

STATE OF NEW MEXICO  
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2009

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## INTRODUCTORY SECTION

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STATE OF NEW MEXICO  
 EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT  
 ANNUAL FINANCIAL REPORT  
 For the Fiscal Year Ended June 30, 2009

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STATE OF NEW MEXICO  
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT  
OFFICIAL ROSTER  
June 30, 2009

Name

Title

GOVERNING BOARD

Gabriel Romero

Chairman

F. R. Bob Romero

Vice-Chairman

Meliton Struck

Secretary

Mario Barela

Treasurer

Andrew Chavez

Member

Administrative Official

Sarah Backus

District Director

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## FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

Hector Balderas  
New Mexico State Auditor  
Office of Management and Budget  
and  
Board of Directors  
El Valle De Los Ranchos Water & Sanitation District  
Ranchos de Taos, New Mexico

We have audited the accompanying financial statements of the business-type activities of the State of New Mexico, El Valle De Los Ranchos Water & Sanitation District (District), as of and for the year ended June 30, 2009, 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 in the accompanying financial statements as of and for the year ended June 30, 2009. These financial statements are the responsibility of District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the El Valle De Los Ranchos Water & Sanitation District as of June 30, 2009, and the respective change in financial position, thereof and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparisons of the District for the year ended June 30, 2009.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated August 26, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

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The management's discussion and analysis on pages 11 to 16 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the management's discussion and analysis. However, we did not audit the information and do not express an opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements and budgetary comparisons. The accompanying schedule of cash accounts and pledged collateral is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Precision Accounting, LLC  
Albuquerque, New Mexico  
August 26, 2009

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## **El Valle de Los Ranchos Water & Sanitation District Management's Discussion and Analysis**

As management of El Valle de Los Ranchos Water & Sanitation District ("District") we offer 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, 2009. We encourage readers to consider the information presented here in conjunction with the financial statements of the District and additional information provided.

### **FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$5,724,378 (*net assets*). This entire amount is to be used to meet the District's ongoing obligations to citizens and creditors and construct the water and wastewater systems.
- The District's total net assets increased by \$1,599,605 during the fiscal year. The majority of this increase is due to the capitalization of utility plant in service costs and intergovernmental grants.
- The District's total debt increased by \$475,219 during the current fiscal year. The District repaid \$47,000 in funds from issuance of revenue bonds, which were issued to continue with the design and construction of the system. The District also had proceeds from debt of \$527,071 on one loan payable which were issued to extend the system.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: 1) government-wide financial statements (entire fund) and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

The *statements of revenues, expenses and changes in net assets* presents information showing how the District's net assets changed during the most recent fiscal year.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, maintains only one enterprise fund for its operations.

**El Valle de Los Ranchos Water & Sanitation District  
Management's Discussion and Analysis**

**Proprietary funds.** Proprietary funds are generally used to account for sewer or water services for which the District charges its customers. All activity was accounted for in one fund. The District maintains one type of proprietary fund.

**Enterprise funds.** Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses enterprise funds to account for the operations of the water and sanitation operations of the District. The enterprise fund is considered to be the only major fund of the District.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-41 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Analysis of Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of El Valle de Los Ranchos Water & Sanitation District, assets exceeded liabilities by \$5,724,378 at the close of the current fiscal year.

	<u>2009 Business-type Activities</u>	<u>2008 Business-type Activities</u>
<b>Assets</b>		
Current and other assets	\$ 1,177,002	\$ 807,685
Capital assets, net of accumulated depreciation	6,741,251	5,105,118
Total Assets	<u>7,918,253</u>	<u>5,912,803</u>
<b>Liabilities</b>		
Long-term liabilities outstanding	\$ 1,953,919	\$ 1,478,700
Other liabilities	239,956	309,330
Total Liabilities	<u>2,193,875</u>	<u>1,788,030</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	4,787,332	3,626,418
Reserved for capital projects	937,046	498,355
Total Net Assets	<u>\$ 5,724,378</u>	<u>\$ 4,124,773</u>

All of the District's net assets represent resources that are subject to restrictions. The restrictions are reserved to construct the water and sanitation system.

As of June 30, 2009, El Valle had current and other assets of \$1,177,002, an increase of \$369,317 over the prior year balance of \$807,685. Capital assets, net of accumulated depreciation, also increased over the prior year due



**El Valle de Los Ranchos Water & Sanitation District  
Management's Discussion and Analysis**

to additions to the utility plant in service. The increase was \$1,636,133 for an end of year balance of \$6,741,251. Long term liabilities increased by \$475,219 which was the net amount of principal payments made during the year and the proceeds from issuance of new debt. Other liabilities increased by \$69,374, with an ending balance of \$236,956. At June 30, 2009, the net assets of El Valle totaled \$5,724,378 which was an increase of \$1,559,607 over prior year net assets of \$4,124,773.

