STATE OF NEW MEXICO
ELDORADO AREA WATER & SANITATION DISTRICT

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

JUNE 30, 2019

MORTON
ACCOUNTING, LLC
certified public accountants | consultants

STATE OF NEW MEXICO
ELDORADO AREA WATER & SANITATION DISTRICT
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STATE OF NEW MEXICO
ELDORADO AREA WATER & SANITATION DISTRICT
OFFICIAL ROSTER
JUNE 30, 2019

BOARD OF DIRECTORS

Title	Name
President and Director	John Calzada
Vice President and Director	Greg Hart
Secretary and Director	David Yard
Treasurer and Director	Elizabeth Roghair
Director	David Burling
Director	Steve Ewers*

*Steve Ewers resigned from his position in January, 2019. Elizabeth Roghair was appointed to the vacant position in April, 2019.

ADMINISTRATIVE OFFICIALS

General Manager	Steve King
Administrative Manager	Anna Mondragon-Metzger

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INDEPENDENT AUDITOR'S REPORT

Governing Board of
Eldorado Area Water & Sanitation District
Santa Fe, New Mexico and
Brian S. Colón, Esq.
New Mexico State Auditor
Santa Fe, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of Eldorado Area Water & Sanitation District (the District), as of and for the year ended June 30, 2019, 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 have also audited the budgetary comparison presented as supplementary information, as defined by *Government Accounting Standards Board,* in the accompanying individual fund financial statements as of and for the year ended June 30, 2019, 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 entity'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 entity'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 opinion.

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, 2019, and the respective changes 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 above present fairly, in all material respects, the respective budgetary comparison for the year then ended 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 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Accounting principles generally accepted in the United States of America require that the Schedules related to the Public Employees Retirement Association of New Mexico and Net Pension Liabilities, listed as "Required Supplementary Information" in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements and the budgetary comparison. The other schedule listed as "other supplementary" in the table of contents, required by 2.2.2 NMAC or required by the District, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other schedule listed as "other supplementary information" in the table of contents, required by 2.2.2 NMAC, are the responsibility of management and was 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, the additional schedule was fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2019 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 Standard*s in considering the District's internal control over financial reporting and compliance.

Morton Accounting Services, LLC

Morton Accounting Services, LLC
Santa Fe, New Mexico
December 12, 2019

Introduction

Management of the Eldorado Area Water & 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, 2019.

Financial Highlights

Key events for the fiscal year 2019 are:

The assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year by $22,055,726 (total net position). The components of net position include restricted net position of $1,058,558, unrestricted net position of $2,632,486, and net investment in capital assets of $18,364,682.

The District's total reported net position increased by $1,256,820 compared to the prior year increase in net position of $1,534,213.

As of June 30, 2019, the District had current assets, noncurrent assets, and deferred outflows of resources totaling $3,875,107, $26,966,174, and $181,136, respectively. Capital assets, net of accumulated depreciation, totaled $26,441,589. Current liabilities include $62,290 in customer deposits, $295,042 in accounts payable, $3,185 in accrued payroll liabilities, $9,720 in compensated absences, $23,290 in accrued interest, $37,264 in unearned revenue, and $903,795 in loans payable. Noncurrent liabilities include $6,494,313 in loans payable, $655,509 in unamortized bond premium, and $466,424 in net pension liability. Deferred inflows of resources include $15,859 related to the net pension liability.

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 four components:

1. Independent Auditor’s Report
2. Management’s Discussion and Analysis (Required Supplementary Information)
3. Basic Financial Statements
4. Other Information, which includes certain required supplementary information, other supplementary information and other required NM State Auditor schedules

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. Therefore, in accordance with GASB Statement No. 34, the District's financial statements are comprised of four components:

The Statement of Net Position presents information on the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, 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.

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, principal payment on debt, and capital asset acquisition 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 and deferred outflows of resources exceeding liabilities and deferred inflows of resources) of $22,055,726 is reported as of the year ended, June 30, 2019, compared to $20,798,906 reported as of June 30, 2018. The largest component of the net position is the net investment in capital assets of $18,364,682, which comprises 83% of the total net position.

The following is a summary of the Statement of Net Position:

Overview of the Statement of Net Position

	2019	2018	Variance
Assets			
Current Assets	$ 3,875,107	$ 2,102,201	$ 1,772,906
Capital assets, net	26,441,589	25,563,972	877,617
Other Assets	524,585	1,406,334	(881,749)
Deferred outflows of resources	181,136	106,733	74,403
Total assets and deferred inflows of resources	$ 31,022,417	$ 29,179,240	$ 1,843,177
Liabilities			
Current liabilities	$ 1,334,586	$ 1,099,379	$ 235,207
Noncurrent liabilities	7,616,246	7,258,897	357,349
Total liabilities	8,950,832	8,358,276	592,556
Deferred inflows of resources	15,859	22,058	(6,199)
Net Position			
Net investment in capital assets	18,364,682	17,729,123	635,559
Restricted	1,058,558	1,563,139	(504,581)
Unrestricted	2,632,486	1,506,644	1,125,842
Total net position	22,055,726	20,798,906	1,256,820
Total liabilities, deferred inflows, and net position	$ 31,022,417	$ 29,179,240	$ 1,843,177

The net position of the Board's business-type activities increased $1,256,820 during the year, from $20,798,906 at June 30, 2018 to $22,055,726 at June 30, 2019, indicating an improvement in the financial condition of the Board. Net investment in capital assets increased approximately $635,559 due to the retirement of related debt and amortization of the bond premiums, the capital asset additions exceeded the current year depreciation expense. Restricted net position decreased by $504,581. Unrestricted net position increased by $1,125,842.

The following table shows the revenues and expenses for the District for the current and prior fiscal year:

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

	2019	2018	Variance
Revenues			
Water sales	$ 2,898,391	$ 3,089,823	$ (191,432)
Ad valorem tax	1,209,887	1,201,618	8,269
Capital grants	187,931	77,288	110,643
Interest income	58,304	27,724	30,580
Other revenue	1,878	62,979	(61,101)
Fees and charges for services	1,580	5,089	(3,509)
Total Revenues	4,357,971	4,464,521	(106,550)
Expenses			
Operating expenses	2,900,263	2,736,430	163,833
Interest expense	200,888	193,878	7,010
Total Expenses	3,101,151	2,930,308	170,843
Change in net position	1,256,820	1,534,213	(277,393)
Total net position, beginning of year	20,798,906	19,264,693	1,534,213
Total net position, end of year	$ 22,055,726	$ 20,798,906	$ 1,256,820

Total business-type activities generated revenues of $4,357,971 while expenses totaled $3,101,151 for the year ended June 30, 2019, resulting in an increase in net position of $1,256,820. Comparatively, revenues were $4,464,521 and expenses totaled $2,930,308 for the year ended June 30, 2018, resulting in an increase in net position of $1,534,213.

