

STATE OF NEW MEXICO
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT
ANNUAL FINANCIAL REPORT
JUNE 30, 2017

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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, 2017

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		1
Table of Contents		3
Official Roster		
 FINANCIAL SECTION		
Independent Auditor’s Report		7-9
Management’s Discussion and Analysis		11-16
 BASIC FINANCIAL STATEMENTS		
Government-wide Financial Statements:		
Statement of Net Position	A-1	19
Statement of Revenues, Expenditures, and Changes in Net Position	A-2	21
Statement of Cash Flows	A-3	23
Notes to Financial Statements		25-46
	Schedule	
 SUPPLEMENTARY INFORMATION		
Schedule of Revenues, Expenses and Changes in Fund Balance – Budget and Actual		
Proprietary Fund	A-4	49
 REQUIRED SUPPLEMENTARY INFORMATION		
Pension Liability		
Schedule of the District’s Proportionate Share of the Net Pension Liability of PERA Fund Division – General		53
Schedule of the District’s Contributions		55
Notes to the Required Supplementary Information		57
 OTHER SUPPLEMENTAL INFORMATION		
Schedule of Pledged Collateral	I	59
Schedule of Deposits & Investments	II	61
Cash Reconciliation	III	63
 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		65-67
 Schedule of Findings and Responses	V	69
Other disclosures	VI	70

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STATE OF NEW MEXICO
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT
OFFICIAL ROSTER
June 30, 2017

Name

Title

GOVERNING BOARD

F. R. "Bob" Romero

Chairman

Gabriel Romero

Vice-Chairman

Meliton Struck

Secretary

Anselmo "Chemo" Valerio

Treasurer

Delfino "Del" Torres

Member

Administrative Official

Melene Montano

Business Manager

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Timothy M. Keller
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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of El Valle de Los Ranchos Water & Sanitation District (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise El Valle de Los Ranchos Water & Sanitation District basic financial statements as listed in the table of contents. We also have audited the budgetary comparison for the proprietary fund presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2017, as listed in the table of contents. We did not audit the 2016 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Public Employees Retirement Association (PERA), the administrator of the cost sharing pension plan for District. The schedules and statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the District, is based solely on the report of the other auditors.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain 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 El Valle de Los Ranchos Water & Sanitation District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness El Valle de Los Ranchos Water & Sanitation District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our report and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the budgetary comparison of El Valle de Los Ranchos Water & Sanitation District, as of June 30, 2017, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 11-16, the *Schedule of Proportionate Share of the Net Pension Liability* on page 51, the *Schedule of Contributions* on page 53, and the notes to the required supplementary information on page 55 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 the 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 El Valle de Los Ranchos Water & Sanitation District's financial statements and the budgetary comparisons. The other schedules as required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The other schedules required by 2.2.2 NMAC are the responsibility of management and was derived from and relates 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 statement 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 other schedules as required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Vendor Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2017 on our consideration of the El Valle de Los Ranchos Water & Sanitation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering El Valle de Los Ranchos Water & Sanitation District's internal control over financial reporting and compliance.



Precision Accounting, LLC
Albuquerque, New Mexico
August 17, 2017

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El Valle de Los Ranchos Water & Sanitation District
Management's Discussion and Analysis
June 30, 2017

As management of El Valle de Los Ranchos Water & Sanitation District (the "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, 2017. 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 \$7,913,858 (*net position*). 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 position increased by \$501,214 during the fiscal year. The change is due to an increase in operating services and a increase in intergovernmental grants.
- The District's total debt increased by \$452,155 during the current fiscal year. The District repaid \$155,695 in funds from issuance of revenue bonds, which were issued to continue with the design and construction of 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 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 *statements of revenues, expenses and changes in net position* presents information showing how the District's net position 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
June 30, 2017

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 27-48 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

As noted earlier, net position 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 \$7,913,858 at the close of the current fiscal year.

	2017 Business-type Activities	2016 Business-type Activities
Assets		
Current and other assets	\$ 1,040,490	\$ 838,719
Capital assets, net of accumulated depreciation	11,091,623	10,332,611
Deferred outflows of resources	70,371	10,238
Total Assets	12,202,484	11,181,568
Liabilities		
Long-term liabilities outstanding	\$ 3,595,965	\$ 3,251,022
Other liabilities	347,638	514,391
Total Liabilities	3,943,603	3,765,413
Deferred Inflows of resources	345,023	3,511
Net Position		
Invested in capital assets, net of related debt	7,462,400	7,155,375
Reserved for capital projects	451,458	257,270
Total Net Position	7,913,858	7,412,645
Total Liabilities, Deferred Inflows of resources, and Net Position	\$ 12,202,484	\$ 11,181,568

All of the District's Net Position represents resources that are subject to restrictions. The restrictions are reserved to construct the water and sanitation system.

El Valle de Los Ranchos Water & Sanitation District
Management's Discussion and Analysis
June 30, 2017

As of June 30, 2017, El Valle had current assets of \$937,181, an decrease of \$19,350 over the prior year balance of \$838,719. Capital assets, net of accumulated depreciation, increased over the prior year due to additions in utility plant in service and water rights (net of accumulated depreciation). The increase was \$9,240,988 for an end of year balance of \$11,091,623.