**Analysis of Changes in Net Assets**

	2009 Business-type Activities	2008 Business-type Activities
<b>Revenues</b>		
Operation revenues:		
Charges for service	\$ 184,837	\$ 159,766
Non-operating revenues:		
Property taxes	442,846	341,327
Intergovernmental	1,742,190	836,657
Interest income	16,202	7,622
Misc income	20,728	376,354
Total revenues	2,406,803	1,721,726
<b>Expenses</b>		
Administration fees	30,994	3,402
Advertising	7,448	6,712
Books, dues & registration	4,317	2,966
Depreciation	223,663	170,584
Employee salaries	149,880	108,507
Field supplies	4,348	2,257
Insurance	2,436	23,368
Interest	80,611	49,876
Legal fees	1,774	1,774
Mileage and per diem	15,427	12,596
Miscellaneous expense	16,904	
Office expenses	5,154	4,888
Other contractual services	71,597	213,396
Payroll related expenses	48,341	16,355
Postage & freight	4,866	
Rent	9,226	10,323
Repair & maintenance	827	433
Service fees	125,547	
Utilities	5,612	5,266
Total expenses	807,198	632,703
Increase in net assets	1,599,605	1,089,023
Net assets, beginning of year	4,124,773	3,035,750
Ending net assets	\$ 5,724,378	\$ 4,124,773

**El Valle de Los Ranchos Water & Sanitation District  
Management's Discussion and Analysis**

**Business-type activities.** Business-type activities increased the District's net assets by \$1,599,607. The key element of this increase is the capitalization of construction costs incurred relating to the system, and intergovernmental grants received during the fiscal year.

Revenues for the year ending June 30, 2009 were greater than the prior year by \$685,077. The main area of increase was intergovernmental revenues, which increased by \$905,533. Total expenditures increased by \$174,495. Most expenditure categories increased, but the largest increases were depreciation expense (\$53,079 increase), employee salaries plus related items of insurance and payroll related items (\$73,359 increase) and other contractual services (\$141,799 decrease).

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUND**

As noted earlier, El Valle de Los Ranchos Water & Sanitation District uses fund accounting to ensure and demonstrated compliance with finance-related legal requirements.

**Proprietary Funds.** The District's proprietary fund provides the same type of information found in the governmental-wide financial statements, but in more detail.

At the end of the fiscal year, the reserved net assets for capital projects were \$4,787,332. The total increase in net assets for the enterprise fund was \$1,559,607. Factors concerning the finances of this fund have been addressed previously in the discussion of the District's business-type activities.

**Budgetary Highlights**

The State of New Mexico budget process is defined under state law and regulation. To enhance the process of developing a budget at the District level, El Valle de Los Ranchos utilizes goals and objectives defined by the Board of Directors, community input meetings, long term plans for water and wastewater system development and input from professional and non-professional staff to develop the District budget. District priorities are well defined through this process.

GASB Statement No. 34 does not require a statement presenting the overall result of the budget for each year; however, all major budgetary funds are required to be reported as a separate statement.

The District's final budget differs from the original budget due to budget increases and decreases that were made during the fiscal year. Net budget increase in the fund totaled \$26,047 for expenditure were as follows:

Enterprise Fund            \$ 26,047

The Enterprise Fund had an increase in budgeted expenditures of \$26,047 due to increased estimated project costs.

**El Valle de Los Ranchos Water & Sanitation District**  
**Management's Discussion and Analysis**

During the year, actual operating revenues were lower than budgetary estimates by \$55,397. This is a difference of 23%, which is considered reasonable in the changing customer situation.

**Capital Asset and Debt Administration**

**Capital assets.** El Valle de Los Ranchos Water & Sanitation District's capital assets for its governmental and business-type activities as of June 30, 2009 amount to \$6,741,251 (net of accumulated depreciation). Capital assets include furniture, fixture & equipment and utility plant in service. The total increase in the District's capital assets (excluding accumulated depreciation) for the current fiscal year was \$1,636,133, which consisted of additions to the utility plan in service.

Capital Assets, Net of Depreciation  
June 30, 2009 and 2008

	2009 Business -type Activities	2008 Business-type Activities
Land	\$ 100,000	\$ 18,504
Furniture, fixtures & equipment	20,863	
Utility plant in service	7,268,090	510,653
Total capital assets	7,388,953	5,529,157
Accumulated Depreciation	(647,702)	(424,039)
Capital assets, net of accumulated depreciation	\$ 6,741,251	\$ 5,105,118

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 6 in the accompanying Notes to the Financial Statements for further information regarding capital assets.

