

STATE OF NEW MEXICO
EL PRADO WATER & SANITATION DISTRICT
ANNUAL FINANCIAL REPORT
JUNE 30, 2014

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
 EL PRADO WATER & SANITATION DISTRICT
 ANNUAL FINANCIAL REPORT
 For the Fiscal Year Ended June 30, 2014

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STATE OF NEW MEXICO
EL PRADO WATER & SANITATION DISTRICT
OFFICIAL ROSTER
June 30, 2014

Name

Title

GOVERNING BOARD

Telesfor R. Gonzales

Chairman

Cris J. Cisneros

Vice-Chairman

Elaine Trujillo

Secretary/Treasurer

John S. Painter

Member

Bernadine de Herrera

Member

Administrative Official

Christine Martinez

General Manager

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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 Prado Water & Sanitation District
El Prado, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the budgetary comparison of El Prado Water & Sanitation District (the "District") as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise El Prado Water & Sanitation District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 Prado 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 Prado 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, 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 Prado Water & Sanitation District, as of June 30, 2014, 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 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.

Our audit was conducted for the purpose of forming opinions on El Prado Water & Sanitation District's financial statements and the budgetary comparison. 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 is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2014 on our consideration of the El Prado 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 Prado Water & Sanitation District's internal control over financial reporting and compliance.



Precision Accounting, LLC
Albuquerque, New Mexico
August 6, 2014

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El Prado Water & Sanitation District
Management's Discussion and Analysis
June 30, 2014

As management of El Prado 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, 2014. 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 \$7,393,016 (*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 \$3,719,859 during the fiscal year. The majority of this is due to an increase in capital assets and an increase in long term debt.
- The District's total debt increased by \$752,898 during the current fiscal year as a result of legal expenses and the acquisition of water rights.

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

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the District's Net Position changed during the most recent fiscal year.

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 Prado Water & Sanitation District
Management's Discussion and Analysis
June 30, 2014

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 27-44 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 Prado Water & Sanitation District, assets exceeded liabilities by \$7,393,016 at the close of the current fiscal year.

	<u>2014 Business-type</u>	<u>2013 Business-type</u>
Assets		
Current and other assets	\$ 302,420	\$ 211,377
Capital assets, net of accumulated depreciation	9,379,266	4,564,804
Total Assets	<u>9,681,686</u>	<u>4,776,181</u>
Liabilities		
Long-term liabilities outstanding	1,702,382	985,230
Other liabilities	586,288	117,794
Total Liabilities	<u>2,288,670</u>	<u>1,103,024</u>
Net Position		
Net investments in capital assets	7,552,320	3,222,598
Unrestricted	(159,304)	450,559
Total Net Position	<u>\$ 7,393,016</u>	<u>\$ 3,673,157</u>

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 Prado Water & Sanitation District
Management's Discussion and Analysis
June 30, 2014

As of June 30, 2014, El Prado had current and other assets of \$302,420, an increase of \$91,043 over the prior year balance of \$211,377.

Changes in Net Position

	2014 Business-type Activities	2013 Business-type Activities
Revenues		
Operation revenues:		
Charges for services	\$ 256,167	\$ 261,473
Gross Receipt Tax	29,402	32,874
Miscellaneous	49,191	23,846
Non-operating revenues:		
Property taxes	136,221	100,237
Intergovernmental	100,000	619,641
Interest income	101	101
Total revenues	<u>571,082</u>	<u>1,038,172</u>
Expenses		
Administration fees	(1,792)	4,687
Advertising	2,128	1,549
Books, dues & registration	2,584	1,418
Debt Service Interest	20,886	-
Depreciation	153,940	-
Capital Outlay	50,000	-
Employee salaries	104,601	73,932
Field supplies	-	3,873
Insurance	9,103	11,140
Legal fees	-	10,900
Mileage and per diem	3,040	8,486
Miscellaneous expense	-	1,013
Office expenses	9,066	21,348
Other contractual services	189,895	57,032
Payroll related expenses	29,903	56,219
Postage & freight	-	138
Rent	2,418	-
Repair & maintenance	5,035	714,890
Service fees	-	11,082
Utilities	29,515	6,089
Water System Expense	25,914	-
Sewer System Expense	31,006	-
Total expenses	<u>667,242</u>	<u>983,796</u>
Increase (Decrease) in Net Position	(96,160)	54,376
Net Position, beginning of year restated	\$7,489,176	\$3,618,781
Ending Net Position	<u><u>\$7,393,016</u></u>	<u><u>\$3,673,157</u></u>

El Prado Water & Sanitation District
Management's Discussion and Analysis
June 30, 2014

Long term liabilities increased by \$717,152. Other liabilities increased by 468,494, with an ending balance of \$586,288. At June 30, 2014, the Net Position of El Prado Water and Sanitation District totaled \$7,393,016 which was the result of a prior period adjustment to add on capital assets totaling \$3,816,019 from the prior year Net Position of \$3,673,157.