	Changes in Net Position	
	2017 Business-type Activities	2016 Business-type Activities
Revenues		
Operation revenues:		
Charges for services	\$ 381,686	\$ 282,669
Non-operating revenues:		
Property taxes	814,509	792,421
Intergovernmental	372,920	-
Interest income	6,233	5,338
Gross receipts tax	42,889	39,450
Total revenues	1,618,237	1,119,878
Expenses		
Administration fees	8,145	7,762
Advertising	6,481	5,553
Books, dues & registration	4,209	2,982
Depreciation	422,150	386,357
Employee salaries	129,996	125,920
Field supplies	8,509	3,985
Insurance	9,233	7,349
Interest	86,209	92,384
Mileage and per diem	13,728	14,642
Miscellaneous expense	2,975	2,708
Office expenses	4,887	4,674
Other contractual services	97,717	97,028
Payroll related expenses	73,243	58,648
Postage & freight	6,524	4,238
Rent	3,440	3,729
Repair & maintenance	4,988	3,380
Service fees	219,266	197,948
Utilities	11,292	10,604
Total expenses	1,117,022	1,031,688
Increase in net position	501,215	88,190
Net position, beginning of year	7,412,644	7,324,454
Restatement	-	-
Ending net position	\$ 7,913,858	\$ 7,412,644

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

June 30, 2017

Long term liabilities increased by \$382,531 which was the net amount of new debt less principal payments made during the year. Other liabilities decreased by \$125,462 with an ending balance of \$347,638. At June 30, 2017, the net position of El Valle totaled \$7,913,858, which was an increase of \$501,215 over prior year net position of \$7,412,644.

Revenues for the year ending June 30, 2017 were more than the prior year by \$580,741. The majority of the change was an increase in intergovernmental grants, by \$479,907. Total expenditures increased by \$241,601 comparable to prior year's expenditures.

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.

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. The total budget did change by approximately \$21,300.

During the year, actual operating revenues were higher than budgetary estimates by \$58,963. This is a difference of 18%, due to an increase in customers.

El Valle de Los Ranchos Water & Sanitation District

Management's Discussion and Analysis

June 30, 2017

Capital Asset and Debt Administration

Capital assets. El Valle de Los Ranchos Water & Sanitation District's capital assets for its business-type activities as of June 30, 2017 amount to \$11,091,623 (net of accumulated depreciation). Capital assets include furniture, fixture & equipment, vehicles, utility plant in service, and water rights. The total increase in the District's capital assets (excluding accumulated depreciation) for the current fiscal year was \$14,303,769 which consisted of additions to the utility plan in service and water rights.

Capital Assets, Net of Depreciation
June 30, 2017 and 2016

	2017 Business-type Activities	2016 Business-type Activities
Land	\$ 100,000	\$ 100,000
Water Rights	379,758	379,758
Furniture, fixtures & equipment	17,249	17,249
Buildings	641,308	641,308
Vehicles	22,178	22,178
Utility plant in service-Water	1,510,677	1,450,902
Utility plant in service- Sewer	11,593,171	10,511,212
Total capital assets	14,303,769	13,122,607
Accumulated Depreciation	(3,212,146)	(2,789,996)
Capital assets, net of accumulated depreciation	\$ 11,091,623	\$ 10,332,611

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. 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 debt obligations outstanding of \$3,633,554. The debt consists of revenue bonds along with ten loans payable, and long-term accrued compensated absences. Changes to long term debt during the year included principal payments of \$161,534.

	2017 Business-type	2016 Business-type
General obligation bonds	\$ 567,000	\$ 634,000
Loan payable-NMED	336,074	365,625
Loan payable-USDA	352,199	392,100
Loan payable-Water Trust Board	6,557	9,023
RUS Bonds payable	566,069	644,898
Loan payable-NMED Ph. 2B	375,839	394,252
Loan payable-NMFA Water Line	95,477	100,968
Loan Payable- NMFA	-	7,053
Loan payable- NMED CWSR	1,200,000	672,275
Loan Payable- NMED Water Line 3B	130,009	38,692
Accrued Compensated absence	4,330	4,162
	\$ 3,633,554	\$ 3,181,399

See note 8 in the accompanying Notes to the Financial Statements for further information regarding El Valle de Los Ranchos Water & Sanitation District's long-term debt.

El Valle de Los Ranchos Water & Sanitation District
Management's Discussion and Analysis
June 30, 2017

FUTURE TRENDS

The District has fully expended all grants from the State of New Mexico by the end of FY 2016-2017.

The El Valle de Los Ranchos Water & Sanitation District Board of Directors and its staff continue to dedicate themselves to the citizens of the El Valle District by honestly representing an accurate and fairly stated set of financial records.

We recognize and strive to keep water and sewer fees as low as possible. In addition we pledge to continually have the District's best interest at heart while expanding our water and sewer services at the lowest cost for our customers.

The District continues to seek grant funds to improve its water and sewer lines. Projects to improve the water and sewer system continue as long as funding is available.