Key elements of the increase in net position of compared to prior year include:

A decrease of $191,432 in water sales is primarily due to a decrease of $97,090 in utility connection fees and a decrease of $69,431 in water use fees due to decreased volume in fiscal year 2019.

The increase in capital grants is a result of more capital projects being funded by loans with a grant forgiveness component in the current year.

Operating expenses increased by $163,833 which is primarily due to an increase in depreciation expense of $112,442 and bad debt expense of $88,621, offset by decreases in other expenses such as facilities and equipment rent of $34,288.

Fiscal Year 2019 Budgetary Highlights

Actual revenues for the year ended June 30, 2019 were less than the final budgeted amount due to a decrease on water sales volume and new connection fees. Expenses for the year were lower than the final budgeted amount due to delays in capital projects. Actual loan proceeds were less than the final budgeted amount due to delays in projects which were funded by loans.

The following is a summary of the final budget as compared to actual activity at June 30, 2019. A detailed breakout of budget vs. actual revenue and expenses can be found in the supplementary section of this report.

	Final Budget	Actual	Favorable (Unfavorable)
Revenues	$ 4,483,766	$ 4,358,025	$ (125,741)
Expenses	(7,350,699)	(4,849,748)	2,500,951
Loan proceeds	3,106,746	1,203,961	(1,902,785)
Allocations from reserves	400,000	341,370	(58,630)
Contributions to reserves	(639,813)	-	639,813
	$ -	$ 1,053,608	$ 1,053,608

Capital Improvements and Asset Management

The District's investment in capital assets for business-type activities as of June 30, 2019, totals $26,441,589 (net of accumulated depreciation) compared to $25,563,972 at June 30, 2018. Major capital events during the fiscal year included the following:

Addition of water utility improvements in the amount of $1,287,054.

Improvements to administrative office building were in the amount of $195,809.

The District continually evaluates and prioritizes capital improvement projects and maintains both a Utility Master Plan and an Asset Management Plan to ensure that customers are being provided with clean, safe and reliable water services.

Long-term Debt

At June 30, 2019 and 2018, Eldorado Area Water & Sanitation District had New Mexico Finance Authority (NMFA) loans outstanding of $7,398,108 and $7,016,633, respectively. Of the outstanding balance in 2019, $903,795 is considered to be a current obligation. In FY19, the District drew funds in the amount of $339,982 on the $909,000 loan that was closed on in FY16, $27,783 for the $353,500 loan that was closed in FY17, $197,581 on the $505,000 loan that was closed in FY17, $20,681 on the $1,315,020 loan that was closed in FY18, and $32,045 on the $565,500 loan that was closed in FY18. In FY19, the District also closed on a $585,889 loan to purchase and improve the administrative building. Additional information can be found in Note 14 of the financial statements.

The District made principal payments towards loans in the amount of $822,486 for the year ended June 30, 2019. Interest expense and administrative fees related to the outstanding loans were paid in the amount of $200,888. As of June 30, 2019, the District was in compliance with all of its outstanding loan covenants. Additional information on Eldorado Area Water & Sanitation District's long-term debt can be found in Note 6 of the financial statements.

Financial Outlook for Next Year

The District's approved budget for fiscal year 2020 anticipates $4,675,341 in total revenues, $2,155,000 in loan proceeds, and $72,586 allocation of reserves. Expenditures are anticipated to be $6,902,927 and $0 contributions to reserves. Projected revenues include $2,948,450 from water sales, an approximate 2% increase over FY19. Projected property tax receipts are expected to be $1,364,891, an approximate 13% increase from FY19.

With guidance and direction provided by the ad hoc Rate Study Advisory Committee comprised of seven District local residents and Nelisa Heddin, Rate Study Consultant, and with input from the community solicited through several public notices, two public meetings and a Public Hearing, a new 2020 to 2024 Rates, Tolls, Fees and Charges schedule, which was adopted by the Board on December 5, 2019. New rates will go into effect on January 1, 2020.

Requests for Information

This financial report is designed to provide a general overview of the Eldorado Area Water & 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 & Sanitation District, 2 North Chamisa Drive, Suite A, Santa Fe, NM 87508.

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Financial Statements

STATE OF NEW MEXICO
ELDORADO AREA WATER & SANITATION DISTRICT
STATEMENT OF NET POSITION - ENTERPRISE FUND
JUNE 30, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Business-Type Activities
CURRENT ASSETS	
Cash and cash equivalents	$ 1,015,921
Investments	1,941,324
Ad valorem taxes receivable	40,003
Customer receivables, net	516,409
Grants receivable	80,167
Prepaid expenses	42,352
Restricted cash - program funds	104,440
Restricted cash - debt service	134,491
TOTAL CURRENT ASSETS	3,875,107
NONCURRENT ASSETS	
Restricted cash - reserve funds	524,585
Capital assets, net of accumulated depreciation	26,441,589
TOTAL NONCURRENT ASSETS	26,966,174
TOTAL ASSETS	30,841,281
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow related to pension activity	181,136
TOTAL DEFERRED OUTFLOWS OF RESOURCES	181,136
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 31,022,417

See auditor's report and accompanying notes to financial statements

STATE OF NEW MEXICO
ELDORADO AREA WATER & SANITATION DISTRICT
STATEMENT OF NET POSITION - ENTERPRISE FUND
JUNE 30, 2019

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	Business-Type Activities
CURRENT LIABILITIES	
Accounts payable	$ 295,042
Accrued expenses	3,185
Accrued interest	23,290
Unearned revenue	37,264
Compensated absences	9,720
Customer deposits	62,290
Loans payable	903,795
TOTAL CURRENT LIABILITIES	1,334,586
NON-CURRENT LIABILITIES	
Loans payable	6,494,313
Bond premium, net	655,509
Net pension liability	466,424
TOTAL NON-CURRENT LIABILITIES	7,616,246
TOTAL LIABILITIES	8,950,832
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow related to pension activity	15,859
TOTAL DEFERRED INFLOWS OF RESOURCES	15,859
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	8,966,691
NET POSITION	
Net investment in capital assets	18,364,682
Restricted	1,058,558
Unrestricted	2,632,486
Total net position	22,055,726
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 31,022,417

See auditor's report and accompanying notes to financial statements

STATE OF NEW MEXICO
ELDORADO AREA WATER & SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - ENTERPRISE FUND
YEAR ENDED JUNE 30, 2019