Revenues for the year ending June 30, 2014 were less than the prior year by \$467,090. The main area of decrease was intergovernmental revenues, which decreased by \$519,641. Total expenditures decreased by \$360,381, which includes \$153,940 of depreciation expense.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUND

As noted earlier, El Prado Water & Sanitation District uses fund accounting to ensure and demonstrate 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 Prado Water and Sanitation District 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 did not change.

Capital Asset and Debt Administration

Capital assets. El Prado Water & Sanitation District's capital assets for its governmental and business-type activities as of June 30, 2014 amount to \$9,379,266 (net of accumulated depreciation). Capital assets include land, water rights, building & building improvements, furniture, fixture & equipment and utility plant in service.

**El Prado Water & Sanitation District
Management's Discussion and Analysis**

June 30, 2014

Capital Assets, Net of Accumulated Depreciation
June 30, 2014 and 2013

	<u>2014 Business-type</u>	<u>2013 Business-type</u>
Land	\$ 1,016,062	\$ -
Water Rights	2,137,657	-
Building & Building Improvements	1,312,646	-
Equipment, Furniture & fixtures & Vehicles	188,705	-
Utility plant in service	<u>6,418,696</u>	<u>5,844,467</u>
Total capital assets	11,073,766	5,844,467
Accumulated Depreciation	<u>(1,694,500)</u>	<u>(1,279,663)</u>
Capital assets, net of accumulated depreciation	<u>\$ 9,379,266</u>	<u>\$ 4,564,804</u>

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date. See Note 6 on page 36 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 \$1,826,946. The debt consists of twelve loans payable.

	2014 Business -type	2013 Business-type
USDA 4.25% (A)	\$ 222,130	\$ 225,629
USDA 4.25% (B)	45,570	46,213
NMFA Loan 0% (C)	40,840	45,888
NMFA Loan 0% (H)	30,756	34,557
Centinel (D) Feb 2007, 6.25%	500,000	238,103
NMFA-WTB Loan 0% (E) June 2007	30,867	33,398
NMFA Loan 0%	286,999	307,117
NMFA Loan 0%	134,364	143,143
Promissory Note- Coppler Law Firm 3%	172,042	-
Promissory Note- Anthanor LLC 5%	63,150	-
Ally Bank-Vehicle 5.99%	13,908	-
Promissory Note- Weimer Properties 5%	<u>286,320</u>	<u>-</u>
	<u>\$ 1,826,946</u>	<u>1,074,048</u>

See note 7 on pages 37-41 in the accompanying Notes to the Financial Statements for further information regarding El Prado Water & Sanitation District's long-term debt.

El Prado Water & Sanitation District
Management's Discussion and Analysis
June 30, 2014

FUTURE TRENDS

The District has fully expended all grants from the State of New Mexico by the end of FY 2013-2014.

The El Prado Water and Sanitation District Board of Directors and its staff continue to dedicate themselves to the citizens of the El Prado Community 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 and hopes that the mil levy will eventually be something of the past.

In addition we pledge to continually have the community's best interest at heart while expanding our water and sewer services at the lowest cost for our customers.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of El Prado 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 Christine Martinez, General Manager, El Prado Water & Sanitation District, P.O. Box 1110, El Prado, NM 87529.

BASIC FINANCIAL STATEMENTS

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

Exhibit A-1

ASSETS

Current assets:

Cash and cash equivalents	\$ 206,805
Investments- Certificate of Deposit	34,654
Accounts receivable-customers	48,644
Accounts receivable-property taxes	7,320
Accounts receivable-grants	-
Accounts receivable-gross receipts taxes	2,158
Prepaid expenses	2,839
Total current assets	302,420

Capital assets:

Land	1,016,062
Water Rights	2,137,657
Building & Building Improvements	1,312,646
Equipment, Furnitures & Fixtures, & Vehicles	188,705
Utility plant in service	6,418,696
Less accumulated depreciation	(1,694,500)
Net capital assets	9,379,266