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 Melene Montaña, Business Manager, 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 and Sanitation District
Statement of Net Position
June 30, 2017

Exhibit A-1

ASSETS

Current assets:

Cash and cash equivalents	\$	575,753
Investments		20,924
Accounts receivable-customers, net of allowance of uncollectible accounts \$3,506		43,916
Accounts receivable-property taxes		359,209
Accounts receivable- grants		20,654
Accounts receivable-other		20,034
Total current assets		1,040,490

Capital assets:

Land		100,000
Water Rights		379,758
Building		641,308
Equipment & Vehicles		39,427
Plant in Service Water		1,550,105
Utility plant in service		11,593,171
Total capital assets		14,303,769
Less accumulated depreciation		(3,212,146)
Net capital assets		11,091,623

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows for Net Pension Liability		70,371
<i>Total Assets</i>	\$	12,202,484

LIABILITIES

Current liabilities:

Accounts payable	\$	56,829
Accrued interest		11,185
Payroll liabilities		15,328
Unearned revenue		27,000
Accrued compensated absences		517
Current portion of long-term debt		236,779
Total Current Liabilities		347,638

Non-current liabilities:

Accrued compensated absences-long-term		3,813
Note payable		2,371,408
Bonds payable		1,021,036
Net Pension Liability		199,708
Total long-term liabilities		3,595,965
<i>Total liabilities</i>		3,943,603

DEFERRED INFLOWS OF RESOURCES

Delinquent Property Taxes		335,930
Deferred Inflows for Net Pension Liability		9,093
Total deferred inflows of resources		345,023

Total liabilities and deferred inflows of resources

4,288,626

NET POSITION

Net investment in capital assets		7,462,400
Unrestricted		451,458
<i>Total net position</i>		7,913,858
Total Liabilities, Deferred inflows of resources and Net Position	\$	12,202,484

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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 Position
Year Ended June 30, 2017

Exhibit A-2

Operating revenues:	
Fees and charges	\$ 380,637
Miscellaneous operating income	1,049
<i>Total operating revenues</i>	<u>381,686</u>
 Operating expenses:	
Administration fees	8,145
Advertising	6,481
Books, dues & registration	4,209
Depreciation	422,150
Employee salaries	129,996
Field supplies	8,509
Insurance	9,233
Interest	86,209
Miscellaneous expense	2,975
Mileage & per diem	13,728
Office expenses	4,888
Other contractual services	97,717
Payroll related expenses	73,243
Rent	3,440
Repairs & maintenance	9,018
Postage & freight	6,524
Service fees	219,266
Utilities	11,292
<i>Total operating expenses</i>	<u>1,117,023</u>
<i>Operating income (loss)</i>	(735,337)
 Non-operating revenues:	
Gross receipts taxes	42,889
Property taxes	814,509
Intergovernmental grants-federal passed through the state	372,920
Interest income	6,233
Non-operating revenue	<u>1,236,551</u>
Net income	501,214
Net position, beginning of year	<u>7,412,644</u>
Net position, at end of year	<u><u>\$ 7,913,858</u></u>

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STATE OF NEW MEXICO
 El Valle de Los Ranchos Water and Sanitation District
 Statement of Cash Flows
 For the Year Ended June 30, 2017

Cash flows from operating activities:	
Cash received from grantors and customers	\$ 753,557
Cash paid to suppliers and employees	(721,395)
Non-exchange taxes assessed	814,509
Other revenues	<u>6,233</u>
Net cash flows provided by operating activities	<u>\$ 852,904</u>
Cash flows from investing activities:	
Increase in plant in service, net	<u>(1,115,078)</u>
Net cash flows used by investing activities	<u>(1,115,078)</u>
Cash flows from financing activities:	
Borrowings on long term debt	619,042
Payments on long-term debt	<u>(170,054)</u>
Net cash flows provided by financing activities	<u>448,988</u>
Net increase in cash and cash equivalents	186,813
Cash and cash equivalents, beginning of year	<u>409,864</u>
Cash and cash equivalents, end of year	<u><u>\$ 596,677</u></u>
Reconciliation of change in net position to net cash provided by operating activities:	
Operating income (loss)	\$ (735,337)
Adjustment to reconcile change in net position to net cash provided by operating activities:	422,150
Gross receipts taxes	42,889
Property taxes	814,509
Intergovernmental grants	372,920
Interest income	6,233
Net Income	<u>923,364</u>
Decrease (Increase) in:	
Accounts receivable	(20,251)
Grants Receivable	108,602
Prepaid assets	-
Increase (Decrease) in:	
Accounts payable	(104,151)
Unearned revenue	(1,000)
Deferred Property Taxes	(60,133)
Payroll liabilities	(1,321)
Accrued expenses	<u>7,794</u>
Net cash provided by operating activities	<u><u>\$ 852,904</u></u>

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STATE OF NEW MEXICO
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT
Notes to Financial Statement
June 30, 2017

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 680 customers.

The Board consists of five members elected by the qualified voters for four year terms. The Board appoints qualified personnel to guide and 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 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 statement no. 61.

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:

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.

STATE OF NEW MEXICO
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT
Notes to Financial Statement
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

A. Reporting Entity (continued)

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if 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, 2017.

B. Business-Type Activities

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities and Changes in Net Position) 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 Position 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 is 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*.

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

The 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.

STATE OF NEW MEXICO
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT
Notes to Financial Statement
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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 position) is segregated into contributed capital and net position components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

Private-sector standards of accounting and financial reporting are now included in GASB guidance from the Accounting Codification Standards.