	Business-Type Activities
OPERATING REVENUE	
Water sales, net of billing adjustments of $135,233	$ 2,898,391
Fees and charges for services	1,580
TOTAL OPERATING REVENUE	2,899,971
OPERATING EXPENSES	
Contractual services	1,509,151
Depreciation	713,166
Personnel services	318,700
Utilities	91,512
General and administrative	84,472
Bad debt	88,621
Supplies	48,662
Facilities and equipment rent	34,288
Telecommunications	11,120
Travel	571
TOTAL OPERATING EXPENSES	2,900,263
OPERATING INCOME (LOSS)	(292)
NON-OPERATING REVENUES (EXPENSES)	
Ad valorem tax	1,209,887
Interest income	58,304
Interest expense	(200,888)
Other revenue	1,878
TOTAL NON-OPERATING REVENUE (EXPENSES)	1,069,181
Income before capital grants	1,068,889
Capital grants	187,931
CHANGE IN NET POSITION	1,256,820
Net position, beginning of year	20,798,906
NET POSITION, END OF YEAR	$ 22,055,726

See auditor's report and accompanying notes to financial statements

STATE OF NEW MEXICO
ELDORADO AREA WATER & SANITATION DISTRICT
STATEMENT OF CASH FLOWS - ENTERPRISE FUND
YEAR ENDED JUNE 30, 2019

	Business-Type Activities
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	$ 3,087,435
Cash Paid to Employees	(312,783)
Cash Paid to Suppliers and Contractor	(1,737,605)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,037,047
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Ad valorem taxes received	1,209,297
CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	1,209,297
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Other revenue	1,878
Purchase of capital assets	(1,590,783)
Proceeds from capital grants and state appropriations	151,529
Bond and loan principal proceeds	1,203,961
Bond and loan principal payments	(822,486)
Bond interest payments and admin fees	(203,244)
CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(1,259,145)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Use of investments	(842,448)
Proceeds from sale of investments	-
Interest income	58,304
CASH USED FOR NON-CAPITAL INVESTING ACTIVITIES	(784,144)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	203,055
Cash and Cash Equivalents - Beginning of Year	1,576,382
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,779,437
RECONCILIATION TO STATEMENT OF NET POSITION:	
Cash and Cash Equivalents	$ 1,015,921
Restricted Cash - Program Funds*	104,440
Restricted Cash - Debt Service*	134,491
Restricted Cash - Reserve Funds*	524,585
TOTAL CASH	$ 1,779,437

** U.S. Treasury MM Mutual Fund classified as restricted cash equivalent on Statement of Net Position*

See auditor's report and accompanying notes to financial statements

STATE OF NEW MEXICO
ELDORADO AREA WATER & SANITATION DISTRICT
STATEMENT OF CASH FLOWS - ENTERPRISE FUND
YEAR ENDED JUNE 30, 2019

		Business-Type Activities
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$	(292)
Adjustments:		
Depreciation Expense		713,166
Pension Expense		86,272
Changes in Assets and Liabilities:		
(Increase) decrease in customer receivables		142,895
Increased (decrease) in deferred liability		(6,199)
(Increase) decrease in deferred asset		(74,403)
(Increase) decrease prepaid expenses		(8,016)
Increased (decrease) in accounts payable		138,237
(Increase) decrease in customer deposits		7,305
Increase (decrease) in unearned revenue		37,264
Increased (decrease) in accrued expenses		(593)
Increased (decrease) in compensated absences		1,411
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	1,037,047
SUPPLEMENTARY NON-CASH DISCLOSURES		
Change in net pension liability	$	166,874
Change in deferred inflows of resources	$	(6,199)
Change in deferred outflows of resources	$	74,403

NOTE 1 - NATURE OF BUSINESS AND REPORTING ENTITY

The Eldorado Area Water & 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 empaneled 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.

NOTE 1 - NATURE OF BUSINESS AND REPORTING ENTITY (CONTINUED)

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.

Property or Ad Valorem tax revenues are a critical resource for the District because, unlike water rates, they do not vary with consumption. The District has the ability to levy a maximum of 10.0 mills ($10 per $1,000 of taxable property value) in property taxes. The District's current property tax levy is $4.36 mills. See further discussion on the financial impact of Ad Valorem taxes under Note 2 of the financial statements.

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 Directors of the District have decision-making authority, the power to designate management, the ability to set water rates and set the mil levy for property taxes, 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. Also, the District has no tax abatement agreements and therefore, no disclosures under GASB 77 are required.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A - Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 District's activities are reported as business-type and as a result, are comprised of a single proprietary fund financial statement. The operations of the fund are accounted for with self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 with the titles of Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows.

Enterprise Fund. The enterprise fund (proprietary 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.

Measurement Focus. Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities, deferred inflows of resources (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Property taxes are recognized as revenues in the year for which they are levied.

Operating and Non-Operating Items. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are user fees generated from water and wastewater services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues, including ad valorem taxes, and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B - 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 for amounts associated with assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the financial statement date and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Significant estimates for the District include management's estimate of the allowance for doubtful accounts for customer water billings and depreciation on assets over their estimated useful lives.

C - Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, 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.

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.

Restricted Cash Equivalents and Investments. 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 investments. Restricted cash are all identified in the Schedule of Deposit and Investment Accounts as listed in the table of contents.

Prepaid Items. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. There was one prepaid item consisting of general liability insurance, totaling $42,352, as of June 30, 2019.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued).

The major classifications of capital assets and their related depreciable lives are as follows:

Asset Type	Years
Buildings	30
Water utility- original	30
Water utility- improvements	7-30
Water utility- Well 17 and 18	30
Vehicles	5
Furniture and fixtures	15
Equipment and machinery	3-15

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).

The capitalization threshold is $5,000 per 12-6-10 NMSA 1978. Items on the capital asset listing that were capitalized under previous lower thresholds can be removed from the capital asset listing.

Compensated Absences. The District's policy permits employees to accumulate earned but unused vacation, compensatory hours, and sick pay benefits. Compensated absences are those absences for which employees will be paid, such as vacation, and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the District and its employees is accrued as employees earn the right to the benefits. Compensated absences that related to future services or that are contingent on a special event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or when such events take place. Compensated absences liability includes annual leave which has been accrued but not taken.

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to the aforementioned maximums at their current hourly rate. See the "changes in long term debt" note in this report for the accrued compensated absences payable outstanding as of June 30, 2019.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Ad Valorem Taxes. The Board of Directors has the power and authority to request a levy and collect ad valorem taxes on and against all taxable property within the District. Each year, the Board of Directors determines 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.

