

**STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT**

Annual Financial Report  
For the Year Ended June 30, 2019

## **INTRODUCTORY SECTION**

STATE OF NEW MEXICO  
 EL PRADO WATER & SANITATION DISTRICT  
 Table of Contents  
 June 30, 2019

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Table of Contents	i
Official Roster	ii
 <b>FINANCIAL SECTION</b>	
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Statement of Net Position	9
Statement of Revenues, Expenses and Changes in Net Position	11
Statement of Cash Flows	12
Notes to the Financial Statements	13
 <b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of the District's Proportionate Share of the Net Pension Liability	34
Schedule of the District's Contributions	34
Notes to Required Supplementary Information	35
 <b>SUPPLEMENTAL INFORMATION</b>	
Statement of Revenues and Expenditures Budget and Actual (Non-GAAP Budgetary Basis) - Enterprise Fund	36
Schedule of Depositories	37
 <b>COMPLIANCE SECTION</b>	
Schedule of Expenditures of Federal Awards	38
Notes to the Schedule of Expenditures of Federal Awards	39
Independent Auditors' 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>	40
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	42
Summary Schedule of Findings and Questioned Costs	45
Schedule of Findings and Questioned Costs	46
 <b>OTHER DISCLOSURES</b>	
Exit Conference	48

STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Official Roster  
June 30, 2019

GOVERNING BOARD

Telesfor R. Gonzales	Chairman
Bernadine DeHerrera	Vice-Chair
Elaine Trujillo	Secretary/Treasurer
John S. Painter	Member
Trudy Abrams	Member

ADMINISTRATIVE OFFICIAL

Christine Dimas	General Manager
-----------------	-----------------

## **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

The Board of Directors of State of New Mexico El Prado Water & Sanitation District  
El Prado, New Mexico

and State Auditor Brian S. Colón Esq.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of State of New Mexico El Prado Water & Sanitation District (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of June 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **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 4-8, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of the District's Contributions on page 34, and the notes to the required supplementary information on page 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

### *Supplemental Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison and the other schedules required by 2.2.2 NMAC, as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

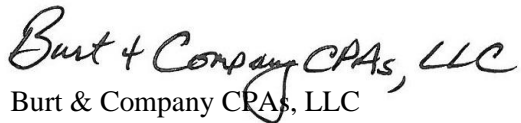
The schedule of expenditures of federal awards, budgetary comparison and the other schedules required by 2.2.2 NMAC, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, the budgetary comparison, and the other schedules required by 2.2.2

State of New Mexico El Prado Water & Sanitation District and  
Mr. Brian S. Colón, New Mexico State Auditor  
Page 3

NMAC, as listed in the table of contents, are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

  
Burt & Company CPAs, LLC

December 12, 2019



STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Management's Discussion and Analysis  
(Unaudited)  
June 30, 2019

As management of State of New Mexico 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 ending June 30, 2019. We encourage readers to consider the financial information presented here in conjunction with the financial statements and accompanying notes which follow this section.

Financial Highlights

The financial statements, which follow Management's Discussion and Analysis, provide those significant key financial highlights for fiscal year 2019 as follows:

- In the Statement of Net Position, the District's total net position as of June 30, 2019 amounted to \$10,897,013.
- The District's total net position increased by \$2,468,774.
- The District's total liabilities decreased by \$20,973 during the current year.

Overview of 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 are comprised of: 1) government-wide financial statements and 2) notes to the financial statements.

**Government-wide financial 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 fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**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.

STATE OF NEW MEXICO  
 EL PRADO WATER & SANITATION DISTRICT  
 Management's Discussion and Analysis (continued)  
 (Unaudited)  
 June 30, 2019

**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.

**Government-wide Financial Analysis**

Net position may serve over time as a useful indicator of a government's financial position. The District's assets and deferred outflows of resources exceeded liabilities and deferred inflow of resources by \$10,897,013 as of June 30, 2019.

The following table presents the condensed net position as of June 30, 2019:

	<b>2019 Business-</b>	<b>2018 Business-</b>
<b>Assets</b>	<b>type Activities</b>	<b>type Activities</b>
Current and other assets	\$ 519,611	606,875
Capital assets, net of accumulated depreciation	<u>12,945,568</u>	<u>10,427,533</u>
Total assets	13,465,179	11,034,408
Deferred outflows of resources	<u>67,398</u>	<u>56,851</u>
<b>Total Assets and Deferred Outflows</b>	<b>\$ <u>13,532,577</u></b>	<b><u>11,091,259</u></b>
<b>Liabilities</b>		
Current liabilities	\$ 225,017	182,764
Long-term liabilities outstanding	<u>2,400,722</u>	<u>2,463,948</u>
Total liabilities	2,625,739	2,646,712
Deferred inflows of resources	<u>9,825</u>	<u>16,308</u>
Total Liabilities and Deferred Inflows	2,635,564	2,663,020
<b>Net Position</b>		
Net investments in capital assets	10,822,426	8,205,262
Unrestricted	<u>74,587</u>	<u>222,977</u>
	<u>10,897,013</u>	<u>8,428,239</u>
Total liabilities, deferred inflows, and net position	<b>\$ <u>13,532,577</u></b>	<b><u>11,091,259</u></b>

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

As of June 30, 2019 the District had current and other assets of \$519,611, a decrease of \$87,264 from the prior year balance of \$606,875.

STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Management's Discussion and Analysis (continued)  
(Unaudited)  
June 30, 2019

**Changes in net position.** The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2019:

	<u>2019 Business-</u>	<u>2018 Business-</u>
<b>Revenues</b>	<b>type Activities</b>	<b>type Activities</b>
Operation revenues:		
Charges for service	\$ 295,942	360,343
Gross receipts tax	49,841	48,381
Miscellaneous	57,639	69,371
Non-operating revenues (expenses):		
Property taxes	166,087	157,814
Private income	18,912	56,138
Debt service interest	(88,498)	(90,651)
Debt service administrative costs	(897)	(1,004)
Intergovernmental	-	50,000
Interest income	180	227
<b>Total revenues and non-operating revenues</b>	<u>499,206</u>	<u>650,619</u>
<b>(expenses)</b>		
<b>Expenses</b>		
Advertising	1,476	1,472
Dues and registration	4,771	2,712
Depreciation	213,637	210,607
Employee salaries	139,792	128,561
Insurance	13,948	13,502
Miscellaneous fees	5,574	4,019
Mileage and per diem	1,769	1,934
Office expenses	6,512	6,103
Other contractual services	48,594	49,946
Payroll related expenses	62,944	54,308
Rent	1,926	3,228
Repair and maintenance	9,188	7,935
Utilities	26,117	26,625
Water system expense	3,403	5,204
Sewer system expense	37,607	36,650
<b>Total expenses</b>	<u>577,258</u>	<u>552,806</u>
<b>Capital contributions</b>		
Federal grant - Taos Abeyta Settlement	<u>2,546,826</u>	<u>212,332</u>
<b>Total capital contributions</b>	<u>2,546,826</u>	<u>212,332</u>
Increase in net position	2,468,774	310,145
Net position, beginning of year	<u>8,428,239</u>	<u>8,118,094</u>
Net position, end of year	<u>\$ 10,897,013</u>	<u>8,428,239</u>

STATE OF NEW MEXICO  
 EL PRADO WATER & SANITATION DISTRICT  
 Management's Discussion and Analysis (continued)  
 (Unaudited)  
 June 30, 2019

Long-term liabilities decreased by \$63,226. Current liabilities increased by \$42,253, with an ending balance of \$225,017. At June 30, 2019, the Net Position of the District totaled \$10,897,013 compared with the prior year Net Position of \$8,428,239.

Revenues for the year ending June 30, 2019 decreased from the prior year by \$151,413. Total expenses increased by \$24,452, which includes \$213,637 of depreciation expense.

**Financial Analysis of the District's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Proprietary Highlights.** 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 & 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.

**Capital Assets and Debt Administration**

**Capital Assets.** El Prado Water & Sanitation District's capital assets for its business-type activities as of June 30, 2019 amount to \$12,945,568 (net of accumulated depreciation). Capital assets as of June 30, 2019 and 2018 consist of:

	<u>2019 Business-</u>	<u>2018 Business-</u>
	<u>type Activities</u>	<u>type Activities</u>
Land	\$ 1,389,537	1,258,307
Construction in progress	2,726,476	286,628
Water rights	3,195,258	3,115,904
Building and building improvements	1,312,646	1,312,646
Equipment, furniture and fixtures, vehicles	279,146	240,898
Utility plant in service	<u>6,770,103</u>	<u>6,727,111</u>
<b>Total Capital assets</b>	<u>15,673,166</u>	<u>12,941,494</u>
Accumulated depreciation	<u>(2,727,598)</u>	<u>(2,513,961)</u>
<b>Capital assets, net of accumulated depreciation</b>	<u>\$ 12,945,568</u>	<u>10,427,533</u>

For financial statement presentation, all depreciable capital assets were depreciated from acquisition date. See the accompanying Notes to the Financial Statements for further information regarding capital assets.

STATE OF NEW MEXICO  
 EL PRADO WATER & SANITATION DISTRICT  
 Management's Discussion and Analysis (continued)  
 (Unaudited)  
 June 30, 2019

**Debt Administration.** At the end of the current fiscal year, the District had total long-term obligations outstanding of \$2,337,097, which consists of the following:

	<u>2019 Business-</u>	<u>2018 Business-</u>
	<u>type Activities</u>	<u>type Activities</u>
NMFA Loan 0% (WTR-3)	\$ 15,411	20,522
NMFA Loan 0% (WTR-4)	11,606	15,455
NMFA Loan 0% (WTR-8) June 2007	18,118	20,681
NMFA Loan 0% (WTR-9)	185,651	206,022
NMFA Loan 0% (WTR-11)	90,135	99,025
Promissory Note - Tennison 5%	200,750	215,000
US Bureau of Reclamation 3.046%	24,997	-
NM Bank & Trust Bond Payable 4.25%	1,780,833	1,850,417
Compensated absences	<u>9,596</u>	<u>7,430</u>
<b>Total long-term debt</b>	<b>\$ <u>2,337,097</u></b>	<b><u>2,434,552</u></b>

See the accompanying Notes for the Financial Statements for further information regarding the District's long-term debt.

**Future Trends**

The District has fully expended all grants from the State of New Mexico by the end of FY 2018-2019. The District is in the process of implementing Phase 1 of a federal grant for the construction of Mutual Benefit Projects under the Taos Pueblo Indian water rights settlement. The District has expended \$2,810,986 of the \$4,999,335 Phase 1 project funds through June 30, 2019. The District expects to complete Phase 1 of the federal grant in fiscal year June 30, 2020. Phase 2 is expected to begin in fiscal year June 30, 2020 and will be approximately \$10,545,687.

The District's 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 hope 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 State of New Mexico 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 information should be addressed to Christine Dimas, General Manager, El Prado Water & Sanitation District, P.O. Box 1110, El Prado, NM 87529.