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 distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund’s principal ongoing operations. The principal operating revenue of the District’s enterprise fund is charges for water and wastewater services. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

STATE OF NEW MEXICO
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT
Notes to Financial Statement
June 30, 2017

E. Assets, Liabilities and Net Position 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.

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, 2017 consist of customer water and sewer fees, and property taxes collected by Taos County and other receivables. All receivables are considered current and collectible. Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. The taxes are an enforceable lien on the property.

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.

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.

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

STATE OF NEW MEXICO
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT
Notes to Financial Statement
June 30, 2017

E. Assets, Liabilities and Net Position or Equity (continued)

Unearned Revenues: The District recognizes grant revenue at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. Amounts receivable from the property taxes levied for the current year that are not considered to be “available” under the current financial resources measurement focus are reported as unearned revenues in the governmental fund financial statements.

Deferred Inflows/Outflows of Resources: GASB 63 amended previous guidance on deferred revenues in the Government-Wide Financial Statements to include deferred outflow of resources, which is the consumption of net assets by the government that is applicable to a future reporting period and deferred inflow of resources, which is acquisition of net assets by the government that is applicable to a future reporting period.

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 per year 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 Position.

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 Position. 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 Position: In the fund financial statements, governmental funds report reservations of Net Position that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of Net Position 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.

STATE OF NEW MEXICO
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT
Notes to Financial Statement
June 30, 2017

E. Assets, Liabilities and Net Position or Equity (continued)

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

F. Advertising

Advertising costs are expenses as incurred. Advertising costs for the year ended June 30, 2017 were \$6,481.

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, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

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.

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.

STATE OF NEW MEXICO
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT
Notes to Financial Statement
June 30, 2017

NOTE 3. DEPOSITS AND INVESTMENTS

State statutes authorize the investment of District's 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, 2017.

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, 2017, 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
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT
Notes to Financial Statement
June 30, 2017

NOTE 3. DEPOSITS AND INVESTMENTS, continued

Deposits

New Mexico 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.

	<u>People's Bank</u>
Total amounts of deposits	\$ 596,189
FDIC coverage	<u>(280,097)</u>
Total uninsured public funds	<u>\$ 316,092</u>
Collateral requirement (50% of uninsured public funds)	\$ 158,046
Pledged Collateral held by pledging bank's trust department or agent but not in the agency's name	<u>290,980</u>
Total under (over) collateralized	<u>\$ (123,934)</u>
Custodial credit risk-Uninsured deposits	<u>\$ -</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, 2017, \$158,046 of the District's bank balance of \$596,189 was exposed to custodial credit risk because \$158,046 was uninsured and the collateral was held by the pledging bank's trust department, not in the District's name. At June 30, 2017, the carrying amount of these deposits was \$388,741 as shown on the next page.

Investments

As of June 30, 2017, 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	\$ 20,924	\$ 20,924

STATE OF NEW MEXICO
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT
Notes to Financial Statement
June 30, 2017

NOTE 3. DEPOSITS AND INVESTMENTS, continued

The New MexiGrow 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 Section 6-10-10-I through 6-10-10-P and Section 6-10-10-1 A and E NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.1 F, NMSA 1978, as of 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 pool is voluntary.

Interest Rate Risk and Credit Rating-Investment in State Treasurer’s LGIP

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. The District’s investment at June 30, 2017 includes the following:

State Treasurer’s Local Government Investment Pool AAAM, 54.6-day WAM (R) \$20,924.

Reconciliation of Cash and Temporary Investments

Business-type funds - Balance Sheet	
Cash and cash equivalents per Exhibit A-1	\$ 596,677
Less investment with State of New Mexico Treasurer	<u>(20,924)</u>
	575,753
Add outstanding checks and other reconciling items	<u>20,736</u>
	596,489
Less petty cash	<u>(300)</u>
Bank balance of deposits	<u><u>\$ 596,189</u></u>

NOTE 4. RECEIVABLES

Receivables as of June 30, 2017, are as follows:

Property taxes	\$ 359,209
Customer Receivables	43,916
Grants Receivables	20,654
Other Receivables	<u>20,034</u>
Total	<u><u>\$ 443,813</u></u>

STATE OF NEW MEXICO
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT
Notes to Financial Statement
June 30, 2017

NOTE 4. RECEIVABLES

The above receivables are deemed 100% collectible. The accounts receivable is net of an estimated allowance for uncollectible accounts of \$3,506 due to the District's ordinance permitting liens on the property for any past due accounts. Other receivables consist of court costs billed to delinquent customers.

NOTE 5. COMMITMENTS

The District has entered into an agreement for a Loan/Grant under the NMED for \$50,000. The District has not utilized any of these funds as of June 30, 2017.