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

Deferred Outflows of Resources. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District has deferred outflows of resources during fiscal year as follows:

Deferred Outflows of Resources	2019
Pension deferrals	$ 181,136
Total deferred outflows of resources	$ 181,136

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.

Deferred Inflows of Resources	2019
Pension deferrals	$ 15,859
Total deferred inflows of resources	$ 15,859

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources (Continued).

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 one type 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 difference between expected and actual investment earnings are amortized into pension expense over a five-year period.

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

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 the New Mexico Environment Department (NMED) and the NMFA Water Trust Board are recognized on a reimbursement basis. Reimbursements are received after the District incurs and submits qualifying expenses.

Net Position Classification. Net position is the difference between assets, deferred outflows of resources, liabilities and deferred inflow of resources. Net investment in capital assets – net of related debt, are capital assets, less accumulated depreciation and any debt related to the acquisition or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by external restrictions by other governments, creditors or grantors.

D - Budgets and Budgetary Accounting

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D - Budgets and Budgetary Accounting (Continued)

1. In March and April, the controller 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.

6. Upon certification by the DFA-LGD, the budget becomes a legally binding document and budgetary control 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 and do not include depreciation expense or amortized issuance costs related to its outstanding debt; 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 legal level of budgetary control for the District is at the fund level.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D - Budgets and Budgetary Accounting (Continued)

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 and sources over (under) expenses and uses for the current year.

E - Deposits And Investments

State statutes authorize the investment of District funds in various financial 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, 2019.

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.

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.

NOTE 3 - DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit be collateralized by the depository thrift or banking institution. At present, state statutes require that a minimum of fifty percent of uninsured balances on deposit with any one institution must be collateralized, with higher requirements up to 100% for financially troubled institutions.

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk - Deposits (Continued).

The District's bank balances were exposed to custodial credit risk as shown in the table below. However, all of the bank balances exposed to custodial risk were collateralized by securities not in the District's name. None of the District's deposits were uninsured and uncollateralized at June 30, 2019.

Bank accounts were collateralized as follows:

Location	Balance Per Depository	Book Balance
First National Bank 1870		
Total amount of deposit in bank	$ 1,016,108	$ 1,015,921
FDIC coverage	(250,000)	
Total uninsured public funds	$ 766,108	
50% Collateral Requirement (Section 6-10-17 NMSA 1978)	$ 383,054	
Deduct Pledged Collateral (see below for details)	2,029,914	
Pledging excess	$ 1,646,860	

Pledged Collateral. The following schedule identifies the pledged collateral details related to First National Bank 1870:

Description of Pledged Collateral	Maturity	Cusip Number	Fair Market Value June 30, 2019	Name and Location of Safekeeper
GNRA 2013-194 AE	11/16/2044	38378NNC3	$ 2,029,914	First National Bank 1870
	Total Pledged Collateral		$ 2,029,914	

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, County, or political subdivision of the State of New Mexico.

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk - Investments. As of June 30, 2019, 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. Per review of GASB Statement No. 72, the State Treasurer Local Government Investment Pool is exempt from GASB 72 and should continue to be measured and disclosed in accordance with existing literature.

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 28% of the investment portfolio. The investments in LGIP represent 72% of the investment portfolio.

Investment Type	Risk Rating	Fair Value	Weighted Average Maturity
State Treasurer:			
Local Government Investment Pool			
LGIP - 7761	AAAm	$ 74,144	[35] day
LGIP - 7783	AAAm	1,483,612	WAM(R)
LGIP - 7810	AAAm	383,568	[112] day
Total LGIP		1,941,324	WAM (F)
*U.S. Treasury MM Mutual Fund***	AA+	763,516	<90 days
Total Investments		$ 2,704,840	

**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 or approximately equal to 90 days, but for disclosure purposes the amounts are considered investments.

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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.

NOTE 4 - RECEIVABLES

Receivables are comprised of ad valorem taxes receivable, grants receivable and customer water billings. Capital grants receivable consist of expenses incurred for qualified capital expenses not yet reimbursed by the NMFA Water Trust Board or NMED. Receivable for water billings is water utility revenue billed and unbilled but earned which are not yet collected. Ad Valorem receivables represent current and delinquent taxes. The District adjusts the receivable by the average of Santa Fe County's collection rate for the past three years.

Receivables and the allowance for doubtful accounts are as follows:

	Type		
Location	Ad Valorem	Customer Receivables	Grant Receivables
Receivables	$ 40,003	$ 621,846	$ 80,167
Allowance for doubtful accounts	-	(105,437)	-
Net receivables	$ 40,003	$ 516,409	$ 80,167

NOTE 5 - CAPITAL ASSETS

Property, equipment, easements and water rights are summarized as follows:

Business-Type Activities	Balance 2018	Additions	Deletions	Balance 2019
Non-depreciable capital assets				
Land	$ 463,000	$ -	$ -	$ 463,000
Easements	467,818	-	-	467,818
Water rights	11,751,450	-	-	11,751,450
Total non-depreciable capital assets	12,682,268	-	-	12,682,268

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Business-Type Activities	Balance 2018	Additions	Deletions	Balance 2019
Capital assets being depreciated				
Water utility-original	7,868,045	-	-	7,868,045
Water utility-improvements	4,794,396	1,287,054	-	6,081,450
Water utility well 2	965,575	3,863	-	969,438
Water utility well 17	856,880	-	-	856,880
Water utility well 18	1,204,123	-	-	1,204,123
Water utility well 19	1,589,487	65,423	-	1,654,910
Water utility well 20	44,129	28,984	-	73,113
Vehicles	147,994	-	-	147,994
Buildings	571,624	195,809	-	767,433
Furniture, fixtures, & equipment	37,961	-	-	37,961
Equipment and machinery	150,164	9,650	-	159,814
Total capital assets being depreciated	18,230,378	1,590,783	-	19,821,161
Total Assets	30,912,646	1,590,783	-	32,503,429
Less accumulated depreciation				
Water utility-Original	(3,402,603)	(262,268)	-	(3,664,871)
Water utility-improvements	(1,069,754)	(271,184)	-	(1,340,938)
Water utility well 2	(65,193)	(21,013)	-	(86,206)
Water utility well 17	(294,682)	(28,563)	-	(323,245)
Water utility well 18	(273,147)	(40,137)	-	(313,284)
Water utility well 19	-	(50,119)	-	(50,119)
Water utility well 20	-	-	-	-
Vehicles	(131,479)	(13,596)	-	(145,075)
Buildings				
Furniture, fixtures,	(14,129)	(2,531)	-	(16,660)
& equipment	(96,710)	(10,298)	-	(107,008)
Equipment and machinery	(977)	(13,457)	-	(14,434)
Total accumulated depreciation	(5,348,674)	(713,166)	-	(6,061,840)
Capital Assets, net	$ 25,563,972	$ 877,617	$ -	$ 26,441,589

NOTE 5 - CAPITAL ASSETS (CONTINUED)

For the year ended June 30, 2019, depreciation expense was $713,166, which is charged by water and wastewater functions as disclosed on the face of the financial statements.