**Debt Administration.** At the end of the current fiscal year, the District had total long-term obligations outstanding of \$1,953,919. The debt consists of revenue bonds along with two loans payable. Changes to long term debt during the year included principal payments of \$51,852 along with additional proceeds from an existing loan of \$527,071.

**El Valle de Los Ranchos Water & Sanitation District  
Management's Discussion and Analysis**

**Outstanding Debt  
As of June 30, 2009 and 2008**

	2009 Business -type Activities	2008 Business-type Activities
General obligation bonds	\$ 1,033,000	\$ 1,080,000
Loan payable-NMED	75,771	75,771
RUS Bonds payable	845,148	322,929
	\$ 1,953,919	\$ 1,478,700

See note 7 in the accompanying Notes to the Financial Statements for further information regarding El Valle de Los Ranchos Water & Sanitation District's long-term debt.

**FUTURE TRENDS**

The District will have fully expended all grants from the State of New Mexico by the end of FY 2009-2010. The District received an \$850,000 loan from the United States Department of Agriculture for the Construction of the UNM sewer line. The agreement between UNM and El Valle required UNM to reimburse El Valle in full for the amount of the loan. The District's first payment on the loan was due in April 2009. Depending upon appropriations from the State of New Mexico and federal appropriations for FY 2009-2010, the District may use the \$850,000 for construction of Phase 2B.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of El Valle de Los Ranchos Water & Sanitation District's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to El Valle de Los Ranchos Water & Sanitation District, P.O. Box 2797, Ranchos de Taos, New Mexico 87557; (575) 751-1700.

## **BASIC FINANCIAL STATEMENTS**

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**STATE OF NEW MEXICO**  
**El Valle De Los Ranchos**  
**Water Sanitation District**  
Statement of Net Assets  
June 30, 2009

Exhibit A-1

**ASSETS**

**Current assets:**

Cash and cash equivalents	926,396
Investments	20,619
Accounts receivable-customers	29,469
Accounts receivable-property taxes	20,232
Accounts receivable-grants	177,228
Accounts receivable-other	1,744
Prepaid expenses	1,314
Total current assets	<u>1,177,002</u>

**Capital assets:**

Land	100,000
Equipment	20,863
Utility plant in service	<u>7,268,090</u>
Total capital assets	7,388,953
Less accumulated depreciation	<u>(647,702)</u>
Net capital assets	6,741,251

Total Assets	<u><u>\$ 7,918,253</u></u>
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**LIABILITIES**

**Current liabilities:**

Accounts payable	\$ 204,361
Accrued interest	20,250
Payroll liabilities	13,248
Accrued compensated absences	2,097
Current portion of long-term debt	<u>77,428</u>

Total Current Liabilities	317,384
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**Non-current liabilities:**

Bonds payable	<u>1,876,491</u>
Total long-term liabilities	1,876,491

<b>Total liabilities</b>	<b>2,193,875</b>
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**NET ASSETS**

Invested in capital assets	4,787,332
Unrestricted	<u>937,046</u>

Total net assets	<u>5,724,378</u>
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Liabilities and Net Assets	<u><u>\$ 7,918,253</u></u>
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The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO  
El Valle de Los Ranchos  
Water and Sanitation District  
Statement of Revenues, Expenses - and Changes in Net Assets  
Year Ended June 30, 2009

Exhibit A-2

<b>Operating revenues:</b>	
Fees and charges	\$ 182,405
Miscellaneous operating income	2,432
<i>Total operating revenues</i>	<u>184,837</u>
 <b>Operating expenses:</b>	
Administration fees	30,994
Advertising	7,448
Books, dues & registration	4,317
Depreciation	223,663
Employee salaries	149,880
Field supplies	4,348
Insurance	2,436
Interest	80,611
Miscellaneous expense	16,904
Mileage & per diem	15,427
Office expenses	5,154
Other contractual services	71,597
Payroll related expenses	48,341
Rent	9,226
Repairs & maintenance	827
Postage & freight	4,866
Service fees	125,547
Utilities	5,612
<i>Total operating expenses</i>	<u>807,198</u>
 <i>Operating income (loss)</i>	 (622,361)
 <b>Non-operating revenues:</b>	
Gross receipts taxes	20,728
Property taxes	442,846
Intergovernmental grants	1,742,190
Interest income	16,202
 Non-operating revenue (expenses)	 <u>2,221,966</u>
 Net income	 1,599,605
 Net assets, beginning of year	 <u>4,124,773</u>
 Net assets, at end of year	 <u>\$ 5,724,378</u>

The accompanying notes are an integral part of these financial statements

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**El Valle de Los Ranchos Water and Sanitation District**