NOTE 6. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance June 30, 2016	Additions	Adjustment	Deletions	Balance June 30, 2017
Land	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Construction in Progress	813,887	-	-	813,887	-
Water Rights	379,757	-	-	-	379,758
Buildings	641,308	-	-	-	641,308
Furniture, fixtures & equipment	17,249	-	-	-	17,249
Vehicles	22,178	-	-	-	22,178
Utility plant in service	11,148,227	1,955,621	-	-	13,103,848
Total Capital Assets	<u>13,122,607</u>	<u>1,955,621</u>	<u>-</u>	<u>813,887</u>	<u>14,303,769</u>
Less accumulated depreciation					
Utility plant in service	(2,638,061)	(398,281)	-	-	(3,036,342)
Buildings	(116,190)	(19,434)	-	-	(135,623)
Furniture, fixtures & equipment	(17,249)	-	-	-	(17,249)
Vehicles	(18,496)	(4,435)	-	-	(22,931)
Total accumulated depreciation	<u>(2,789,996)</u>	<u>(422,150)</u>	<u>-</u>	<u>-</u>	<u>(3,212,146)</u>
Total capital assets, net	<u>\$ 3,217,526</u>	<u>\$ 1,533,471</u>	<u>\$ -</u>	<u>\$ 813,887</u>	<u>\$ 11,091,623</u>

Depreciation expense for the year ended June 30, 2017 was charged to business-type activities as follows:

Water & Sewer - Administration	<u>\$ 422,150</u>
Total Depreciation Expense	<u>\$ 422,150</u>

NOTE 7. UNEARNED REVENUE

The District has unearned revenue of \$27,000 that is comprised of prepaid connection deposits.

STATE OF NEW MEXICO
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT
Notes to Financial Statement
June 30, 2017

NOTE 8. LONG-TERM DEBT

During the year ended June 30, 2017, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Amount Due Within One Year
Revenue Bonds	\$ 634,000	\$ -	\$ 67,000	\$ 567,000	\$ 70,000
Loan Payable- NM ED	351,068	-	14,994	336,074	15,443
RUS/UNM Bonds	606,355	-	40,286	566,069	42,032
Loan payable-USDA	372,574	-	20,375	352,199	21,498
Loan payable-NMED Ph. 2B	394,252	-	18,413	375,839	18,781
Loan payable-Water Trust	7,053	-	496	6,557	513
Loan payable-NMFA Water Line	100,968	-	5,491	95,477	5,544
Loan payable-NMED CWSR	672,275	525,725	-	1,200,000	54,615
Loan payable-3B Water Line	38,692	98,370	7,053	130,009	7,071
Accrued compensated absences	4,162	6,007	5,839	4,330	517
Total Long-Term Debt	\$3,181,399	\$ 632,102	\$161,534	\$ 3,633,554	\$ 236,787

The annual requirements to amortize the bonds as of June 30, 2017, including interest payments are as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 70,000	\$ 25,600	\$ 95,600
2019	74,000	22,400	96,400
2020	77,000	19,100	96,100
2021	80,000	15,600	95,600
2022-2026	266,000	24,500	290,500
Total	\$ 567,000	\$ 107,200	\$ 674,200

Bonds outstanding at June 30, 2017, 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%

\$ 567,000

Total Bonds

\$ 567,000

STATE OF NEW MEXICO
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT
Notes to Financial Statement
June 30, 2017

NOTE 8. LONG-TERM DEBT, continued

During the fiscal year, the District made a principal payment of \$70,000 during the year bringing the balance to \$576,000. 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 (RUS) at face value.

RUS/UNM Bonds:

The annual requirements to amortize the RUS/UNM Bonds payable as of June 30, 2017, including interest payments are as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 42,032	\$ 23,248	\$ 65,280
2019	43,854	21,426	65,280
2020	45,702	16,320	62,022
2021	43,706	16,320	60,026
2022-2026	270,550	65,282	335,832
2027-2031	120,225	15,164	135,389
Total	<u>\$ 566,069</u>	<u>\$ 156,760</u>	<u>\$ 723,829</u>

Loans outstanding at June 30, 2017, consisted of the following loans:

Loans:

New Mexico Environmental Department Loan, 20 Year, 3.00% interest.	<u>\$ 566,069</u>
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Payments began in 2014. The District may borrow up to \$500,000 to purchase water rights until June 30, 2017.

Fiscal Year	Principal	Interest	Total
2018	\$ 15,443	\$ 10,082	\$ 25,526
2019	15,907	9,619	25,526
2020	16,384	9,142	25,526
2021	16,875	8,650	25,525
2022-2026	92,282	35,346	127,628
2027-2031	84,301	17,802	102,103
2032-2036	94,882	7,221	102,102
Total	<u>\$ 260,203</u>	<u>\$ 97,862</u>	<u>\$ 433,936</u>

STATE OF NEW MEXICO
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT
Notes to Financial Statement
June 30, 2017

NOTE 8. LONG-TERM DEBT, continued

United States Department of Agriculture Loan:

The USDA loan, dated May 10, 2010 with principal and interest due monthly from June 10, 2011 till May 10, 2031. The monthly payment of \$2,946 including interest at 4.125% and is secured by the office building.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 21,498	\$ 14,033	\$ 35,531
2019	22,211	13,141	35,352
2020	23,138	12,214	35,352
2021	28,874	11,663	40,537
2022-2026	139,427	42,610	182,037
2027-2031	<u>116,962</u>	<u>12,737</u>	<u>129,699</u>
Total	\$ <u>352,110</u>	\$ <u>106,398</u>	\$ <u>458,508</u>

New Mexico Finance Authority-Water Trust Board Loan:

The New Mexico Finance Authority and the Water Trust Board loaned El Valle de Los Ranchos Water and Sanitation District \$10,000 on April 27, 2011 for the purpose of planning, design and engineering of a water utility system. The annual payments of \$513 include interest at 0.25%.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 513	\$ 4	\$ 517
2019	513	3	516
2020	513	1	514
2021	513	1	514
2022-2026	2,565	5	2,570
2027-2031	<u>1,923</u>	<u>3</u>	<u>1,926</u>
Total	\$ <u>6,540</u>	\$ <u>17</u>	\$ <u>4,723</u>

STATE OF NEW MEXICO
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT
Notes to Financial Statement
June 30, 2017

NOTE 8. LONG-TERM DEBT, continued

NMED Ph. 2B Loan:

New Mexico Environment Department entered into an agreement with El Valle de Los Ranchos Water and Sanitation District for a construction loan of \$430,000 and a grant of \$430,000. The loan/grant is on a reimbursable basis for the construction of sewer lines extensions and waste water system improvements. The loan bears interest at 2% per annum and is payable over a period of 20 years beginning one year from the completion of the project.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 18,781	\$ 7,517	\$ 26,298
2019	19,156	7,141	26,297
2020	19,539	6,758	26,297
2021	19,930	6,367	26,297
2022-2026	105,791	26,295	132,086
2027-2031	116,802	14,685	131,487
2032-2036	<u>75,840</u>	<u>3,054</u>	<u>78,894</u>
Total	\$ <u>375,839</u>	\$ <u>71,817</u>	\$ <u>447,656</u>

NMFA Water Line Loan:

NM Finance Authority and NM Water Trust Board entered into an agreement on August 1, 2014 with El Valle de Los Ranchos Water and Sanitation District for a water line construction loan of \$111,000 and a grant of \$999,000. The loan/grant is on a reimbursable basis for the construction of water line construction. The loan bears interest at 0% per annum, administrative fee of 0.25% and is payable over a period of 20 years beginning one year from the completion of the project. Annual payments are \$464.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	5,544	24	5,568
2019	5,544	24	5,568
2020	5,544	24	5,568
2021	5,544	24	5,568
2022-2026	27,744	61	27,805
2027-2031	27,780	60	27,840
2032-2036	<u>17,724</u>	<u>36</u>	<u>17,760</u>
Total	\$ <u>95,154</u>	\$ <u>253</u>	\$ <u>95,677</u>

STATE OF NEW MEXICO
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT
Notes to Financial Statement
June 30, 2017

NOTE 8. LONG-TERM DEBT, continued

NMED CWSR Loan:

NM Environmental Department entered into an agreement on November 21, 2014 with El Valle de Los Ranchos Water and Sanitation District for a water line construction loan of \$1,200,000 and a grant of \$343,444. The loan/grant is on a reimbursable basis for the construction of water line construction. The loan bears interest at 2% per annum and is payable over a period of 20 years beginning one year from the completion of the project. Annual payments are \$73,388.

Fiscal Year	Principal	Interest	Total
2018	55,388	18,000	73,388
2019	56,175	17,212	73,387
2020	56,980	16,408	73,388
2021	57,799	15,588	73,387
2022-2026	301,883	65,056	366,939
2027-2031	669,775	54,297	724,072
Total	\$ 1,198,000	\$ 186,561	\$ 1,384,561

NMFA Water Line Loan:

NM Finance Authority and the Water Trust Board entered into an agreement on March 25, 2017 with El Valle de Los Ranchos Water and Sanitation District for a water line construction loan of \$138,354 and a grant of \$1,245,187. The loan/grant is on a reimbursable basis for the construction of water lines. The loan bears interest at 0% per annum, administrative fee of 0.25% and is payable over a period of 20 years beginning one year from the completion of the project. Annual payments are \$7,396.

Fiscal Year	Principal	Interest	Total
2018	7,071	325	7,396
2019	7,088	307	7,395
2020	7,106	290	7,396
2021	7,124	272	7,396
2022-2026	101,620	136	101,756
Total	\$ 130,009	\$ 1,330	\$ 131,339

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.

STATE OF NEW MEXICO
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT
Notes to Financial Statement
June 30, 2017

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. PENSION PLAN- PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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. 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

STATE OF NEW MEXICO
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT
Notes to Financial Statement
June 30, 2017

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.

Contributions. See PERA's compressive annual financial report for Contribution provided description

PERA Contribution Rates and Pension Factors as of July 1, 2016						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per Year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
State Plan 3	7.42 %	8.92 %	16.99 %	3.0 %	2.5 %	90 %
Municipal Plan 1 (plan open to new employers)	7.0 %	8.5 %	7.4 %	2.0 %	2.0 %	90 %
Municipal Plan 2 (plan open to new employers)	9.15 %	10.65 %	9.55 %	2.5 %	2.0 %	90 %
Municipal Plan 3 (plan closed to new employers 6/95)	13.15 %	14.65 %	9.55 %	3.0 %	2.5 %	90 %
Municipal Plan 4 (plan closed to new employers 6/00)	15.65 %	17.15 %	12.05 %	3.0 %	2.5 %	90 %
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.90%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

STATE OF NEW MEXICO
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT
Notes to Financial Statement
June 30, 2017