Water Rights - Investments. Water rights were acquired through partial licenses granted to the District from the Office of the State Engineer on June 4th, 2010. The licenses authorized the District to use 783.43 acre- feet per year from the Central Well Field located in the Eldorado area and the Galisteo Alluvium Field located in the Galisteo Basin. Water rights are intangible assets that are required to be reported under GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets. The District's water rights are tied to the District's service area and integrated delivery system by the partial license.

The New Mexico State Engineer has combined all existing, recognized wells in the area known as the "Central Well Field," which corresponds generally to the District's legal boundaries into a single license, No. RG-18529, in the amount of 583.23 Acre-Feet/Year (AF/Y). The New Mexico State Engineer has combined the existing, recognized wells known as the "Galisteo Creek Wells" into a single license, No. RG-18556, in the amount of 200.2 Acre-Feet/Year (AF/Y). In addition to these 783.43 AF/Y of water rights, the Partial License provides for an additional 254.37 AF/Y of appropriative (unperfected) water rights potentially available to the District in the Central Well Field if 127.185 AF/Y (half) of the appropriative rights are perfected by 2021 and the other half are perfected by 2031.

The term "Partial" has a specific legal intent: to indicate that the remaining appropriative rights must be applied to additional wells ("points of diversion"), the water produced from the wells put to beneficial use, and the corresponding water rights perfected by the dates specified in the Partial License. Subsequent to issuance of the Partial License, the District commissioned a valuation of its perfected water rights as stated in the Partial License from Glorieta Geoscience, Inc. (GGI). GGI completed the valuation on July 30, 2011. The valuation was stated in fair-market terms and assigned a minimum value to the District's 783.23 AF/Y in perfected water rights of $15,000 per AF/Y.

Such a valuation was not possible prior to issuance of the Partial License because the status of water rights received from EUI was incompletely defined, at best, and subject to continued dispute and litigation. The Government Accounting Standards Board (GASB) requires that intangible assets be included in an entity's financial reporting (Statement of Net Assets), effective for periods beginning after June 15, 2009 (i.e., the District's FY2010 and subsequent audits) [GASB Statement 51:20]. GASB Statement 51 requires that "intangible assets received in a nonexchange transaction should be recorded at their estimated fair value at the time of acquisition…" [GASB 51:72]. The District has not assigned any value to the appropriative, unperfected water rights provided under the Partial License.

NOTE 5 - CAPITAL ASSETS (CONTINUED)

The New Mexico State Engineer's grants of the Partial License and the Well 18 permit meet the definition of nonexchange transactions.

Proof of beneficial use for the first and second 10-year periods must be filed with the State Engineer on or before January 31, 2021 and January 31, 2031, respectively. At the completion of this process, the State Engineer will issue a final license for the District's entire water rights.

NOTE 6 - CHANGES IN LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2019 is as follows:

Obligation	Balance 2018	Additions	Reduction	Balance 2019	Due Within One Year
New Mexico Finance Authority Loans	$ 1,081,220	$ -	$ (72,471)	$ 1,008,749	$ 74,586
NMFA Bond Refunding (GO Bond)	2,605,000	-	(475,000)	2,130,000	500,000
NMFA Bond Refunding (Revenue Bond)	2,595,000	-	(265,000)	2,330,000	275,000
NMFA DW Well 19	504,764	339,982	-	844,746	31,987
Drinking Water Loans	230,649	863,979	(10,015)	1,084,613	22,222
Total	$ 7,016,633	$ 1,203,961	$ (822,486)	$ 7,398,108	$ 903,795
Accrued compensated absences	$ 8,309	$ 9,991	$ (8,580)	$ 9,720	$ 9,720
Net pension liability	$ 299,550	$ 166,874	$ -	$ 466,424	$ -

The following are details of the debt to be serviced by the District.

#	Description	Date of Issue	Due Date	Original Issue	Out-standing	Rate
1	2469PP-Eldorado Loan	7/16/2010	6/1/2030	$ 1,433,759	$ 900,267	3.97%
2	Revenue bond	6/13/2013	6/1/2025	3,775,000	2,330,000	4.89%
3	GO bonds	6/13/2013	6/1/2023	4,700,000	2,130,000	4.70%
4	WTB 246	3/1/2013	6/1/2033	18,750	13,231	0.25%
5	WTB 277	1/17/2014	6/1/2033	47,000	34,112	0.25%
6	WTB 278	1/17/2014	6/1/2033	36,000	26,128	0.25%
7	WTB 279	1/17/2014	6/1/2033	20,500	14,878	0.25%
8	WTB 297	3/20/2015	6/1/2034	25,667	20,133	0.25%
9	Well 19 DW 3401	5/27/2016	5/1/2038	909,000	844,746	2.00%
10	3593 Drinking Water Loan	2/24/2017	5/1/2038	353,500	225,485	2.00%
11	3620 Drinking Water Loan	6/2/2017	5/1/2039	505,000	230,528	2.00%
12	4208 Drinking Water Loan	6/8/2018	6/1/2040	1,315,020	20,681	2.00%
13	4215 Drinking Water Loan	6/8/2018	6/1/2040	565,600	32,045	2.00%
14	PPRF 4735 Loan	7/27/2018	5/1/2048	585,889	575,874	3.41%
	Total			$ 14,290,685	$ 7,398,108	

NOTE 6 - CHANGES IN LONG-TERM DEBT (CONTINUED)

The annual principal and interest requirements on long-term debt outstanding are as follows:

June 30,	Principal	Interest	Total
2020	$ 926,319	$ 302,394	$ 1,228,713
2021	1,004,463	287,704	1,292,167
2022	1,008,356	230,722	1,239,078
2023	1,048,940	172,999	1,221,939
2024	488,565	123,592	612,157
2025-2029	1,756,724	300,558	2,057,282
2030-2034	586,306	129,479	715,785
2035-2039	340,347	64,278	404,625
2040-2044	122,876	34,590	157,466
Thereafter	115,212	10,762	125,974
	$ 7,398,108	$ 1,657,078	$ 9,055,186

NMFA Debt Outstanding

All but one of the District's loan agreements with NMFA contain a debt covenant of 1.3x. 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. For the fiscal year ended June 30, 2019, the District is in compliance with these covenants.