STATE OF NEW MEXICO  
 EL PRADO WATER & SANITATION DISTRICT  
 Statement of Net Position  
 June 30, 2019

**ASSETS**

**Current assets:**

Cash and cash equivalents	\$	354,486
Investments - certificate of deposit		45,584
Accounts receivable - customers and tenant		53,324
Due from other governments - property taxes		26,653
Due from other governments - property taxes greater than one year old		31,568
Due from other governments - gross receipts taxes		4,334
Prepaid expenses		<u>3,662</u>
Total current assets		519,611

**Capital assets:**

Land		1,389,537
Construction in progress		2,726,476
Water rights		3,195,258
Building and building improvements		1,312,646
Equipment, furniture and fixtures, and vehicles		279,146
Utility plant in service		6,770,103
Less accumulated depreciation		<u>(2,727,598)</u>
Net capital assets		12,945,568

**Deferred outflows of resources - due to pensions**

67,398

**Total assets and deferred outflows of resources**

\$ 13,532,577

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

STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Statement of Net Position (continued)  
June 30, 2019

**LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**

**Current Liabilities:**

Accounts payable	\$	61,770
Accrued interest		15,331
Accrued payroll liabilities		6,040
Security deposit payable		1,800
Due to other governments		1,216
Current portion - compensated absences		7,955
Current portion - notes payable		56,322
Current portion - bonds payable		74,583
Total current liabilities		225,017

**Non-current liabilities:**

Compensated absences		1,641
Notes payable		490,346
Bonds payable		1,706,250
Net pension liability		202,485
Total long-term liabilities		2,400,722

**Total liabilities**

2,625,739

**Deferred inflows of resources - due to pensions**

9,825

**Total liabilities and deferred inflows of resources**

2,635,564

**Net position**

Net investment in capital assets - net of related debt		10,822,426
Unrestricted		74,587
<b>Total net position</b>		10,897,013

**Total liabilities, deferred inflows of resources and net position**

\$ 13,532,577

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

STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2019

<b>Operating revenues:</b>	
Commercial fees	\$ 129,412
Residential fees	<u>166,530</u>
<b>Total operating revenues</b>	<b>295,942</b>
<b>Expenditures:</b>	
Advertising	1,476
Bank fees	1,872
Depreciation	213,637
Dues and subscriptions	4,771
Insurance	13,948
Mil levy administrative fees	1,699
Office expenses	6,512
Office repairs & maintenance	9,188
Office utilities	7,204
Other contractual services	48,594
Payroll	139,792
Payroll related expenses	62,944
Postage	2,003
Rent expense	1,926
Sewer system expense	37,607
System utilities	18,913
Vehicle expense	1,769
Water system expense	<u>3,403</u>
<b>Total expenditures</b>	<b><u>577,258</u></b>
<b>Operating income (loss)</b>	<b>(281,316)</b>
<b>Non-operating revenues (expenditures):</b>	
Property taxes	166,087
Gross receipts tax revenues	49,841
Rental income	49,462
Miscellaneous	8,177
Private income	18,912
Debt service interest	(88,498)
Debt service administrative costs	(897)
Interest income	<u>180</u>
<b>Non-operating revenue</b>	<b><u>203,264</u></b>
<b>Income before contributions</b>	<b><u>(78,052)</u></b>
<b>Capital contributions:</b>	
Federal grant - Taos Abeyta Settlement	<u>2,546,826</u>
<b>Total capital contributions</b>	<b>2,546,826</b>
<b>Change in net position</b>	<b>2,468,774</b>
<b>Net position, beginning of year</b>	<u>8,428,239</u>
<b>Net position, end of year</b>	<b>\$ <u>10,897,013</u></b>

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



STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Statement of Cash Flows  
For the Year Ended June 30, 2019

<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 360,976	
Cash paid to employees and for employee benefits	(173,992)	
Cash paid to suppliers	(128,192)	
Cash received from others	<u>12,760</u>	
<b>Net cash flows used by operating activities</b>		<u>71,552</u>
<b>Cash flows from noncapital financing activities:</b>		
Cash received from collection of taxes	217,417	
Cash received from operating grants	18,912	
Payments on debt outstanding	<u>(7,463)</u>	
<b>Net cash flows provided by noncapital financing activities</b>		<u>228,866</u>
<b>Cash flows from capital and related financing activities:</b>		
Proceeds from capital grants	2,546,826	
Purchase and construction of capital assets	(2,702,501)	
Payments of principal and interest on debt	<u>(211,346)</u>	
<b>Net cash flows used by capital financing activities</b>		<u>(367,021)</u>
<b>Cash flows from investing activities:</b>		
Cash received from rental activities	<u>49,239</u>	
<b>Net cash flow provided by operating activities</b>		<u>49,239</u>
<b>Net decrease in cash and cash equivalents</b>		(17,364)
<b>Cash and cash equivalents, beginning of year</b>		<u>371,850</u>
<b>Cash and cash equivalents, end of year</b>	\$	<u><u>354,486</u></u>
<b>Reconciliation of change in operating income to net cash used by operating activities:</b>		
Operating income (loss)	\$	(281,316)
<b>Adjustment to reconcile change in operating income to net cash provided by operating activities:</b>		
Depreciation		213,637
(Decrease) increase in:		
Accounts receivable		65,034
Due from other governments		12,760
Prepaid expense		(803)
Deferred outflows		(10,547)
Increase (decrease) in:		
Accounts payable		33,496
Accrued expenses		1,891
Deferred inflows		(6,483)
Net pension liability		41,717
Accrued compensated absences		<u>2,166</u>
<b>Net cash used by operating activities</b>	\$	<u><u>71,552</u></u>

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

STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Notes to Financial Statements  
June 30, 2019

1. Summary of Significant Accounting Policies

State of New Mexico El Prado Water & Sanitation District (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 489 units, providing drinking water and sewer services to the local people in the rural, Native American 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 the 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.

STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Notes to Financial Statements  
June 30, 2019

1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity 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 District did not have any component units during the fiscal year ended June 30, 2019.

B. Business-Type Activities

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Revenues, Expenses, 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 Revenues, Expenses, and Changes in Net Position 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 Revenues, Expenses, and Changes in Net Position demonstrates the degree to which the direct expense of a given function or segment 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

STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Notes to Financial Statements  
June 30, 2019

1. Summary of Significant Accounting Policies (continued)

B. Business-Type Activities (continued)

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

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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

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 (total net position) is segregated into net investment in capital assets and unrestricted 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.

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.

STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Notes to Financial Statements  
June 30, 2019

1. Summary of Significant Accounting Policies (continued)

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

The 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 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, Cash Equivalent 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, 2019 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 the proprietary financial statements.

**Capital Assets:** Capital assets, which include property, plant, computer software, and equipment, are reported in the applicable proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 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.