Statement of Cash Flows

For the Year Ended June 30, 2009

Cash flows from operating activities:		
Cash received from grantors and customers	\$ 2,332,409	
Cash paid to suppliers and employees	(653,119)	
Non-exchange taxes assessed	<u>463,574</u>	
Net cash flows (used) by operating activities		<u>\$ 2,142,864</u>
Cash flows from investing activities:		
Interest received	16,202	
Increase in plant in service	<u>(1,859,796)</u>	
Net cash flows provided by investing activities		<u>(1,843,594)</u>
Cash flows from financing activities:		
Issuance of long-term debt	527,071	
Payments on long-term debt	(51,852)	
Increase in accrued compensated absences	<u>210</u>	
Net cash flows (used) by financing activities		<u>475,429</u>
Net decrease in cash and cash equivalents		774,699
Cash and cash equivalents, beginning of year		<u>172,316</u>
Cash and cash equivalents, end of year		<u>\$ 947,015</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Increase in unrestricted net assets		\$ 1,599,607
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Interest received		(16,202)
Depreciation		223,663
Decrease (Increase) in:		
Accounts receivable		(10,860)
Grants receivable		416,149
Increase (Decrease) in:		
Accounts payable		(74,884)
Accrued expenses		5,300
Prepaid expenses		<u>91</u>
Net cash (used) by operating activities		<u>\$ 2,142,864</u>

The accompanying notes are an integral part of these financial statements.

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**STATE OF NEW MEXICO**  
 El Valle de Los Ranchos Water & Sanitation District  
 General Fund  
 Statement of Revenues and Expenditures  
 Budget and Actual (GAAP Basis)  
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues:</i>				
Fees and charges	\$ 240,234	\$ 240,234	\$ 182,405	\$ (57,829)
Miscellaneous	-	-	2,432	2,432
<i>Total revenues</i>	<u>240,234</u>	<u>240,234</u>	<u>184,837</u>	<u>(55,397)</u>
<i>Expenditures:</i>				
Current:				
Administration fees	4,408	40,487	30,994	9,493
Advertising	7,000	8,500	7,448	1,052
Books, dues & registration	7,260	7,260	4,317	2,943
Depreciation	583,902	225,000	223,663	1,337
Employee salaries	128,194	149,694	149,880	(186)
Field supplies	4,900	6,650	4,348	2,302
Insurance	3,000	3,000	2,436	564
Interest	22,502	22,502	80,611	(58,109)
Miscellaneous expense	1,000	19,500	16,904	2,596
Mileage & per diem	20,530	18,530	15,427	3,103
Office expenses	6,750	6,750	5,152	1,598
Other contractual services	279,223	458,357	71,597	386,760
Payroll related expenses	47,775	50,988	48,341	2,647
Postage and freight	4,500	5,500	4,866	634
Rent	12,520	12,520	9,226	3,294
Repairs & maintenance	1,000	1,000	827	173
Utilities	9,200	6,100	5,612	488
Service fees	0	127,373	125,547	1,826
<i>Total expenditures</i>	<u>1,143,664</u>	<u>1,169,711</u>	<u>807,196</u>	<u>362,515</u>
Operating income	<u>(903,430)</u>	<u>(929,477)</u>	<u>(622,359)</u>	<u>307,118</u>
Non-operating revenues:				
Beginning cash balance	-	26,047	-	(26,047)
Gross receipts taxes	6,000	6,000	20,728	14,728
Property taxes	440,803	440,803	442,846	2,043
Intergovernmental	451,127	451,127	1,742,190	1,291,063
Interest income	5,500	5,500	16,202	10,702
Non-operating income	903,430	929,477	2,221,966	1,292,489
Change in Net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,599,607</u>	<u>\$ 1,599,607</u>

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**STATE OF NEW MEXICO**  
**EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT**  
Notes to Financial Statement  
June 30, 2009

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

El Valle de Los Ranchos Water & Sanitation District (the District) is a political sub-division of the State of New Mexico that was authorized by the District Court for Taos County in 1979.

The District is engaged in the development of a water and sanitation district for the El Valle de Los Ranchos area in Northern New Mexico. The District is in phase 2 of its wastewater system. It has not begun construction on the water distribution system but is seeking funding to do so.

The current phase is the construction of the system. The District has issued sewer revenue bonds with Rural Utilities Services (RUS) as the registered owner to fund construction of the system. See Note 7 for more details. The District started serving customers in November 2004 and presently has about 400 customers.

The Board consists of five members elected by the qualified voters for four year terms. The Board appoints qualified personnel to guide the direct the operations of the District. The Board also approves all major contracts, capital outlay, and other decisions involving the District.