NOTE 7 - POST-EMPLOYMENT BENEFITS—STATE RETIREE HEALTH CARE PLAN

The District is not a participant under the Retiree Health Care Act.

NOTE 8 - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosures of certain information concerning the fund as follows:

A. The fund did not maintain a deficit net position as of June 30, 2019.

B. The fund did not exceed approved budgetary authority for the year ended June 30, 2019.

NOTE 9 - NET POSITION

At June 30, 2019, a portion of the net position was restricted by enabling legislation as follows:

- Costs of utility acquisition and improvements (new wells, pipes, pumps reservoirs, structures, etc.)

Also, at June 30, 2019, the District had restricted net position for debt reserve and debt service requirements.

Therefore, these amounts of net position were not available for general operating expenses.

All amounts are identified on the Statement of Net Position under the Net Position section of the financial statements.

NOTE 10 - 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 $48,768.

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.

The District is insured through purchase of commercial insurance policies for general liability and purchases Worker's Compensation Insurance from the New Mexico Self Insurer's Fund. Worker's Compensation claims are handled by the New Mexico Self Insurer's Fund.

NOTE 11 - PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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

Funding Policy: Plan members are required to contribute 10.65% of their gross salary. The District is required to contribute 9.55% of the gross covered salary. The contribution requirements of plan members and the District are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to PERA for the years ending June 30, 2019, 2018, and 2017 were $22,576, $22,058 and $18,299 respectively, which equals the amount of the required contributions for the year.

NOTE 12 - PENSION PLAN AND POST EMPLOYMENT BENEFITS

Summary of Significant Accounting Policies

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 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's. 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.

General Information about the Pension Plan

Plan description. Public Employees Retirement 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 Officers, 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.

NOTE 12 - PENSION PLAN AND POST EMPLOYMENT BENEFITS (CONTINUED)

Plan description (continued). Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement 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), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

Benefits provided . Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division.

Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

TIER II. The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014, employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

NOTE 12 - PENSION PLAN AND POST EMPLOYMENT BENEFITS (CONTINUED)

Contributions. See PERA's publicly available financial report and comprehensive annual financial report obtained at http://saonm.org/ using the Audit Report Search function for agency 366, for the employer and employee contribution rates in effect for fiscal year 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Municipal General Division. At June 30, 2019, the District reported a liability of $466,424 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the District's proportion was 0.0280%, which was a decrease of 0.006% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the District recognized PERA Fund Division; Municipal General Division pension expense of $101,010. At June 30, 2019, the District reported PERA Fund Division; Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

Municipal General Division	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 12,902	$ 11,720
Changes of assumptions	40,475	2,567
Net difference between projected and actual earnings on pension plan investments	33,109	1,572
Change in proportion and differences between EAWSD contributions and proportionate share of contributions	79,328	-
EAWSD contributions subsequent to the measurement date	15,322	-
Total	$ 181,136	$ 15,859

NOTE 12 - PENSION PLAN AND POST EMPLOYMENT BENEFITS (CONTINUED)

For the year ended June 30, 2019, $15,322 is reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date and are recognized as a reduction of the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	Amount
2020	$ 76,822
2021	47,930
2022	23,351
2023	1,852
2024	-
Thereafter	-

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Refer to Note 12. Summary of Actuarial Methods and Assumptions in PERA's June 30, 2018 Comprehensive Annual Financial Report (CAFR) for more in-depth detail of the actuarial methods and assumptions, by fund. http://www.nmpera.org.

Actuarial valuation date	6/30/2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed Market Value
Actuarial assumptions	
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for first 9 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	Includes inflation at 2.25% for the first 9 years and 2.75% thereafter

NOTE 12 - PENSION PLAN AND POST EMPLOYMENT BENEFITS (CONTINUED)

Actuarial assumptions	
Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience study dates	July 1, 2008 to June 30, 2013 (demographic) and July 1 , 2010 through June 30, 2016 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

All Funds - Asset Class	Target Allocation	Long-Term
Global Equity	43.50%	7.48%
Risk Reduction & Mitigation	21.50%	2.37%
Credit Oriented Fixed	15.00%	5.47%
Real Assets	20.00%	6.48%
Total	100.00%	

Discount rate . A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

NOTE 12 - PENSION PLAN AND POST EMPLOYMENT BENEFITS (CONTINUED)

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate . The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the employer name's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

PERA Fund Division Municipal General Division	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
EAWSD's proportionate share of the net pension liability	$ 687,909	$ 466,424	$ 246,798

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERA financial reports, available at http://www.nmpera.org/.

NOTE 13 - OPERATING LEASES

As of June 30, 2019, the District has no significant operating leases to disclose.

NOTE 14 - COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

The District has certain commitments, contingencies and subsequent events as noted below:

Loans

The District entered into a loan agreement of $585,889 with NMFA for the 2 North Chamisa Drive property for $350,000 and an additional $200,000 for necessary improvements to the property which included a new roof, stucco and new heating, ventilation and air conditioning system. The remaining amount of the loan includes the loan agreement debt service reserve deposit and processing fee. Loan terms are 30 years at an average interest rate of 3.409%, payable in roughly equal amounts each year. The final payment can be offset by the debt service reserve fund. Due to the timing of the purchase and the loan closure, the District funded the full closing cost of the building using reserves from LGIP of $347,137. This amount was reimbursed to the District after the loan closed on July 27, 2018.

NOTE 14 - COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS (CONTINUED)

The District entered into a loan agreement on April 5, 2019 for the amount of $252,500 with NMFA. The purpose of the loan is to provide funding for the replacement of manual direct-read and radio-read meters with new automatic meter reading technology. The terms of the loan require debt service to be paid over a 22-year period. The rate of interest on the loan is 2%.

The District entered into a loan agreement on May 31, 2019 for the amount of $1,515,000 with NMFA. The purpose of the loan is to provide funding for the construction of a new booster pump station and a water transmission line. The terms of the loan require debt service to be paid over a 22-year period. The rate of interest on the loan is 2%.

The District entered into two loan agreements to provide funding for the construction of a new booster pump station and a water transmission line. The first loan was entered into on May 31, 2019 for the amount of $1,515,000 with NMFA. The terms of this loan require debt service to be paid over a 22-year period. The rate of interest on the loan is 2%. The second agreement was entered into on December 6, 2019 for the amount of $500,000 with NMFA through the Water Project Fund. This loan has a grant amount of $300,000 and a loan amount of $200,000. The debt service on the loan will be repaid over a 19 year period. There is a 0.25% administrative fee and 0% interest for the loan.