STATE OF NEW MEXICO  
 EL PRADO WATER & SANITATION DISTRICT  
 Notes to Financial Statements  
 June 30, 2019

1. Summary of Significant Accounting Policies (continued)

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset 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>
Buildings and Improvements	40
Land Improvements	40
Furniture & Equipment	5-25
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 Statement of Net Position.

**Long-term Obligations:** In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Statement of Net Position. Bond premiums and discounts, 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:** The District's net position is classified as follows:

**Net Investment in Capital Assets:** This represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of investment in capital assets, net of related debt.

STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Notes to Financial Statements  
June 30, 2019

1. Summary of Significant Accounting Policies (continued)

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

***Unrestricted Net Position:*** Unrestricted net position represent resources derived from water and sanitation revenues. These resources are used for general operations of the District and may be used at the discretion of the Governing Board to meet current expenses for any purposes.

E. 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.

F. 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.

G. Risk Management

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

H. Advertising

Advertising costs are expenses as incurred. Advertising costs for the year ended June 30, 2019 were \$1,476.

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.

STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Notes to Financial Statements  
June 30, 2019

2. Stewardship, Compliance, and Accountability (continued)

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 expenditures 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 the Board of Director's 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 approve 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.

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, 2019.

Deposits of funds may be made in interest or non-interest bearing 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.



STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Notes to Financial Statements  
June 30, 2019

3. Deposits and Investments (continued)

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 of New Mexico 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.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owed 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 the District at June 30, 2019, were in certificate of deposit, 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 maturity of less than one year.

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

**Deposits**

	US Bank	Centinel Bank of Taos	New Mexico Bank & Trust	TOTAL
Total amounts of deposits	\$ 90,343	165,672	99,529	355,544
FDIC coverage	<u>(90,343)</u>	<u>(165,672)</u>	<u>(99,529)</u>	<u>(355,544)</u>
Total uninsured public funds	-	-	-	-
Collateral requirement (50% of uninsured public funds)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Custodial credit risk- Uninsured deposits	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

*Custodial Credit Risk – Bank.* 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. As of June 30, 2019, \$0 of the District's cash bank balances of \$355,544 were exposed to custodial credit risk.

STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Notes to Financial Statements  
June 30, 2019

3. Deposits and Investments (continued)

**Investments**

As of June 30, 2019, the District had the following investments and maturities:

Investment Type	Fair value	Investment maturities less than 1 year
Certificate of deposit	\$ 45,584	45,584
<b>Reconciliation of Cash and Temporary Investments</b>		
Cash and cash equivalents	\$	355,544
Certificate of deposit		45,584
Total cash and cash equivalents		401,128
Less outstanding checks and other reconciling items		(1,258)
Plus petty cash		200
Cash and cash equivalents per Statement of Net Position	\$	400,070

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that in the event of counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District does not have an investment policy for custodial credit risk. The District’s investments are in certificates of deposits. The custodial credit risk for the certificates of deposits is contemplated in *Custodial Credit Risk – Bank*.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2019:

- Certificates of Deposit \$45,584 are valued using cost which approximates market price (Level 1 inputs).

4. Receivables

Receivables as of June 30, 2019, are as follows:

Customer and tenant receivables	\$ 53,324
Total	\$ 53,324

STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Notes to Financial Statements  
June 30, 2019

4. Receivables (continued)

The District has long-term customer receivables in the amount of \$17,370 for which liens have been placed on the respective properties. The above receivables are deemed 100% collectible.

5. Due From Other Governments

Due from other governments as of June 30, 2019, is as follows:

Property taxes	\$	26,653
Property taxes greater than 1 year old		31,568
Gross receipts taxes		4,334
 Total	 \$	 <u>62,555</u>

6. Prepaid Expenses

The District has insurance policies that are paid in advance and are expended monthly. There was \$3,662 of prepaid insurance at June 30, 2019.

7. Capital Assets

A summary of changes in capital assets is as follows:

	Balance			Balance
	June 30, 2018	Additions	Deletions	June 30, 2019
Land	\$ 1,258,307	126,033	-	1,384,340
Construction in progress	286,628	2,445,045	-	2,731,673
Water rights	3,115,904	79,354	-	3,195,258
Building and building improvements	1,312,646	-	-	1,312,646
Equipment, furniture, fixtures, vehicles	240,898	38,248	-	279,146
Utility plant in service	6,727,111	42,992	-	6,770,103
Total capital assets	12,941,494	2,731,672	-	15,673,166
 Less accumulated depreciation				
Building and building improvements	(174,484)	(32,816)	-	(207,300)
Equipment, furniture, fixtures, vehicles	(62,669)	(7,254)	-	(69,923)
Utility plant in service	(2,276,808)	(173,567)	-	(2,450,375)
Total accumulated depreciation	(2,513,961)	(213,637)	-	(2,727,598)
 Total capital assets, net	\$ 10,427,533	2,518,035	-	12,945,568

STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Notes to Financial Statements  
June 30, 2019

7. Capital Assets (continued)

The District recorded the following depreciation expense for the year ended June 30, 2019:

Building and building improvements	\$	32,816
Equipment, furniture, fixtures, vehicles		7,254
Utility plant in service		<u>173,567</u>
Total depreciation expense	\$	<u><u>213,637</u></u>