The financial statements of El Valle de Los Ranchos Water & Sanitation District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The operations of the District are accounted for one in one fund.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

***A. Reporting Entity***

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB-14.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organization if its officials appoint a voting majority of an organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government:

**STATE OF NEW MEXICO**  
**EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT**  
Notes to Financial Statement  
June 30, 2009

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

1. Is entitled to the organization's resources;
2. Is legally obligated or has otherwise assumed the obligation to financial the deficits of, or provide financial support to the organization; or
3. Is obligated in some manner for the debt of the organization.

***A. Reporting Entity***

Some organizations are included as component unites because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

The El Valle de Los Ranchos Water & Sanitation District did not have any component units during the fiscal year ended June 30, 2009.

***B. Business-Type Activities***

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities and Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – 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.

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

The statement of activities demonstrates the degree to which the direct expense of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.



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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

***C. Measurement Focus, Basis of Accounting and Financial Statement Presentation***

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Property taxes are recognized as revenues in the year for which they are levied.

The proprietary fund is accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred. Billed water and sanitation services receivable are recorded at year-end once operations begin.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue items are considered to be measurable and available only when cash is received by the government.

Amounts reported as program revenues are charges to customers who purchase or use or directly benefit from the goods or services provided by the District.

The proprietary fund is accounted for on a cost of services of “capital maintenance” measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and net assets components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent to this same limitation. The District has elected not to follow subsequent private-sector guidance.

The District reports its proprietary fund as a major governmental fund.

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

Proprietary fund distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund’s principal

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ongoing operations. The principal operating revenue of the District's enterprise fund is charges for customer services. Operating expenses for enterprise funds include the cost of services, administrative

***D. Measurement Focus, Basis of Accounting and Financial Statement Presentation***

expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

***E. Assets, Liabilities and Net Assets or Equity***

***Cash and Temporary Investments:*** The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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

Investments for the District are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. 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.

***Encumbrances:*** Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures in order to reserve that portion of the applicable appropriation, is not employed.

***Accounts Receivable:*** All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The receivables due at June 30, 2009 consist of customer sewer fees, and property taxes collected by Taos County and other receivables. All receivables are considered current and collectible.

***Prepaid Items:*** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and proprietary financial statements.

***Capital Assets:*** Capital assets, which include property, plant, computer software, and equipment are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

***F. Assets, Liabilities and Net Assets or Equity (continued)***

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Permanent Buildings	45
Land Improvements	20
Furniture & Equipment	5-10
Utility Plant in Service	33

***Compensated Absences:*** Full time employees of the District are entitled to accumulate vacation and sick leave. Leave is granted according to a graduated leave schedule, depending on length of service, the employee's hire date and the employee's employment status. Only eighty (80) hours of annual leave can be carried over from one fiscal year to the next. Upon termination, employees will be paid for accrued annual leave, but not for sick leave.

Vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net assets.

***Long-term Obligations:*** In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

***Net Assets:*** In the fund financial statements, governmental funds report reservations of net assets that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of net assets represent tentative management plans that are subject to change.

***Estimates:*** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the District's financial statements include management's estimate of the useful lives of capital assets.

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***G. Risk Management***

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority pays an annual premium for all of the above risks. There have been no claims for the past five year.

***H. Advertising***

Advertising costs are expenses as incurred. Advertising costs for the year ended June 30, 2009 were \$7,448.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***Budgets and Budgetary Accounting***

The budget for the Enterprise Fund is prepared by management and is approved by the Board of Directors.

These budgets are prepared on the GAAP accrual basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

***Budgets and Budgetary Accounting (continued)***

Actual expenditure may not exceed the budget on a per fund basis, i.e., total budgeted expenditure must be within total budgeted amounts. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a "resolution," this may be accomplished with only Board of Directors approval.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before July 1 of each year, the Board of Directors, approves and certifies to the estimated operating budgets for use by the local board pending final approval from the State of New Mexico.
2. The State of New Mexico approves the budget for the District to utilize during the year.
3. Budget adjustments may be made during the year. The Board of Directors approves budget resolutions to increase or decrease revenue and/or expenditure line items during the year.

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Federal Projects – Federal categorical grants are budgeted on the grant’s project year rather than the District’s fiscal year and, therefore, may not reflect cash basis budgeting. Unexpended portions of prior year’s programs are re-budgeted into the subsequent year’s program budget. Since the programs are incomplete at June 30, the schedules of budgeted and actual revenue and expenditures present unrealized revenue and expended budget, rather than budget saving.

**NOTE 3. DEPOSITS AND INVESTMENTS**

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2009.

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 by collateral deposited as security or by bond given by the financial institution.

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 of 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.

The collateral pledged is listed on Schedule I of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by an agency, District or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

All of the investments of El Valle de Los Ranchos Water & Sanitation District at June 30, 2009, were in short-term investments with a maturity date within a year of the date acquired by the District or in the State Treasurer’s pooled investments. The investments are stated at cost, which also approximates market value.