Construction Commitments

As of June 30, 2019, there were three engineering and construction projects (PZO Improvements Phase II, Well 20 Feasibility Study, and Caballos Trail Pipeline replacement) in progress. Additionally, the District continued with ongoing efforts to negotiate a long-term bulk water service agreement for supplemental water supply with Santa Fe County, and to begin design of improvements as required to implement this project:

PZO Improvements Phase II. As of June 30, 2019, the Design Phase of PZO Improvements Phase II was 100% complete. The project had been advertised and the Bidding/Award phase was 45% complete.

Well 20. As of June 30, 2019, a draft of the Well 20 Siting Study had been delivered to and reviewed by the District. The District and NMED Construction Program Bureau comments had been incorporated and the final draft was delivered in mid-July. Subconsultant Glorieta Geoscience had completed about 75% of groundwater model updates. The Design Phase for Well 20 had been placed on hold pending the outcome of negotiations with Santa Fe County of a long-term bulk water service agreement.

NOTE 14 - COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS (CONTINUED)

Construction Commitments, continued

Caballos Trail Pipeline. As of June 30, 2019, design of the Caballos Trail pipeline was 100% complete. The project had been bid and awarded and the preconstruction meeting had been held. Project construction commenced in July 2019.

Santa Fe County Water Delivery. In September 2018 the District executed a Memorandum Of Understanding (MOU) with Santa Fe (SF) County establishing a shared commitment by both parties to design and implement a regional plan for SF County water delivery to both the District and the community of Canoncito. In September 2018 a contract was executed with Molzen Corbin for design of the first of two projects to be constructed by the District as outlined in the MOU (Tank 4 to Tank 1 Booster Pump Station and Transmission Line). As of June 30, 2019, design of this project was approximately 75% complete with an advertisement to bid for construction of the project scheduled for September 2019. Design of the second District project (SF County Pipeline Extension and Booster Pump Station) is scheduled to begin in January 2020.

Contracts

The District has granted a first lien on the Pledged Revenues and a security interest therein, for payment of the principal, interest, administrative fees, and any other amount due under the loan agreement.

Contract Operations. The District completed the final year of an eight-year contract to provide operations, billing and customer support services on June 30, 2019. This contract is in excess of $1,000,000 annually and represents the largest reoccurring operating expense for the district. In January 2019 an Evaluation Committee was formed to oversee the competitive procurement process for securing these services. A Request for Proposals was issued on March 25, 2019. One firm Jacobs, which is the existing service provider, was the one offeror that submitted a proposal by the April 22, 2019 deadline. An oral presentation was given to the Evaluation Committee by Jacobs on May 7, 2019. The Evaluation Committee reviewed and compiled all evaluation scores and reached a consensus that Jacobs was fully responsive to all proposal requirements and was well qualified to perform the work as specified in the RFP. On June 20, 2019 the District's Board approved execution of contract C-19-01 with Jacobs for Operations, Maintenance, Management, and Customer and Billing Services effective July 1, 2019. This contract has an eight year term.

NOTE 14 - COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS (CONTINUED)

Contracts, continued

Legal Services. The District awarded a contract to Law & Resource Planning Associates P.C. (LRPA) to provide as-needed legal services. The award is the result of a competitive RFP process. The new four year contract term began on September 27, 2019.

Hydrology Services. The District had an annual contract with Glorieta Geoscience, Inc (GGI) the latest renewal of which was executed on May 20, 2019 to provide hydrologic services on an as-needed basis including well water level monitoring and data analysis and reporting. As the cost of these services are less than $60,000, the District will consider either renewal of the existing contract, or issuance of a Request for Proposals prior to expiration of the existing contract.

Other Supplementary Information

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF ELDORADO AREA WATER & SANITATION DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF PERA FUND DIVISION; MUNICIPAL GENERAL DIVISION
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS*

	2019	2018	2017	2016	2015
The Eldorado Area Water & Sanitation District's proportion of the net pension liability (asset)	0.0280%	0.0218%	0.0178%	0.0183%	0.0186%
The Eldorado Area Water & Sanitation District's proportionate share of the net pension liability (asset)	$ 446,424	$ 299,550	$ 284,384	$ 186,584	$ 145,100
The Eldorado Area Water & Sanitation District's covered payroll	$ 154,326	$ 191,613	$ 152,220	$ 151,885	$ 150,963
The Eldorado Area Water & Sanitation District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	289.27%	156.33%	186.82%	122.85%	96.12%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	69.18%	76.99%	81.29%

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2015, the year the statement’s requirements became effective

See Independent Auditor's Report

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF ELDORADO AREA WATER & SANITATION DISTRICT'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA FUND DIVISION; MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS*

	Measurement Date				
	2018	2017	2016	2015	2014
Statutory required contribution	$ 22,576	$ 22,058	$ 18,299	$ 14,537	$ 14,505
Contributions in relation to the statutorily required contribution	$ 22,576	$ 22,058	$ 18,299	$ 14,537	$ 14,505
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 154,326	$ 191,613	$ 152,220	$ 151,885	$ 150,963
Contributions as a percentage of Covered Payroll	14.63%	11.51%	12.02%	9.57%	9.61%

*Governmental Accounting Standards Board Statement 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2015, the year the statement's requirements became effective

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

Changes of Benefit Terms: The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CAFR. https://www.saonm.org

Changes of Assumptions: The Public Employees Retirement Association of New Mexico Annual Actuarial Valuations as of June 2018 report is available at http://www.nmpera.org/

See Independent Auditor's Report

STATE OF NEW MEXICO
ELDORADO AREA WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2019

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts - (Budgetary Basis)	Variance With Final Budget Positive (Negative)
OPERATING REVENUES				
Water sales	$ 2,850,020	$ 2,850,020	$ 2,898,391	$ 48,371
Other operating income	-	-	1,580	1,580
Total operating revenues	2,850,020	2,850,020	2,899,971	49,951
OPERATING EXPENSES				
Contractual services	1,614,676	1,614,676	1,509,151	105,525
Personnel services -				
salaries and benefits	304,990	304,990	318,700	(13,710)
Other	248,065	248,065	238,167	9,898
Supplies	35,000	35,000	48,662	(13,662)
Travel	1,200	1,200	571	629
Capital outlay	3,920,000	3,920,000	1,590,783	2,329,217
Debt service:				
Principal	859,844	859,844	822,486	37,358
Interest	366,924	366,924	321,228	45,696
Total operating expenses	7,350,699	7,350,699	4,849,748	2,500,951
NON-OPERATING REVENUES (EXPENSES)				
Ad valorem taxes	1,298,746	1,298,746	1,209,887	(88,859)
Other revenue	-	-	1,932	1,932
Interest income	20,000	20,000	58,304	38,304
Total operating expenses	1,318,746	1,318,746	1,270,123	(48,623)
CAPITAL CONTRIBUTIONS				
Capital grant and state				
appropriation	315,000	315,000	187,931	(127,069)
Total capital contributions	315,000	315,000	187,931	(127,069)
EXCESS (DEFICIENCY) OF REVENUES AND SOURCES OVER (UNDER) EXPENSES AND USES	$ (2,866,933)	$ (2,866,933)	$ (491,723)	$ 2,375,210