Total Assets	\$ 9,681,686
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LIABILITIES

Current liabilities:

Accounts payable	\$ 446,381
Accrued interest	3,615
Accrued liabilities	5,935
Accrued compensated absences	656
Current portion of long-term debt	129,701
Total Current Liabilities	586,288

Non-current liabilities:

Accrued compensated absences	5,137
Notes payable	476,343
Bonds payable	1,220,902
Total long-term liabilities	1,702,382

Total liabilities	2,288,670
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NET POSITION

Net Investment in Capital Assets	7,552,320
Unrestricted	(159,304)

Total net position	7,393,016
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Liabilities and Net Position	\$ 9,681,686
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STATE OF NEW MEXICO
El Prado
Water and Sanitation District
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2014

Exhibit A-2

Operating revenues:	
Commercial Fees	\$ 135,437
Residential Fees	120,730
<i>Total operating revenues</i>	<u>256,167</u>
 Operating expenses:	
Advertising	2,128
Bank Fees	608
Capital Outlay	50,000
Debt Service Interest	20,886
Depreciation	153,940
Dues and Subscriptions	2,584
Insurance	9,103
Mil Levy Admin Fees	(2,400)
Office expenses	9,066
Office repairs & maintenance	5,035
Office Utilities	8,176
Other contractual services	189,895
Payroll	104,601
Payroll related expenses	29,903
Rent Expense	2,418
Sewer System Expense	31,006
System Utilities	21,339
Vehicle Expense	3,040
Water System Expense	25,914
<i>Total operating expenses</i>	<u>667,242</u>
 <i>Operating income (loss)</i>	 (411,075)
 Non-operating revenues:	
Mil Levy Taxes	136,221
Gross Receipts tax revenues	29,402
Rental Income	38,231
Miscellaneous	10,960
State Capital Outlay Grant	50,000
Private Grants	50,000
Interest income	101
 Non-operating revenue	 <u>314,915</u>
 Net Income (Loss)	 (96,160)
 Net Position, beginning of year	 3,673,157
Restatement for capital assets	3,816,019
Net Position, restated	<u>7,489,176</u>
 Net Position, at end of year	 <u><u>\$ 7,393,016</u></u>

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El Prado Water and Sanitation District
Statement of Cash Flows
For the Year Ended June 30, 2014

Cash flows from operating activities:		
Cash received from customers	\$ 256,167	
Other Revenues	\$ 314,915	
Cash paid to suppliers and employees	<u>(75,404)</u>	
Net cash flows provided by operating activities		<u>\$ 495,678</u>
Cash flows from investing activities:		
Increase in capital assets	<u>(1,152,383)</u>	
Net cash flows used by investing activities		<u>(1,152,383)</u>
Cash flows from financing activities:		
Principal Pmts on LTD	(240,192)	
Issuance of long-term debt	<u>993,090</u>	
Net cash flows provided by financing activities		<u>752,898</u>
Net decrease in cash and cash equivalents		96,193
Cash and cash equivalents, beginning of year		<u>145,266</u>
Cash and cash equivalents, end of year		<u><u>\$ 241,459</u></u>
Reconciliation of change in net position to net cash provided by operating activities:		
Operating income (loss)		\$ (411,075)
Adjustment to reconcile change in net income to net cash provided by operating activities:		
Depreciation		153,940
Intergovernmental grants		100,000
Property Taxes		136,221
Gross Receipts		29,402
Rental Income		49,191
Interest Income		101
(Decrease) Increase in:		
Accounts receivable		7,793
Prepaid expenses		(2,643)
Increase (Decrease) in:		
Accounts payable		426,350
Accrued expenses		<u>6,398</u>
Net cash provided by operating activities		<u><u>\$ 495,678</u></u>