8. Long-term Debt

During the year ended June 30, 2019, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due within one year
<b>Notes Payable</b>					
NMFA Loan 0% (WTR-3)	\$ 20,522	-	5,111	15,411	5,124
NMFA Loan 0% (WTR-4)	15,455	-	3,849	11,606	3,859
NMFA Loan 0% (WTR-8)	20,681	-	2,563	18,118	2,569
NMFA Loan 0% (WTR-9)	206,022	-	20,371	185,651	20,422
NMFA Loan 0% (WTR-11)	99,025	-	8,890	90,135	8,912
Promissory Note- Tennison 5%	215,000	-	14,250	200,750	14,963
US Bureau of Reclamation 3.046%	-	29,171	4,174	24,997	473
Subtotal notes payable	<u>576,705</u>	<u>29,171</u>	<u>59,208</u>	<u>546,668</u>	<u>56,322</u>
<b>Bonds Payable</b>					
NM Bank & Trust Bond Payable 4.25%	<u>1,850,417</u>	-	69,584	<u>1,780,833</u>	<u>74,583</u>
Subtotal bonds payable	<u>1,850,417</u>	-	69,584	<u>1,780,833</u>	<u>74,583</u>
Compensated Absences	<u>7,430</u>	<u>9,322</u>	<u>7,156</u>	<u>9,596</u>	<u>7,955</u>
Total long-term debt	<u>\$ 2,434,552</u>	<u>38,493</u>	<u>135,948</u>	<u>2,337,097</u>	<u>138,860</u>

**Notes payable**

The annual requirement to amortize the NMFA Water Trust Board (WTB), 0% WTR-3 as of June 30, 2019, including administrative fees and principal payments are as follows:

Fiscal Year		Principal	Administrative Fee	Total
2020	\$	5,124	39	5,163
2021		5,137	26	5,163
2022		<u>5,150</u>	<u>13</u>	<u>5,163</u>
Total	\$	<u>15,411</u>	<u>78</u>	<u>15,489</u>

STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Notes to Financial Statements  
June 30, 2019

8. Long-term Debt (continued)

**Notes payable (continued)**

The annual requirement to amortize the NMFA Water Trust Board (WTB), 0% WTR-4 as of June 30, 2019, including administrative fees and principal payments are as follows:

Fiscal Year	Principal	Administrative Fee	Total
2020	\$ 3,859	29	3,888
2021	3,869	19	3,888
2022	3,878	10	3,888
Totals	\$ <u>11,606</u>	<u>58</u>	<u>11,664</u>

The annual requirement to amortize the NMFA Water Trust Board (WTB) Loan, 0% WTR-8 as of June 30, 2019, including administrative fees and principal payments are as follows:

Fiscal Year	Principal	Administrative Fee	Total
2020	\$ 2,569	45	2,614
2021	2,575	39	2,614
2022	2,582	32	2,614
2023	2,588	26	2,614
2024	2,595	20	2,615
2025-2026	5,209	20	5,229
Totals	\$ <u>18,118</u>	<u>182</u>	<u>18,300</u>

The annual requirement to amortize the NMFA Water Trust Board (WTB) Loan, 0% WTR-9 as of June 30, 2019, including administrative fees and principal payments are as follows:

Fiscal Year	Principal	Administrative Fee	Total
2020	\$ 20,422	464	20,886
2021	20,473	413	20,886
2022	20,525	362	20,887
2023	20,576	311	20,887
2024	20,628	259	20,887
2025-2028	83,027	520	83,547
Totals	\$ <u>185,651</u>	<u>2,329</u>	<u>187,980</u>

STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Notes to Financial Statements  
June 30, 2019

8. Long-term Debt (continued)

**Notes payable (continued)**

The annual requirement to amortize the NMFA Water Trust Board (WTB) Loan, 0% WTR-11 as of June 30, 2019, including administrative fees and principal payments are as follows:

Fiscal Year	Administrative		
	Principal	Fee	Total
2020	\$ 8,912	225	9,137
2021	8,935	203	9,138
2022	8,957	181	9,138
2023	8,979	158	9,137
2024	9,002	136	9,138
2025-2029	45,350	341	45,691
Total	\$ 90,135	1,244	91,379

The annual requirements to amortize the Promissory Note Payable due to Mr. and Mrs. Tennison, 5% as of June 30, 2019, including interest and principal payments are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 14,963	10,038	25,001
2021	15,711	9,289	25,000
2022	16,496	8,504	25,000
2023	17,321	7,679	25,000
2024	23,187	6,813	30,000
2025-2027	113,072	15,064	128,136
Total	\$ 200,750	57,387	258,137

The annual requirements to amortize the Note Payable due to United States Bureau of Reclamation, 3.046% as of June 30, 2019, including interest and payments are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 473	761	1,234
2021	487	747	1,234
2022	502	732	1,234
2023	517	717	1,234
2024	533	701	1,234
2025-2029	2,918	3,252	6,170
2030-2034	3,389	2,781	6,170
2035-2039	3,939	2,231	6,170
2040-2044	4,575	1,595	6,170
2045-2049	5,317	853	6,170
2050-2051	2,347	107	2,454
Total	\$ 24,997	14,477	39,474

STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Notes to Financial Statements  
June 30, 2019

8. Long-term Debt (continued)

**Bonds payable**

The annual requirement to amortize the bonds payable due to New Mexico Bank & Trust, 4.25% as of June 30, 2019, including interest and principal payments are as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 74,583	75,479	150,062
2021	75,000	72,044	147,044
2022	79,583	68,730	148,313
2023	84,583	65,202	149,785
2024	85,000	61,708	146,708
2025-2029	488,333	247,740	736,073
2030-2034	597,917	131,508	729,425
2035-2036	295,834	13,979	309,813
Total	\$ 1,780,833	736,390	2,517,223

**Pledged revenues**

The District has pledged portions of future revenues to repay the loans to the New Mexico Finance Authority and New Mexico Bank & Trust noted above. The loans are payable solely from these pledged sources of revenues. The pledged revenues are projected to be sufficient to produce enough funds to meet the debt service obligations. The District intends to annually appropriate funds sufficient to make all payments required. Total pledged revenues are as follows:

Loan Description	Use of Proceeds	Type	Pledged Revenue			Current Year	
			Percent of Total Debt Service	Term of Pledge	Remaining Principal and Interest	Principal and Interest Paid	Pledged Revenue Received
NMFA Loan (WTR-3)	Acquisition of equipment for a well and refurbishing of a water storage tank for the District's joint water and wastewater utility system.	Gross revenues of the District's joint water and wastewater utility system, less costs of operation and maintenance.	130%	2002 - 2022	15,489	5,162	2,468,774
NMFA Loan (WTR-4)	Refunding, redeeming, refinancing and paying in full on the prior redemption date of June 1, 1999 the District's outstanding Joint Water and Sewer System Revenue Bonds, Series 1984 maturing on and after December 1, 1999.	That portion of the property tax revenue derived from the ad valorem taxes imposed on all property in the El Prado Water and Sanitation District necessary to pay the Loan Agreement Payments promptly when due.	130%	2002 - 2022	11,664	3,888	166,087
NMFA-WTB Loan (WTR-8)	The Project is made up of completion of the infrastructure for its new Well #3 drilled in 2001 so that the well can be put into production through equipping the well, building two equipment houses and building a water transmission line to the storage tanks of the District, all as more specifically described in the Application and in the final plans and specifications for the Project approved by the Waster Trust Board and the NMFA as provided by this agreement.	The system revenues of the District.	100%	2007 - 2027	18,300	2,615	295,942

STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Notes to Financial Statements  
June 30, 2019

8. Long-term Debt (continued)

**Pledged revenues (continued)**

Loan Description	Use of Proceeds	Type	Pledged Revenue			Current Year	
			Percent of Total Debt Service	Term of Pledge	Remaining Principal and Interest	Principal and Interest Paid	Pledged Revenue Received
NMFA WTB Loan (WTR-9)	The Project is the costs of completing the infrastructure for District's Well #3 and the remaining transmission line between Well #3 and the District's storage tanks, purchasing real property adjacent to the District's existing storage tanks, building a new 500,000 gallon water storage tank and completing additional master looping lines and upgrades to connect Phases II and III of the District's Transmission Line Project into the District's master looping system, all as more specifically described in the Application and in the final plans and specifications for the Project approved by the Water	Net system revenues for the District's water and sanitation system.	100%	2009 - 2029	187,980	20,886	295,942
NMFA WTB Loan (WTR-11)	The Project is the costs of completing the infrastructure for District's Well #3 and the remaining transmission line between Well #3 and the District's storage tanks, purchasing real property adjacent to the District's existing storage tanks, building a new 500,000 gallon water storage tank and completing additional master looping lines and upgrades to connect Phases II and III of the District's Transmission Line Project into the District's master looping system, all as more specifically described in the Application and in the final plans and specifications for the Project approved by the Water Trust Board and the NMFA.	Net system revenues for the District's water and sanitation system.	100%	2010 - 2029	91,379	9,138	295,942
US Bureau of Reclamation	The District's proportionate share of the investment costs, including interest during construction, incurred by the United States in constructing the Reservoir Storage Complex.	The system revenues of the District.	100%	2012-2051	39,474	4,963	295,942
NM Bank & Trust Bond Payable	Refinancing the costs of planning, design, and construction of water line, water production and storage facility and to facilitate the purchase, transfer and establishment of the lawful right to utilize water rights.	Net system revenues for the District's water and sanitation system.	100%	2016 - 2037	2,517,223	147,955	295,942

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.

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.



STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Notes to Financial Statements  
June 30, 2019

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.

12. Public Employees Retirement Association Pension Plan

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

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at [www.nmpera.org](http://www.nmpera.org) or [www.saonm.org](http://www.saonm.org) using the Audit Report Search function for agency 366 or writing to: PERA P.O. Box 2123, Santa Fe, NM 87504-2123.

**Benefits provided.** For a description, requirements of benefits provided, and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2018 available at:

<http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2018-Final.pdf>.

**Contributions.** The contribution requirements of defined benefit plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY18 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 21 through 31 of the PERA FY18 annual audit report at:

[http://www.SAONM.org/media/audits/366 Public Employees Retirement Association FY2018.pdf](http://www.SAONM.org/media/audits/366%20Public%20Employees%20Retirement%20Association%20FY2018.pdf).

The PERA coverage option that applies to the District are: General Division. Statutorily required contributions to the pension plan from the District were \$11,143 for the year ended June 30, 2019.

STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Notes to Financial Statements  
June 30, 2019

12. Public Employees Retirement Association Pension Plan (continued)

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.*** At June 30, 2019, the District reported a liability of \$202,485 for its proportionate share of the net position liability. The net pension liability was measured as of June 30, 2018, and the total pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were preformed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The District's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2018. Only employer contributions for the pay period end dates that fell within the period of July 1, 2017 to June 30, 2018 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2018 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers. At June 30, 2018, the District's proportion was 0.0127%, which was changed from its proportion measured as of June 30, 2017 of 0.0117%.

PERA General Division

For the year ended June 30, 2019, the District recognized PERA Fund – General Division pension expense of \$34,635. At June 30, 2019, the District reported PERA Fund – General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Notes to Financial Statements  
June 30, 2019

12. Public Employees Retirement Association Pension Plan (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,853	5,316
Changes of assumptions	18,358	1,164
Net difference between projected and actual earnings on pension plan investments	15,017	-
Changes in proportion and differences between contributions and proportionate share of contributions	17,027	3,345
Contributions subsequent to the measurement date	11,143	-
Total	\$ 67,398	9,825

\$11,143 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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:		
2020	\$	26,482
2021		14,124
2022		5,040
2023		784
2024		-
Thereafter		-
	\$	46,430

**Actuarial assumptions.** The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions applied to all periods included in the measurement:

STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Notes to Financial Statements  
June 30, 2019

12. Public Employees Retirement Association Pension Plan (continued)

<b>Actuarial valuation date</b>	June 30, 2017
<b>Actuarial cost method</b>	Entry age normal
<b>Amortization method</b>	Level percentage of pay
<b>Amortization period</b>	Solved for based on statutory rates
<b>Asset valuation method</b>	
<b>Actuarial assumptions:</b>	
<i>Investment of rate of return</i>	7.25% annual rate, net of investment expense
<i>Projected benefit payment</i>	100 years
<i>Payroll growth</i>	3.00%
<i>Projected salary increases</i>	3.25% to 13.50% annual rate
<i>Includes inflation at</i>	2.50%, 2.75% all other years
<i>Mortality Assumption</i>	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
<i>Experience Study Dates</i>	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 20, 2018 (economic)

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

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

STATE OF NEW MEXICO  
 EL PRADO WATER & SANITATION DISTRICT  
 Notes to Financial Statements  
 June 30, 2019

12. Public Employees Retirement Association Pension Plan (continued)

All Funds - Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	43.50%	7.48%
Risk Reduction and Mitigation	21.50%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets to include Real Estate Equity	20.00%	6.48%
Total	100.00%	

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
<u>Municipal - General Division</u>			
Net pension liability	\$ 312,016	202,485	111,940

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued FY18 PERA financial report. The report is available at <http://www.nmpera.org/publications.html>.