STATE OF NEW MEXICO
ELDORADO AREA WATER & SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2019

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts - (Budgetary Basis)	Variance With Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	3,106,746	3,106,746	1,203,961	1,902,785
Allocations from reserves	400,000	400,000	341,370	58,630
Contributions to reserves	(639,813)	(639,813)	-	(639,813)
Total other financing sources (	$ 2,866,933	$ 2,866,933	$ 1,545,331	$ 3,569,743
NET CHANGE IN NET POSITION (NON-GAAP BUDGET BASIS)			$ 1,053,608	
ADJUSTMENTS TO GAAP BASIS:				
Depreciation			(713,166)	
Adjustment for other financing sources (uses) - budget basis			(1,545,331)	
Adjustment for bond interest and bond premiums			137,061	
Capital outlay			1,590,783	
Principal payments on debt			822,486	
Bad debt expense			(88,621)	
			203,212	
NET CHANGE IN NET POSITION BEFORE CONTRIBUTIONS (GAAP BASIS)			$ 1,256,820	

STATE OF NEW MEXICO
ELDORADO AREA WATER & SANITATION DISTRICT
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
AS OF JUNE 30, 2019

Account Name/Type	Deposits and Investments: First National Bank 1870	NM Finance Authority	NewMexigrow LGIP	Reconciling Items	Reconciled Balance
DEPOSITS					
First National 1870					
Checking	$ 488,532	$ -	$ -	$ (187)	$ 488,345
Savings	515,826	-	-	-	515,826
Payroll	11,750	-	-	-	11,750
New Mexico Finance Authority					
Reserve Account	-	629,025	-	-	629,025
Debt Service Account	-	134,491	-	-	134,491
INVESTMENTS					
LGIP-7761	-	-	74,144	-	74,144
LGIP-7783	-	-	1,483,612	-	1,483,612
LGIP-7810	-	-	383,568	-	383,568
Total deposits and investments	$ 1,016,108	$ 763,516	$ 1,941,324	$ (187)	$ 3,720,761

RECONCILIATION TO FINANCIAL STATEMENTS

Unrestricted Cash	
Cash and cash equivalents	$ 1,015,921
Restricted Cash	
Program funds	104,440
Debt service	134,491
Reserve funds	524,585
Restricted Cash	763,516
Investments	1,941,324
Total Cash and Investments	$ 3,720,761

INDEPENDENT AUDITOR'S 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*

Governing Board of
Eldorado Area Water & Sanitation District
Santa Fe, New Mexico and
Brian S. Colón, Esq.
New Mexico State Auditor
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 Eldorado Area Water & Sanitation District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the related budgetary comparison of the District, presented as supplementary information, and have issued our report thereon dated December 12, 2019.

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 opinion 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, and therefore, material weaknesses may exist that have not been identified. 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 an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards, and this finding is described in the accompanying schedule of findings and responses as 2019-001.

The District's Response to Finding

The District's response to any finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Morton Accounting Services, LLC

Morton Accounting Services, LLC
Santa Fe, New Mexico
December 12, 2019

STATE OF NEW MEXICO
ELDORADO AREA WATER & SANITATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
1. Material weakness identified	No
2. Significant deficiencies identified	No
3. Noncompliance material to the financial statements noted	No

SECTION II - PRIOR YEAR AUDIT FINDINGS:

None.

SECTION III - CURRENT YEAR AUDIT FINDINGS PERTAINING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED:

2019-001 REVENUE RECONCILIATION BETWEEN GENERAL LEDGER AND SUBSIDIARY LEDGER (OTHER MATTER IN ACCORDANCE WITH 2.2.2.10 (L) (1) NMAC)

CONDITION:
The District outsources the billing and receipts functions to service provider, ICIS. During internal control test work over cash receipts, we noted that a reconciliation is not performed between ICIS billing and receipts system, and cash receipts recorded on the general ledger. Instead, all receipt activity is recorded on the general ledger based on actual receipts (deposits), per bank statements. At IPA's request, the District performed a reconciliation of the ICIS system receipts to receipts recorded on the general ledger, in order to substantiate completeness of receipts recorded on the general ledger.

CRITERIA:
Sound accounting practices and internal controls dictate and subsidiary ledgers, specifically those involving significant transaction classes such as cash, be reconciled to general ledger activity on a periodic basis, such as monthly, to ensure completeness and accuracy of general ledger transactions.

CAUSE:
The District has relied on the service provider to ensure the cash receipts process is functioning properly.

SECTION III - CURRENT YEAR AUDIT FINDINGS PERTAINING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED, CONTINUED:

2019-001 REVENUE RECONCILIATION BETWEEN GENERAL LEDGER AND SUBSIDIARY LEDGER (OTHER MATTER IN ACCORDANCE WITH 2.2.2.10 (L) (1) NMAC), CONTINUED

EFFECT:
Cash receipts transactions could exist, but remain undeposited, resulting in incomplete general ledger activity, as the District currently relies on actual deposits per bank, to record general ledger transactions. Further, lack of a reconciliation increases the risk for diversion or fraud in the cash receipts process.

RECOMMENDATION:
We recommend that the District develop and implement a reconciliation process between the subsidiary cash receipts system, and the general ledger, on a periodic basis, such as monthly.

MANAGEMENT RESPONSE:
The District will perform an analytic on a monthly basis to ensure that the cash receipts being collected from the service provider are being recorded properly within the general ledger. The outsourced controller will be responsible for performing the reconciliation. This reconciliation process has been implemented as of November, 2019.

STATE OF NEW MEXICO
ELDORADO AREA WATER & SANITATION DISTRICT
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2019

An exit conference was held on December 5, 2019. The conference was held at the offices of Eldorado Area Water & Sanitation District in Santa Fe, New Mexico. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

ELDORADO AREA WATER & SANITATION DISTRICT

Elizabeth Roghair, Director
David Burling, Director
Steve King, General Manager
Jessa Huybrechts, Outsourced Controller

MORTON ACCOUNTING SERVICES, LLC

Janet Pacheco-Morton, Managing Principal

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the independent auditor. However, they are the responsibility of management, as addressed in the Independent Auditor's Report.