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STATE OF NEW MEXICO
El Prado Water & Sanitation District
Enterprise Fund
Statement of Revenues and Expenditures
Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	(Unfavorable) Final to Actual
<i>Revenues:</i>				
Commercial Fees	\$ 154,000	\$ 154,000	\$ 135,437	\$ (18,563)
Residential Fees	136,000	136,000	120,730	(15,270)
<i>Total revenues</i>	<u>290,000</u>	<u>290,000</u>	<u>256,167</u>	<u>(33,833)</u>
<i>Expenditures:</i>				
Current:				
Advertising	2,050	2,050	2,128	(78)
Bank Charges/Fees	158	158	608	(450)
Capital Outlay	50,000	50,000	50,000	-
Debt Service Interest	28,000	28,000	20,886	7,114
Depreciation Expense	200,000	200,000	153,940	46,060
Dues & Subscriptions	3,500	3,500	2,584	916
Insurance	12,450	12,450	9,103	3,347
Miscellaneous	500	500	(2,400)	2,900
Office Expenses	9,800	9,800	9,066	734
Office Maintenance	6,000	6,000	5,035	965
Office Utilities	9,900	9,900	8,176	1,724
Other Contractual Services	106,350	106,350	189,895	(83,545)
Payroll Expenses	152,100	152,100	134,504	17,596
Rental Expenses	-	-	2,418	(2,418)
Sewer System Expense	59,000	59,000	31,006	27,994
System Utilities	10,650	10,650	21,339	(10,689)
Vehicle Expenses	8,000	8,000	3,040	4,960
Water System Expense	9,900	9,900	25,914	(16,014)
<i>Total expenditures</i>	<u>668,358</u>	<u>668,358</u>	<u>667,242</u>	<u>1,116</u>
Operating income	<u>(378,358)</u>	<u>(378,358)</u>	<u>(411,075)</u>	<u>(32,717)</u>
<i>Non-operating revenues:</i>				
Mil Levy	117,000	117,000	136,221	19,221
Gross Receipts	35,000	35,000	29,402	(5,598)
Rent	35,550	35,550	38,231	2,681
Miscellaneous	-	-	10,960	10,960
Finance Charges	-	-	-	-
State Grants	50,000	50,000	50,000	-
Private Grants	-	-	50,000	50,000
Interest income	110	110	101	(9)
Non-operating income	<u>237,660</u>	<u>237,660</u>	<u>314,915</u>	<u>77,255</u>
Change in Net Position (GAAP basis)	<u>\$ (140,698)</u>	<u>\$ (140,698)</u>	<u>\$ (96,160)</u>	<u>\$ 44,538</u>

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STATE OF NEW MEXICO
EL PRADO WATER & SANITATION DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

El Prado 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 on August 12, 1981.

The District is engaged in the development of a water and sanitation district for the El Prado area in Northern New Mexico. The District serves approximately 386 units, providing drinking water and sewer services to the local people in the rural, non-Indian communities of Taos County.

The Board consists of five members elected by the qualified voters for six 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 Prado 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 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:

STATE OF NEW MEXICO
EL PRADO WATER & SANITATION DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

A. Reporting Entity (continued)

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

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 Prado Water & Sanitation District did not have any component units during the fiscal year ended June 30, 2014.

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*.

STATE OF NEW MEXICO
EL PRADO WATER & SANITATION DISTRICT
Notes to Financial Statements
June 30, 2014

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 and 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

STATE OF NEW MEXICO
EL PRADO WATER & SANITATION DISTRICT
Notes to Financial Statements
June 30, 2014

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

ongoing operations. The principal operating revenue of the District's enterprise fund is charged 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.

D. 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, 2014 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.

STATE OF NEW MEXICO
EL PRADO WATER & SANITATION DISTRICT
 Notes to Financial Statements
 June 30, 2014

D. Assets, Liabilities and Net Position or Equity, continued

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>
Buildings and Improvements	40
Land Improvements	40
Furniture & Equipment	7
Utility Plant in Service	40

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. Upon termination, employees will be paid for accrued annual leave up to 240 hours, 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 PRADO WATER & SANITATION DISTRICT
Notes to Financial Statements
June 30, 2014

E. 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 District pays an annual premium for all of the above risks. There have been no claims for the past five years.

F. Advertising

Advertising costs are expenses as incurred. Advertising costs for the year ended June 30, 2014 were \$2,128.

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 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.

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 one way. 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 PRADO WATER & SANITATION DISTRICT
Notes to Financial Statements
June 30, 2014

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, 2014.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or 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 Prado Water & Sanitation District at June 30, 2014, 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 PRADO WATER & SANITATION DISTRICT
Notes to Financial Statements
June 30, 2014

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>Centinel Bank</u>	<u>US Bank</u>
Total amounts of deposits	\$ 130,696	120,004
FDIC coverage	(130,696)	(120,004)
Total uninsured public funds	<u>\$ -</u>	<u>-</u>
Collateral requirement (50% of uninsured public funds)	\$ -	\$ -
Pledged Collateral held by pledging bank's trust department or agent but not in the agency's name	<u>-</u>	<u>-</u>
Total under (over) collateralized	<u>\$ -</u>	<u>\$ -</u>
Custodial credit risk-Uninsured deposits	<u>\$ -</u>	<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, 2014, none of the District's bank balance of \$250,700 was exposed to custodial credit risk because none was uninsured due to FDIC coverage. At June 30, 2014, the carrying amount of these deposits was \$241,459 as shown on the next page.