The District’s practice is to limit deposits and investments to insured and collateralized time accounts and certificates of deposit with a maturity of less than one year.

**STATE OF NEW MEXICO**  
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**Deposits**

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipts be issued, to the District for a least one half of the uninsured amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

**NOTE 3. DEPOSITS AND INVESTMENTS- (continued)**

	People's Bank
Total amounts of deposits	\$ 930,445
FDIC coverage	(270,147)
Total uninsured public funds	<u>\$ 660,298</u>
Collateral requirement (50% of uninsured public funds)	\$ 330,149
Pledged Collateral held by pledging bank's trust department or agent but not in the agency's name	<u>525,449</u>
Total under (over) collateralized	<u>\$ (195,300)</u>
Custodial credit risk-Deposits Account balance	<u>\$ 930,445</u>

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk, other than following states statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2009, \$660,298 of the District's bank balance of \$930,445 was exposed to custodial credit risk because \$660,297 was uninsured and the collateral was held by the pledging bank's trust department, not in the District's name. At June 30, 2009, the carrying amount of these deposits was \$930,444.

**Investments**

As of June 30, 2009, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>
		<u>Less than 1 Year</u>
State Investment Pool	\$ <u>20,619</u>	\$ <u>20,619</u>

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**NOTE 3. DEPOSITS AND INVESTMENTS (continued)**

The State Treasurer Local Government Investment Pool is not SEC Registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment funds in the securities that are issued by the United States government or by its departments or agencies and are either backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares; at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in the amounts of the fund were invested. Any realized gain or loss on the portfolio is distributed through the investment yield on distribution dates. The carrying amount of the portfolio approximates the fair value of all investments at June 30, 2008. The State of New Mexico is regulatory oversight entity and participation in the pool is voluntary.

*Interest rate risk* is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. At June 30, 2009, the District's investment of New MexiGROW LGIP had a credit risk rating of AAAM, value of \$20,619 and a 50-day WAM.

**Reconciliation of Cash and Temporary Investments**

Business-type funds - Balance Sheet	
Cash and cash equivalents per Exhibit A-1	\$ 947,015
Less investment with State of New Mexico Treasurer	<u>(20,619)</u>
	926,396
Add outstanding checks and other reconciling items	<u>4,349</u>
	930,745
Less petty cash	<u>(300)</u>
	930,445
Bank balance of deposits	<u><u>\$ 930,445</u></u>

**NOTE 4. RECEIVABLES**

Receivables as of June 30, 2009, are as follows:

Property taxes	\$ 20,232
Customer Receivables	29,469
Grants Receivables	177,228
Other Receivables	<u>1,744</u>
Totals by category	<u><u>\$ 228,673</u></u>

The above receivables are deemed 100% collectible. Other receivables consist of court costs billed to delinquent customers.

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June 30, 2009

**NOTE 5. PREPAID EXPENSES**

The District has insurance policies that are paid in advance and are expensed monthly. The portion of insurance expense not used by June 30, 2009 is \$1,314.

**NOTE 6. CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions and</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2009</u>
Land	\$ -	\$ 100,000	\$ -	\$ 100,000
Building improvements	21,897	1,200	(23,097)	-
Furniture, fixtures & equipment	18,504	2,359	-	20,863
Utility plant in service	5,488,756	1,756,237	23,097	7,268,090
Total Capital Assets	<u>5,529,157</u>	<u>1,859,796</u>	<u>-</u>	<u>7,388,953</u>
Less accumulated depreciation				
Utility plant in service	(411,885)	(220,245)	-	(632,130)
Furniture, fixtures & equipment	(12,154)	(3,418)	-	(15,572)
Total accumulated depreciation	<u>(424,039)</u>	<u>(223,663)</u>	<u>-</u>	<u>(647,702)</u>
Total capital assets, net	<u>\$ 5,105,118</u>	<u>\$ 1,636,133</u>	<u>\$ -</u>	<u>\$ 6,741,251</u>

Depreciation expense for the year ended June 30, 2009 was charged to business-type activities as follows:

Water & Sewer - Administration	<u>\$ 223,663</u>
Total Depreciation Expense	<u>\$ 223,663</u>



**STATE OF NEW MEXICO**  
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Notes to Financial Statement  
June 30, 2009

**NOTE 7. LONG-TERM DEBT**

During the year ended June 30, 2009, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009	Amount Due Within One Year
Revenue Bonds	\$ 1,080,000	\$ -	\$ 47,000	\$ 1,033,000	\$ 50,000
Loan Payable- NM ED	75,771	-	-	75,771	-
RUS/UNM Bonds	322,929	527,071	4,852	845,148	27428
Compensated Absence	1,886	211	-	2,097	2097
<b>Total Long-Term Debt</b>	<b>\$ 1,480,586</b>	<b>\$ 527,282</b>	<b>\$ 51,852</b>	<b>\$ 1,956,016</b>	<b>\$ 79,525</b>

