: Procurement Officer
 Date: October 19, 2015

RFB/ RFP #	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Address per the procurement documentation, of ALL Vendor(s) that responded
N/A	SWPA	Baker Utility Supply	\$ -	\$ -	4320 2nd Street NW, Albuquerque, New Mexico,
N/A	SWPA	Don Chalmers Ford	-	-	2500 Rio Ranch Blvd, SE Rio Rancho, New Mexico
ELD-131-20	RFB	Hays Plumbing & Heating, Inc.	456,937	474,492	600 Railroad Ave, Las Vegas, NM 87701
R-15-06-01	RFP	Law & Resource Planning Associates, P.C.	-	-	201 Third Street NW, Ste 1750, Albuquerque, NM
R-12-02-02	RFP	Molzen Corbin	-	-	2701 Miles Rd SE, Albuquerque, NM 87106
R-11-03-01	RFP	OMI	978,397	1,015,215	9193 South Jamaica St, Ste 400, Englewood, CO 80112
R-12-04-01	RFP	Paul Butt	\$54/\$45 Hr Fin Coord/Bkkpin	\$55.35/\$46.15 Hr Fin Coord/Bkkping	23 Moya Loop, Santa Fe, NM 87508
N/A	N/A	PNM	-	-	414 Siver Ave SW, Albuquerque, New Mexico
R-12-02-01	RFP	Raveling Consulting	-	-	P.O. Box 308, Glorieta, NM
ELD-103-20	RFB	Smithco Construction, Inc.	541,470	540,338	1010 King Canyon Loop, Caballo, NM 87931

See independent auditors' report

In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N). For federal funds answer N/A	Brief Description of the Scope of Work
In-State	N/A	Utility materials
In-State	N/A	Trucks
In-State	No	Construction: Well 2b
In-State	No	Legal services
In-State	No	Engineering services
In-State	No	Operations & Management services
In-State	No	Financial Coordination & Bookkeeping
In-State	N/A	Electrical Service
In-State	No	Capital Improvement Projects
In-State	No	Construction: Old Road Ranch booster pump station and area

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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

Timothy Keller
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, 2015, 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 October 20, 2015.

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
October 20, 2015

STATE OF NEW MEXICO
Eldorado Area Water and Sanitation District
Schedule of Findings and Responses
June 30, 2015

Schedule VII

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? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements? | None noted |

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, 2015

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 October 20, 2015. 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, Board President

Gene Schofield, Board

David Burling, Board

David Chakroff, General Manager

Elizabeth Roghair, Finance Committee Member

Accounting & Consulting Group, LLP

Bobby Cordova, CPA, Partner