Investments

As of June 30, 2014, 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>
Certificate of Deposit	\$ 34,654	\$ 34,654

STATE OF NEW MEXICO
EL PRADO WATER & SANITATION DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 3. DEPOSITS AND INVESTMENTS, continued

Reconciliation of Cash and Temporary Investments	
Business-type funds - Balance Sheet	
Cash and cash equivalents per Exhibit A-1	\$ 241,459
Add outstanding checks and other reconciling items	9,441
	250,900
Less petty cash	(200)
	\$ 250,700

NOTE 4. RECEIVABLES

Receivables as of June 30, 2014, are as follows:

Property taxes	\$ 7,320
Customer Receivables	48,644
Gross Receipts Taxes Receivables	2,158
	58,122
Total	58,122

The above receivables are deemed 100% collectible.

NOTE 5. PREPAID EXPENSES

The District has insurance policies that are paid in advance and are expensed monthly. There was \$2,839 of prepaid insurance at June 30, 2014.

STATE OF NEW MEXICO
EL PRADO WATER & SANITATION DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 6. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	2013 Balance	Additions/ Adjustments	Deletions	2014 Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Land	\$ -	\$ 1,016,062	\$ -	\$ 1,016,062
Water	-	2,137,657	-	2,137,657
Building & Building Improvements	-	1,312,646	-	1,312,646
Equipment, Furniture, Fixtures & Vehicles	-	188,705	-	188,705
Utility plant in service	5,844,467	574,229	-	6,418,696
Total Capital Assets	<u>5,844,467</u>	<u>5,229,299</u>	<u>-</u>	<u>11,073,766</u>
Less accumulated depreciation				
Building & Building Improvements	-	(43,272)	-	(43,272)
Equipment, Furniture, Fixtures & Vehicles	-	(33,928)	-	(33,928)
Utility plant in service	(1,279,663)	(337,637)	-	(1,617,300)
Total Accumulated Depreciaton	<u>(1,279,663)</u>	<u>(414,837)</u>	<u>-</u>	<u>(1,694,500)</u>
Total capital assets, net	<u>\$ 4,564,804</u>	<u>4,814,462</u>	<u>\$ -</u>	<u>\$ 9,379,266</u>

The District recorded the following depreciation expense for the year ended June 30, 2014.

Building & Building Improvements	\$ 32,816
Equipment, Furniture, Fixtures & Vehicles	8,027
Utility plant in service	113,097
Total Depreciation Expense	<u>\$ 153,940</u>

STATE OF NEW MEXICO
EL PRADO WATER & SANITATION DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 7. LONG-TERM DEBT

During the year ended June 30, 2014, the following changes occurred in the liabilities reported in the government-wide statement of Net Position:

	Balance	Additions	Retirements	Balance	Current Due
USDA/RUS 4.25%	\$ 46,213	\$ -	\$ 643	\$ 45,570	\$ 671
USDA/RUS 4.25%	225,629	-	3,499	222,130	3,650
NMFA Loan 0%	45,888	-	5,048	40,840	5,060
NMFA Loan 0%	34,557	-	3,801	30,756	3,811
Centinel Bank 6.25%	238,103	261,897	-	500,000	25,926
NMFA-WTB Loan 0%	33,398	-	2,531	30,867	2,537
NMFA-WTB Loan 0%	307,117	-	20,118	286,999	20,168
NMFA WTB Loan 0%	143,143	-	8,779	134,364	8,801
Promissory Note- Coppler Law Firm 3%	-	296,766	124,724	172,042	13,107
Promissory Note- Athanor LLC	-	84,200	21,050	63,150	21,050
Promissory Note Perovich 6%	-	50,000	50,000	-	-
Ally Bank-Suzuki Truck	-	13,908	-	13,908	2,156
Promissory Note- Weimer Prop	-	286,320	-	286,320	22,764
Total Long-Term Debt	\$ 1,074,048	\$ 993,091	\$ 240,193	\$ 1,826,946	\$ 129,701

The annual requirements to amortize the USDA/RUS, 4.25% as of June 30, 2014, including interest payments are as follows:

Fiscal Year	Principal	Interest	Total
2015	671	1,931	2,602
2016	700	1,902	2,602
2017	730	1,872	2,602
2018	762	1,840	2,602
2019	795	1,807	2,602
2020-2024	4,520	8,488	13,008
2025-2029	5,589	7,420	13,009
2030-2034	6,909	6,100	13,009
2035-2039	8,542	4,465	13,007
2040-2044	10,561	2,448	13,009
2045-2049	5,791	321	6,112
Total	\$ 45,570	\$ 38,594	\$ 84,164

STATE OF NEW MEXICO
EL PRADO WATER & SANITATION DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 7. LONG-TERM DEBT, continued

The annual requirements to amortize the USDA/RUS, 4.25% as of June 30, 2014, including interest payments are as follows:

Fiscal Year	Principal	Interest	Total
2015	\$ 3,650	\$ 9,359	\$ 13,009
2016	3,808	9,201	13,009
2017	3,973	9,035	13,008
2018	4,145	8,863	13,008
2019	4,325	8,684	13,009
2020-2024	24,654	40,440	65,094
2025-2029	30,418	34,625	65,043
2030-2034	37,607	27,438	65,045
2035-2039	46,493	18,551	65,044
2040-2044	57,478	7,564	65,042
2045-2049	5,580	57	5,637
Total	\$ 222,131	\$ 173,817	\$ 395,948

The annual requirements to amortize the NMFA, 0% as of June 30, 2014, including admin fees are as follows:

Fiscal Year	Principal	Admin Fee	Total
2015	\$ 5,060	\$ 102	\$ 5,162
2016	5,073	89	5,162
2017	5,086	77	5,163
2018	5,099	64	5,163
2019	5,111	51	5,162
2020-2024	15,411	77	15,488
Total	\$ 40,840	\$ 460	\$ 41,300

The annual requirements to amortize the NMFA, 0% as of June 30, 2014, including admin fees are as follows:

Fiscal Year	Principal	Admin Fee	Total
2014	\$ 3,811	\$ 67	\$ 3,878
2015	3,820	58	3,878
2016	3,830	48	3,878
2017	3,840	39	3,879
2018	3,849	29	3,878
2019-2023	11,606	58	11,664
Total	\$ 30,756	\$ 299	\$ 31,055

STATE OF NEW MEXICO
EL PRADO WATER & SANITATION DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 7. LONG-TERM DEBT, continued

The annual requirements to amortize the Centinel Bank, 6.25% as of June 30, 2014, including interest payments are as follows:

Fiscal Year	Principal	Interest	Total
2015	\$ 25,926	\$ 31,684	\$ 57,610
2016	27,568	30,041	57,609
2017	29,238	28,372	57,610
2018	31,168	26,441	57,610
2019	33,143	24,466	57,609
2020-2024	189,944	88,103	278,047
2025-2029	163,013	19,818	182,831
Total	<u>\$ 500,000</u>	<u>\$ 248,925</u>	<u>\$ 748,926</u>

The annual requirements to amortize the NMFA- Water Trust Board Loan, 0%, as of June 30, 2014 are as follows:

Fiscal Year	Principal
2015	\$ 2,537
2016	2,543
2017	2,550
2018	2,556
2019	2,563
2020-2024	12,909
2025-2029	5,209
Total	<u>\$ 30,867</u>

The annual requirements to amortize the NMFA Loan, 0%, as of June 30, 2014 are as follows:

Fiscal Year	Principal
2015	\$ 20,168
2016	20,219
2017	20,270
2018	20,320
2019	20,371
2020-2024	102,624
2025-2029	83,027
Total	<u>\$ 286,999</u>

STATE OF NEW MEXICO
EL PRADO WATER & SANITATION DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 7. LONG-TERM DEBT, continued

The annual requirements to amortize the NMFA- Water Trust Board Loan, 0%, as of June 30, 2014 are as follows:

Fiscal Year		Principal
2015	\$	8,801
2016		8,824
2017		8,846
2018		8,868
2019		8,890
2020-2024		44,785
2025-2029		45,350
Total	\$	134,364

The annual requirements to amortize the Promissory Note- Coppler Law Firm, 3% as of June 30, 2014, including interest and payments are as follows:

Fiscal Year		Principal		Interest		Total
2015	\$	13,107	\$	2,893	\$	16,000
2016		19,499		4,501		24,000
2017		20,092		3,908		24,000
2018		20,703		3,297		24,000
2019		21,332		2,668		24,000
2020-2024		77,309		4,094		81,403
Total	\$	172,042	\$	21,361	\$	193,403