The annual requirements to amortize the bonds as of June 30, 2009, including interest payments are as follows:

Fiscal Year	Principal	Interest	Total
2010	50,000	46,500	96,500
2011	52,000	44,300	96,300
2012	54,000	41,900	95,900
2013	57,000	39,500	96,500
2014	59,000	36,900	95,900
2015-2019	338,000	156,900	494,900
2020-2024	423,000	59,200	482,200
<b>Total</b>	<b>\$ 1,033,000</b>	<b>\$ 425,200</b>	<b>\$ 1,458,200</b>

Bonds outstanding at June 30, 2009, consisted of the following issues:

*Revenue Bonds:*

2004 Sewer Revenue Bonds, dated January 22, 2004, principal due January 22, 2005 through 2024 having an approximately yield of 4.50%

\$ 1,033,000

*Total Bonds*

\$ 1,033,000

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Notes to Financial Statement  
June 30, 2009

**NOTE 7. LONG-TERM DEBT (continued)**

During the fiscal year, the District made a principal payment of \$47,000 during the year bringing the balance to \$1,033,000. The bonds were issued for the purpose of continuing the improvement and extending of the system. The bonds were sold to the Rural Utilities Service at face value.

The annual requirements to amortize the loans payable as of June 30, 2009, including interest payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	27,428	35,396	62,824
2011	28,968	34,193	63,161
2012	30,225	32,937	63,162
2013	37,030	40,610	77,640
2014	38,396	32,596	70,992
2014-2018	214,648	10,172	224,820
2019-2023	254,603	90,794	345,397
2024-2028	289,621	35,573	325,194
Total	<u>\$920,919</u>	<u>\$312,271</u>	<u>\$ 1,233,190</u>

Loans outstanding at June 30, 2009, consisted of the following loans:

*Loans:*

New Mexico Environmental Department Loan, 20 Year, 3.00% interest.	\$ 75,771
Rural Utilities Service Loan, 20 Year, 4.5% interest	<u>\$ 845,148</u>
<i>Total Loans</i>	<u>\$ 920,919</u>

During the fiscal year, the District made draws on loans with the Rural Utilities Service in the amount of \$527,071. The loans are for the purpose of continuing the improvement and extending of the system.

**STATE OF NEW MEXICO**  
**EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT**  
Notes to Financial Statement  
June 30, 2009

**NOTE 8. OPERATING LEASES**

The District leases an office building and office equipment under short-term cancelable operating leases. Lease expense for the year ended June 30, 2009 was \$9,226.

The annual lease requirements are as follows:

<u>Fiscal Year</u>	<u>Total</u>
2010	2,783
2011	2,783
2012	<u>696</u>
Total	<u><u>\$ 6,262</u></u>

**NOTE 9. RISK MANAGEMENT**

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters. The District is insured through a commercial insurance agency for all insurable risks and employee benefits. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past four years.

**NOTE 10. LITIGATION**

The District is a party to legal actions arising in the normal course of business. In the opinion of management, based in part on discussions with legal counsel, resolution of such matters will not have a material adverse effect on the financial position and operating results of the District.

**NOTE 11. SURETY BOND**

District Officials and employees of the District are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

**NOTE 12. RETIREMENT PLAN**

*Plan Description.* All of El Valle de Los Ranchos' 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 Employee 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, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries.

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**EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT**  
Notes to Financial Statement  
June 30, 2009

**NOTE 12. RETIREMENT PLAN (continued)**

PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

*Funding Policy.* Plan members are required to contribute 7% of gross salaries. In addition to the employee contributions, El Valle de Los Ranchos makes 7% of the employee contributions. The contribution requirements of amended by acts of the legislature. The District's contributions to PERA for the year ended June 30, 2009, 2008 and 2007 were \$8,800, \$7,510, and \$4,616 respectively.

**NOTE 13. RETIREE HEALTH CARE**

The District had full-time employees during the year; however the District does not participate in the Retiree Health Care Act program.

**NOTE 14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

The District did not have any construction projects under non-cancelable contracts at June 30, 2009.

**NOTE 15. JOINT POWERS AGREEMENT**

**Town of Taos**

*Purpose*

For the Town to provide treatment for the District's wastewater and for the District to purchase such wastewater services from the Town.

*Participants*

El Valle de Los Ranchos Water & Sanitation District and the Town of Taos

*Responsibility Party for Operation and Audit*

None

*Beginning and Ending Date of Agreement*

October 28, 2002 to October 27, 2022

*Total Estimated Amount of Project and Actual Amount Contributed*

\$23.25 per residential customer

**Llano Quemado Mutual Domestic Water Association**

*Purpose*

To share in the development of water distribution system and share water wells.