NOTE 12. PENSION PLAN- PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, El Valle de los Ranchos Water and Sanitation District reported a liability of \$199,708 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. El Valle de los Ranchos Water and Sanitation District’s proportion of the net pension liability was based on a projection of El Valle de los Ranchos Water and Sanitation long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, El Valle de los Ranchos Water and Sanitation’s proportion was 0.0125 %, which was a decrease of 0.0009% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, El Valle de los Ranchos Water and Sanitation District recognized pension expense of \$20,715. At June 30, 2017, El Valle de los Ranchos Water and Sanitation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,978	\$ 1,949
Changes of assumptions	11,711	33
Net difference between projected and actual earnings on pension plan investments	36,746	-
Changes in proportion and differences between the District’s contributions and proportionate share of contributions	6,296	7,111
District’s contributions subsequent to the measurement date	11,933	-
Total	\$ 73,592	\$ 9,093

STATE OF NEW MEXICO
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT
Notes to Financial Statement
June 30, 2017

NOTE 12. PENSION PLAN- PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

\$11,933 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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 June 30:

2018	\$	12,832
2019		12,832
2020		20,883
2021		9,091
Thereafter	\$	-

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

PERA	
Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay, Open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair Value
Actuarial Assumptions:	
Investment rate of return	7.48% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll Growth	2.75% for first 10 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 10 years
	2.75% all other years
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 20, 2015 (economic)

STATE OF NEW MEXICO
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT
Notes to Financial Statement
June 30, 2017

NOTE 12. PENSION PLAN- PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2015 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 Expected Real Rate of Return
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.5	1.79
Credit Oriented Fixed Income	15.0	5.77
Real Assets	<u>20.00</u>	7.35
Total	100.00%	

Discount rate: A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, 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.

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.

STATE OF NEW MEXICO
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT
Notes to Financial Statement
June 30, 2017

NOTE 12. PENSION PLAN- PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following presents El Valle de los Ranchos Water and Sanitation District’s proportionate share of the net pension liability calculated using the discount rate of 7.48 percent, as well as what El Valle de Los Ranchos Water & Sanitation District proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48 percent) or 1-percentage-point higher (8.48 percent) than the current rate:

PERA Fund Division – General Division	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
District’s proportionate share of the net pension liability	\$ 297,747	\$199,708	\$ 118,390

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in separately issued PERA’S financial reports.

Payables to the pension plan. At June 30, 2017, the District had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2017.

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.

STATE OF NEW MEXICO
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT
Notes to Financial Statement
June 30, 2017

NOTE 14. 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.

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 15. RELATED PARTY TRANSACTIONS

Of the \$29,533 paid to Barela-Gutierrez Law Office \$14,427 was earned while considered a related party, as the daughter of a previous board member.

NOTE 16. SUBSEQUENT EVENTS REVIEW

El Valle de Los Ranchos Water & Sanitation District has evaluated subsequent events through August 15, 2017 which is the date of the financial statements.

SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO
El Valle de Los Ranchos Water & Sanitation District
Proprietary Fund
Statement of Revenues and Expenditures
Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Fees and charges	\$ 321,673	\$ 321,673	\$ 380,636	\$ 58,963
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>321,673</u>	<u>321,673</u>	<u>380,636</u>	<u>58,963</u>
<i>Expenditures:</i>				
Current:				
Administration fees	7,943	8,443	8,145	298
Advertising	12,100	12,100	6,481	5,619
Books, dues & registration	6,060	6,060	4,209	1,851
Depreciation/Projects	3,242,937	3,242,937	426,180	2,816,757
Employee salaries	136,151	136,151	129,996	6,155
Field supplies	8,400	8,400	8,509	(109)
Insurance	9,283	9,283	9,233	50
Interest	86,209	-	86,209	(86,209)
Miscellaneous expense	0	0	2,975	(2,975)
Mileage & per diem	16,267	16,267	13,728	2,539
Office expenses	5,500	5,500	4,887	613
Other contractual services	220,955	221,255	97,717	123,538
Payroll related expenses	68,662	68,662	73,243	(4,581)
Postage and freight	9,600	9,600	6,524	3,076
Rent	3,800	3,800	3,440	360
Repairs & maintenance	10,100	10,100	4,988	5,112
Utilities	10,200	11,700	11,292	408
Service fees	200,681	219,681	219,266	415
<i>Total expenditures</i>	<u>4,054,848</u>	<u>3,989,939</u>	<u>1,117,022</u>	<u>2,872,917</u>
Operating income	<u>(3,733,175)</u>	<u>(3,668,266)</u>	<u>(736,386)</u>	<u>2,931,880</u>
Non-operating revenues:				
Gross receipts taxes	40,000	40,000	42,889	2,889
Property taxes	794,296	794,296	814,509	20,213
Intergovernmental	2,977,535	2,977,535	373,969	(2,603,566)
Interest income	5,500	5,500	6,233	733
Non-operating income	3,817,331	3,817,331	1,237,600	(2,579,731)
Change in Net Position	<u>\$ 84,156</u>	<u>\$ 149,065</u>	<u>\$ 501,214</u>	<u>\$ 352,149</u>

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PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO
 El Valle de Los Ranchos Water & Sanitation District
 Required Supplementary Information
 June 30, 2017

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY OF PERA FUND DIVISION – GENERAL**