The annual requirements to amortize the Promissory Note- Athanor LLC, 5% as of June 30, 2014, including interest and payments are as follows:

Fiscal Year		Principal		Interest		Total
2015	\$	21,050	\$	3,158	\$	24,208
2016		21,050		2,105		23,155
2017		21,050		1,053		22,103
Total	\$	63,150	\$	6,316	\$	69,466

STATE OF NEW MEXICO
EL PRADO WATER & SANITATION DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 7. LONG-TERM DEBT, continued

The annual requirements to amortize the Suzuki Truck note- Ally Bank, 5.99%, as of June 30, 2014 are as follows:

Fiscal Year	Principal	Interest	Total
2015	\$ 2,249	\$ 708	\$ 2,957
2016	2,598	628	3,226
2017	2,758	468	3,226
2018	2,928	298	3,226
2019	3,375	119	3,495
Total	\$ <u>13,908</u>	\$ <u>2,221</u>	\$ <u>16,130</u>

The annual requirements to amortize the Promissory Note-Weimer Properties, 5% as of June 30, 2014, including interest and payments are as follows:

Fiscal Year	Principal	Interest	Total
2015	\$ 22,764	\$ 14,316	\$ 37,080
2016	23,902	13,178	37,080
2017	25,097	11,983	37,080
2018	214,557	10,728	225,285
Total	\$ <u>286,320</u>	\$ <u>50,205</u>	\$ <u>336,525</u>

STATE OF NEW MEXICO
EL PRADO WATER & SANITATION DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 8. 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 9. 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 10. 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 11. PENSION PLAN- PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description. Substantially all of El Prado Water and Sanitation District's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public 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 benefits, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 10.65% of gross salary. El Prado Water and Sanitation District is required to contribute 9.15% of the gross covered salary. The contribution requirements of plan members and the El Prado Water and Sanitation District are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to PERA for the year ended June 30, 2014, 2013 and 2012 were \$6,514, \$8,072, and \$5,485 respectively.

NOTE 12. 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 PRADO WATER & SANITATION DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 13. 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 Prado Water & Sanitation District and the Town of Taos

Responsibility Party for Operation and Audit

None

Beginning and Ending Date of Agreement

Operating month to month until new operating agreement reached.

Total Estimated Amount of Project and Actual Amount Contributed

Unknown

NOTE 14. FEDERAL AND STATE GRANTS

In the normal course of operations, the District receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

NOTE 15. RELATED PARTY TRANSACTIONS

The District paid \$2,785 in maintenance and repair costs to Painter Construction which is owned by John Painter.

NOTE 16. RESTATEMENT OF NET POSITION

Prior to 2014, the District did not have a complete listing of capital assets to depreciate and had received a modified audit report with regard to capital assets and related debt. During the fiscal year, the District compiled a complete listing and calculated the depreciation for all capital assets. The adjustment to add the capital assets and accumulated depreciation is as follows:

Net Position, beginning of year	\$	3,673,157
Restatement for capital assets		3,816,019
Net Position, beginning of year, restated	\$	7,489,176

STATE OF NEW MEXICO
EL PRADO WATER & SANITATION DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 17. SUBSEQUENT ACCOUNTING STANDARDS PRONOUNCEMENTS

Statement No. 67, Financial Reporting for Pension Plans. This statement also amends Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trust or equivalent arrangements. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered plans that provide postemployment benefits other than pensions. This Statement is effective for financial statements for the fiscal years beginning after June 15, 2013 with earlier application encouraged. The District has reviewed the statement and has determined that this does not apply to the District.

Statement No. 68, Accounting and Financial Reporting for Pensions. The statement replaces the requirements of GASBS 27, Accounting for Pensions by State and Local Governmental Employers, and the requirements of GASBS 50 Pension Disclosures, as they related to pensions that are provided through pension plans administered as trusts. The requirements of Statements 27 and 50 remain applicable for pensions that are covered by GASBS 68. This statement is effective for financial statements for fiscal years beginning after June 15, 2014. The District is reviewing the effects of the implementation of this statement.

Statement No. 69, Government Combinations and Disposals of Government Operations. This statement establishes accounting and financial reporting standards related to government mergers, acquisitions, and transfers of operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013 and should be applied on a prospective basis. The District has reviewed the statement and has determined that this does not apply to the District.

Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. This statement establishes accounting and financial reporting standards for financial guarantees that are nonexchange transactions extended or received by a state or local government. A nonexchange financial guarantee is a guarantee of an obligation of a legally separate entity or individual, including a blended or discretely presented component unit, which requires the guarantor to indemnify a third-party obligation holder under specified conditions. This statement is effective for financial statements for reporting periods beginning after June 15, 2013. The District has reviewed the statement and has determined that this does not apply to the District.

NOTE 18. SUBSEQUENT EVENTS REVIEW

El Prado Water & Sanitation District has evaluated subsequent events through August 6, 2014, which is the date the financial statements were dated and had nothing to disclose.

SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO
EL PRADO WATER & SANITATION DISTRICT
 Schedule of Collateral Pledged by Depository
 June 30, 2014

Schedule I

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Fair/Par Market Value June 30, 2014</u>	<u>Name and Location of Safekeeper</u>
Centinel Bank	No Pledged Collateral adequate FDIC coverage	\$ -	
		<u>\$ -</u>	

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STATE OF NEW MEXICO
EL PRADO WATER & SANITATION DISTRICT
 Schedule of Deposits and Investments
 June 30, 2014

Schedule II

<u>Bank Account Type/Name</u>	<u>Centinel Bank</u>	<u>US Bank</u>	<u>Totals</u>
Checking-non interest bearing	\$ 130,696	\$ 85,350	\$ 216,046
CD	-	34,654	34,654
Total On Deposit	<u>\$ 130,696</u>	<u>\$ 120,004</u>	\$ 250,700
Reconciling Items			(9,441)
Petty Cash			<u>200</u>
Reconciled Cash and Investments, June 30, 2014			<u>\$ 241,459</u>

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STATE OF NEW MEXICO
EL PRADO WATER & SANITATION DISTRICT
Cash Reconciliation
June 30, 2014

Schedule III

	<u>Centinel Bank</u>	<u>US Bank</u>	<u>Total</u>
Bank balance end of year	\$ 130,696	\$ 85,350	\$ 216,046
Deposits in transit	-	-	-
Outstanding checks	(9,441)	-	(9,441)
Cash, June 30, 2014	<u>\$ 121,255</u>	<u>\$ 85,350</u>	206,605
Petty Cash			200
Total Cash, June 30, 2014			<u>\$ 206,805</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*

Board of Directors
Hector Balderas
New Mexico State Auditor and
The Governing Board
El Prado Water & Sanitation District
El Prado, NM

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 and the budgetary comparison of the general fund of El Prado Water & Sanitation District as of and for the year ended June 30, 2014, and have issued our report thereon dated August 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered El Prado 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 Prado Water & Sanitation District's internal control. Accordingly, we do not express an opinion on the effectiveness of the El Prado 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 the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we did not identify certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether El Prado Water & Sanitation District 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 Prado 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 Prado Water & Sanitation District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Precision Accounting, LLC

Precision Accounting, LLC

Albuquerque, NM

August 6, 2014

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STATE OF NEW MEXICO
EL PRADO WATER & SANITATION DISTRICT
Schedule of Findings and Responses
For the Year Ended June 30, 2014

Schedule IV

Section I – Prior year findings:

FS-2006-004 (FS-2006-04) Reconciliation of Capital Asset Inventory-Cleared

FS 2011-01 General Ledger Disbursements- Cleared

FS-2013-01 Non-compliance with State Audit Rule-Cleared

Section II – Current year findings:

None

Note: For traceability purposes, the audit finding reference numbers reported in prior year audit reports are presented in brackets, and where applicable, have been renumbered to comply with reporting standards.

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STATE OF NEW MEXICO
EL PRADO WATER & SANITATION DISTRICT
Other Disclosures
For the Year Ended June 30, 2014

Schedule V

Section IV – Exit Conference

An exit conference was conducted on July 24, 2014, with the following individuals:

EL PRADO WATER & SANITATION DISTRICT

Telesfor R. Gonzales, Chairman

Christine Martinez, General Manager

John Painter, Member

Precision Accounting LLC

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

Mei Y. To, CPA

Joy S. Emmons, Staff Accountant

Michele Jaramillo, Staff Accountant

Section V – Financial Statements

El Prado Water and Sanitation District has the capability of understanding and accepting the responsibility for their GAAP-basis financial statements but has delegated the preparation of the financial statements to the auditors under the contract.