**STATE OF NEW MEXICO**  
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT  
Notes to Financial Statement  
June 30, 2009

**NOTE 15. JOINT POWERS AGREEMENT (continued)**

*Participants*

Llano Quemado Mutual Domestic Water Association and the El Valle de Los Ranchos Water & Sanitation District

*Responsible Party for Operation and Audit*

Shared responsibility

*Beginning and Ending Date of Agreement*

February 27, 2009 until terminated

*Total Estimated Amount of Project and Actual Amount of Contribution*

Total cost unknown and none contributed during the year.

**NOTE 16. SUBSEQUENT ACCOUNTING STANDARDS PRONOUNCEMENTS**

In August 2008, the Governmental Accounting Standards Board (GASB) issued Statement No. 53, accounting and Financial Reporting for Derivative Instruments, which is effective for financial statements for periods beginning after June 15, 2009. The Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by State and Local Governments. The District is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements of the upcoming year.

In April 2009, the Governmental Standards Board (GASB) issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is effective for financial statements for periods beginning after June 30, 2010. Early implementation is encouraged. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The District is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements of the upcoming year.

## **SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
**EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT**  
 Schedule of Collateral Pledged by Depository  
 June 30, 2009

Schedule I

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Fair/Par Market Value June 30, 2009</u>	<u>Name and Location of Safekeeper</u>
Peoples Bank	FNMA 2008 94-A 31397MM46 6.50%, Due 02-25-2037	\$ 519,421	Federal Reserve Bank Kansas City, KS
Peoples Bank	FHLMC Gold Pool 31282RZX5 5.50%, Due 07-01-2009	6,028	Federal Reserve Bank Kansas City, KS
		<u>\$ 525,449</u>	

**STATE OF NEW MEXICO**  
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 Schedule of Deposits and Investments  
 June 30, 2009

Schedule II

<u>Bank Account Type/Name</u>	<u>People's Bank</u>	<u>NM State Treasurer</u>	<u>Totals</u>
Checking	\$ 20,148	\$ -	\$ 20,148
Money Market	910,297	-	910,297
State Treasurer's Pool	-	20,619	20,619
	<u>\$ 930,445</u>	<u>\$ 20,619</u>	<u>\$ 951,064</u>
Total On Deposit			
Reconciling Items			(4,349)
Petty Cash			300
Reconciled Cash and Investments, June 30, 2009			<u>\$ 947,015</u>



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**Cash Reconciliation**  
**June 30, 2009**

Schedule III

	<u>Checking</u>	<u>Money Market</u>	<u>Total</u>
Bank balance end of year	\$ 20,148	\$ 910,297	\$ 930,445
Deposits in transit	220	-	220
Outstanding checks	<u>(4,569)</u>	<u>-</u>	<u>(4,569)</u>
Cash, June 30, 2008	<u>\$ 15,799</u>	<u>\$ 910,297</u>	926,096
State Treasurer's Pool			20,619
Petty Cash			300
			<u>\$ 947,015</u>

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

Hector Balderas  
New Mexico State Auditor  
Office of Management & Budget  
And  
Board of Directors  
El Valle De Los Ranchos Water & Sanitation District  
Ranchos de Taos, New Mexico

We have audited the financial statements consisting of the business-type activities of El Valle de Los Ranchos Water & Sanitation District as of and for the year ended June 30, 2009, and have issued our report thereon dated August 26, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered El Valle de Los Ranchos Water & Sanitation District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the agency's internal control.

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

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## Compliance and Other Matters

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

This report is intended solely for the information and use of management, the audit committee, the New Mexico State Auditor, the New Mexico Department of Finance and Administration, the New Mexico State Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Precision Accounting, LLC

August 26, 2009

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**STATE OF NEW MEXICO**  
**EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT**  
Schedule of Findings and Responses  
For the Year Ended June 30, 2009

Schedule V

**Section I – Prior year findings:**

**FS 06-01 Personnel files --Resolved**

**Section II – Current year findings:**

**None**

**STATE OF NEW MEXICO**  
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT  
Other Disclosures  
For the Year Ended June 30, 2009

Schedule VI

**Section IV – Exit Conference**

An exit conference was conducted on August 27, 2009, with the following individuals:

EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT

F.R. Bob Romero, Vice-Chairman

Sarah Backus, District Director

Uvaldo Mondragon, Consultant

Precision accounting LLC

C Jack Emmons, CPA, CFE

**Section V – Financial Statements**

The financial statements presented in this report were compiled by the contract accountant, Mondragon Accounting Services.