Public Employees Retirement Association (PERA) Plan

Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Village's proportion of the net pension liability (asset)	0.0125%	0.0134%	0.0123%
Village's proportionate share of the net pension liability (asset)	\$ 199,708	\$ 136,625	\$ 95,953
Village's covered-employee payroll	\$161,261	\$ 138,354	\$ 147,409
Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	80.75%	98.75%	65.09%
Plan fiduciary net position as a percentage of the total pension liability	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 El Valle de Los Ranchos Water & Sanitation District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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STATE OF NEW MEXICO
 El Valle de Los Ranchos Water & Sanitation District
 Required Supplementary Information
 June 30, 2017

SCHEDULE OF THE CONTRIBUTIONS

Public Employees Retirement Association (PERA) Plan

PERA Fund Division - General

Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory required contribution	\$11,933	10,238	\$ 10,872
Contributions in relation to the statutory required contribution	\$11,933	\$ 10,238	\$ 10,872
Annual contribution deficiency (excess)	-	-	-

**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 El Valle de Los Ranchos Water & Sanitation District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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STATE OF NEW MEXICO
El Valle de Los Ranchos Water & Sanitation District
Required Supplementary Information
June 30, 2017

**Notes to Required Supplementary Information
For the Year Ended June 30, 2017**

Changes of benefit terms. The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>.

Assumptions. The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2016 report is available at <http://www.nmpera.org/>.

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STATE OF NEW MEXICO

Schedule 1

El Valle De Los Ranchos Water & Sanitation District
**SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
 FOR PUBLIC FUNDS
 JUNE 30, 2017**

Name of Depository	Description of Pledged Collateral	Fair Market Value June 30, 2017	Name and Location of Safekeeper
Peoples Bank	FHLMC Other 3132G5AS8 2.5%, due 05/01/2028	\$ 62,527	Federal Reserve Bank Kansas City, Kansas
	FNMA 15 yr 31402QTH4 5.0%, due 01/01/2019	802	Federal Reserve Bank Kansas City, Kansas
	FHLMC 20-Yr 31335HVE0 5.0%, due 01/01/2023	9,688	Federal Reserve Bank Kansas City, Kansas
	FHR 3871 LV 31398JHC0 5.00%, due 08/15/2039	198,588	Federal Reserve Bank Kansas City, Kansas
	FHLMC 20-Yr 31335HVE0 5.0%, due 01/01/2023	<u>19,375</u>	Federal Reserve Bank Kansas City, Kansas
	Total	<u>\$ 290,980</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
 Schedule of Deposits and Investments
 June 30, 2017

Schedule II

Bank Account Type/Name	People's Bank	NM State Treasurer	Totals
Checking	\$ 30,097	\$ -	\$ 30,097
Money Market	566,092	-	566,092
State Treasurer's Pool	<u>-</u>	<u>20,924</u>	<u>20,924</u>
 Total On Deposit	 <u>\$ 596,189</u>	 <u>\$ 20,924</u>	 <u>\$ 617,113</u>
 Reconciling Items			 (20,735)
Petty Cash			<u>300</u>
Reconciled Cash and Investments, June 30, 2017			<u>\$ 596,677</u>

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STATE OF NEW MEXICO
EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT
Cash Reconciliation
June 30, 2017

Schedule III

	<u>Checking</u>	<u>Money Market</u>	<u>Total</u>
Bank balance end of year	\$ 30,097	\$ 566,092	\$ 596,189
Deposits in transit	-	-	-
Reconciling items	<u>(20,735)</u>	<u>-</u>	<u>(20,735)</u>
Cash, June 30, 2017	<u>\$ 9,362</u>	<u>\$ 566,092</u>	\$ 575,493
State Treasurer's Pool			20,924
Petty Cash			<u>300</u>
Total cash and investments at June 30, 2017			<u>\$ 596,677</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***

INDEPENDENT AUDITOR'S REPORT

Timothy M. Keller
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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of El Valle de Los Ranchos Water & Sanitation District as of and for the year ended June 30, 2017, and have issued our report thereon dated August 17, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered El Valle de Los Ranchos Water & Sanitation District's internal control over financial reporting to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of El Valle de Los Ranchos Water & Sanitation District's internal control. Accordingly, we do not express an opinion on the effectiveness of the El Valle de Los Ranchos Water & Sanitation 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 function, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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 not been identified. We did not identify certain deficiencies in internal control that we consider to be significant deficiencies.

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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.

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 result of that testing, and not to provide an opinion on the effectiveness of El Valle de Los Ranchos Water & Sanitation District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering El Valle de Los Ranchos Water & Sanitation District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Precision Accounting, LLC".

Precision Accounting, LLC
Albuquerque, NM
August 17, 2017

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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, 2017

Section I – Prior year findings:

None.

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, 2017

Schedule V

Section V – Financial Statements

The District has the capability of understanding and accepting the responsibility for its own GAAP-basis financial statements. The District contracts with a contract accountant who prepares the District's basic financial statements. However, the outside auditor prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report.

Section IV – Exit Conference

An exit conference was conducted on August 17, 2017, with the following individuals:

EL VALLE DE LOS RANCHOS WATER & SANITATION DISTRICT

F.R. Bob Romero , Chairman

Melene Montano, Business Manager

Precision Accounting LLC

Melissa R. Santistevan, CPA, CFE, CGMA, CICA

Alexandra Yebra, Senior Accountant

Zach Hayes, Senior Accountant