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 PRADO WATER & SANITATION DISTRICT  
Notes to Financial Statements  
June 30, 2019

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.

15. Related Party Transactions

The District paid \$6,234 in cleaning costs to True Vine Cleaning, which is owned by family of a current employee. The District owed True Vine Cleaning \$124 as of June 30, 2019.

The District paid \$9,015 for project labor costs to Painter Construction, which is owned by a member on the District's Board of Directors.

16. Other Disclosure

The District's Chairman is also the Chairman for the Rio Costilla Water Board and has signed an ISE contract where he is a personal guarantor along with forty-nine (49) other acequia member/owners.

17. GASB 77 Disclosures (Tax Abatements)

In accordance with 2.2.2.10(BB) NMAC, El Prado is required to make certain disclosures surrounding GASB 77, as applicable. Management of El Prado is not aware of any tax abatement agreements that existed and require disclosure as of June 30, 2019.

18. Subsequent Events

El Prado Water & Sanitation District has evaluated subsequent events through December 12, 2019, which is the date the financial statements were dated.

19. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures as part of the Combining Statements Overview of certain information concerning individual funds including:

A. No deficit fund balance of individual funds.

Fund deficits will be funded by general fund transfers or by grant revenues.

B. Expenditures exceeded appropriations by fund.

None.

**REQUIRED SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
 EL PRADO WATER & SANITATION DISTRICT  
 Required Supplementary Information  
 For the Year Ended June 30, 2019

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION  
 LIABILITY  
 Municipal General Division  
 Last 10 Fiscal Years\*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0127%	0.0117%	0.0106%	0.0118%	0.8900%
District's proportionate share of the net pension liability	\$ 202,485	160,768	169,353	120,311	69,430
District's covered-employee payroll	\$ 128,011	107,449	105,863	90,580	109,618
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	158.18%	149.62%	159.97%	132.83%	63.34%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	69.18%	76.99%	81.29%

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

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
 Public Employee's Retirement Association (PERA) Pension Plan  
 Municipal General Division  
 Last 10 Fiscal Years\*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 11,143	11,424	10,110	8,660	9,306
Less: Overpayment in prior year	<u>(1,180)</u>	<u>-</u>	<u>(272)</u>	<u>-</u>	<u>-</u>
Contributions in relation to the contractually required	<u>(9,963)</u>	<u>(11,424)</u>	<u>(9,838)</u>	<u>(8,660)</u>	<u>(9,306)</u>
Contribution deficiency (excess)	<u>\$ (1,180)</u>	<u>-</u>	<u>(272)</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 128,011	107,449	105,863	90,580	109,618
Contribution as a percentage of covered-employee payroll	8.70%	10.63%	9.55%	9.56%	8.49%

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



STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2019

*Changes of benefit terms* - The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's FY18 CAFR available at:  
<http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2018.pdf>.

*Assumptions* - The PERA of New Mexico Annual Actuarial Valuation as of June 30, 2018 report is available at:  
<http://www.nmpera.org/assets/uploads/retirement-fund-valuation-reports/PERA-valuation-6-30-18-FINAL.pdf>.

**SUPPLEMENTAL INFORMATION**

STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Enterprise Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis) Enterprise Fund  
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Amounts (Non- GAAP Budgetary Basis)	
Revenues:				
Commercial fees	\$ 165,000	165,000	129,412	(35,588)
Residential fees	<u>162,000</u>	<u>162,000</u>	<u>166,530</u>	<u>4,530</u>
Total revenues	327,000	327,000	295,942	(31,058)
Expenses:				
Advertising	2,300	2,300	1,476	824
Bank charges/fees	145	1,872	1,872	-
Capital outlay	3,744,843	4,744,178	2,571,078	2,173,100
Dues & subscriptions	4,600	4,822	4,771	51
Insurance	14,050	14,762	13,948	814
Miscellaneous expense	1,560	1,624	3,702	(2,078)
Office expenses	10,450	10,450	6,512	3,938
Office maintenance	18,500	18,500	9,188	9,312
Office utilities	8,100	8,100	7,204	896
Other contractual services	61,100	49,381	48,594	787
Payroll expenses	175,367	175,367	178,049	(2,682)
Rental expenses	2,300	2,300	1,926	374
Sewer system expense	39,600	47,787	37,607	10,180
System utilities	19,100	19,899	18,913	986
Vehicle expenses	3,200	3,200	1,769	1,431
Water system expense	<u>20,000</u>	<u>20,008</u>	<u>3,403</u>	<u>16,605</u>
Total expenses	4,125,215	5,124,550	2,910,012	2,214,538
Operating income	(3,798,215)	(4,797,550)	(2,614,070)	2,183,480
Non-operating revenues (expenses):				
Property taxes	156,000	156,000	166,087	10,087
Gross receipts	48,000	48,000	49,841	1,841
Debt service - Principal	(124,617)	(124,617)	(128,792)	(4,175)
Debt service - Interest	(89,121)	(89,121)	(88,498)	623
Debt service administration costs	(904)	(904)	(897)	7
Rent	47,800	47,800	49,462	1,662
Miscellaneous	4,500	4,500	8,177	3,677
Finance charges	5,000	5,000	-	(5,000)
Rental reimbursement	1,200	1,200	-	(1,200)
Private income	-	-	18,912	18,912
Interest income	-	-	180	180
Total non-operating revenues (expenses)	<u>47,858</u>	<u>47,858</u>	<u>74,472</u>	<u>26,614</u>
Income before capital contributions	(3,750,357)	(4,749,692)	(2,539,598)	2,210,094
Capital contributions:				
Federal grant - Taos Abeyta Settlement	<u>3,744,843</u>	<u>4,744,178</u>	<u>2,546,826</u>	<u>(2,197,352)</u>
Total capital contributions	<u>3,744,843</u>	<u>4,744,178</u>	<u>2,546,826</u>	<u>(2,197,352)</u>
Change in net position (Budgetary Basis)	\$ <u>(5,514)</u>	<u>(5,514)</u>	7,228	12,742
Reconciliation of budgetary basis to GAAP basis:				
Capital outlay			2,571,078	
Principal payments on debt			128,792	
GASB 68 pension expense			(24,687)	
Depreciation expense			<u>(213,637)</u>	
GAAP change in net position		\$	<u>2,468,774</u>	

STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Schedule of Depositories  
June 30, 2019

Account Name	Account Type	US Bank	Centinel Bank of Taos	New Mexico Bank & Trust	Plus Deposits in Transit	Less Outstanding Checks	Balance per Books
US Bank 1 559 7001 9891	Non-interest bearing checking	\$ 90,343	-	-	-	(157)	90,186
515000 Water Rights Account	Non-interest bearing checking	-	2,916	-	-	-	2,916
510947 Property Mgmnt Account	Non-interest bearing checking	-	2,306	-	-	(273)	2,033
510653 Well Project #3 Account	Non-interest bearing checking	-	15,112	-	-	-	15,112
510939 Looping Line I Project	Non-interest bearing checking	-	2,968	-	-	-	2,968
4028694 Abeyta Settlement Fund	Non-interest bearing checking	-	100	-	-	-	100
Centinel Bank 510920 W&SSGIF	Non-interest bearing checking	-	128,775	-	-	-	128,775
214795 Payroll Account	Non-interest bearing checking	-	13,495	-	-	-	13,495
NMB&T 146720 Operations Account	Non-interest bearing checking	-	-	97,890	-	(828)	97,062
NMB&T 619478 Capital Improvement	Non-interest bearing checking	-	-	1,639	-	-	1,639
US Bank-Investments	CD	45,584	-	-	-	-	45,584
Petty Cash	Imprest	-	-	-	-	-	200
Total on deposit		<u>\$ 135,927</u>	<u>165,672</u>	<u>99,529</u>	<u>-</u>	<u>(1,258)</u>	<u>400,070</u>

## **COMPLIANCE SECTION**

STATE OF NEW MEXICO  
 EL PRADO WATER & SANITATION DISTRICT  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass through Entity Identifying Number	Amount of Federal Awards Expended	Federal Awards Provided to Subrecipients
Department of the Interior Implementation of the Taos Pueblo Indian water rights settlement	15.565		\$ 2,533,132	-
Total Federal Expenditures			<u>\$ 2,533,132</u>	<u>-</u>

STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Notes to the Schedule of Expenditures of Federal Awards  
June 30, 2019

**1) BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the State of New Mexico El Prado Water & Sanitation District (District) and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some accounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in the Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-profit Organizations*, or the cost principles contained in Uniform Guidance.

**3) INDIRECT COST RATE**

The District has elected not to use the 10-percent de minimus indirect cost rate allowed under the 2 CFR §200.414.

**4) NON-CASH ASSISTANCE AND LOANS**

The District did not receive any non-cash assistance, loans or loan guarantees.

**5) SUBRECIPIENTS**

The District has no subrecipients.

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

The Board of Directors of  
State of New Mexico El Prado Water & Sanitation District  
El Prado, New Mexico

and State Auditor Brian S. Colón Esq.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the State of New Mexico El Prado Water & Sanitation District (District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### **Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as 2019-001.

### **State of New Mexico, El Prado Water & Sanitation District's Response to Finding**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Burt & Company CPAs, LLC

December 12, 2019

INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY THE UNIFORM GUIDANCE

The Board of Directors of  
State of New Mexico El Prado Water & Sanitation District  
El Prado, New Mexico

and State Auditor Brian S. Colón Esq.

**Report on Compliance for Each Major Federal Program**

We have audited the State of New Mexico El Prado Water & Sanitation District's (District) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance with each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### **Report on Internal Control over Compliance**

Management of the District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for a limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the District as of and for the year ended June 30, 2019, and have issued our report thereon dated December 12, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required

part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Burt & Company CPAs, LLC*  
Burt & Company CPAs LLC

December 12, 2019

STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Summary Schedule of Findings and Questioned Costs  
June 30, 2019

Prior Year Audit Findings

None.

Findings - Compliance and Other Matters

2019-001 Employee Handbook/Personnel Policies

STATE OF NEW MEXICO  
 EL PRADO WATER & SANITATION DISTRICT  
 Schedule of Findings and Questioned Costs  
 June 30, 2019

Section I - Summary of Auditors' Results

**Financial Statements**

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_yes          X    no
  - Significant deficiency(ies) identified? \_\_\_\_\_yes          X    none
3. Noncompliance material to financial statements noted? \_\_\_\_\_yes          X    no

**Federal Awards**

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_yes          X    no
  - Significant deficiency(ies) identified? \_\_\_\_\_yes          X    none
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_yes          X    no

**Identification of Major Federal Programs**

CFDA Number(s)	Name of Federal Program or Cluster
15.565	Implementation of Taos Pueblo Indian water Rights settlement
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	_____yes <u>    X    </u> no

STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Schedule of Findings and Questioned Costs (continued)  
June 30, 2019

Section II - Findings and Questioned Costs - Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with Government Auditing Standards.

Section III - Findings - Compliance and Other Matters

2019 -001 Employee Handbook/Personnel Policies - Other Matter

Condition: The District has not updated their employee handbook nor personnel policies since 2012 even though numerous changes have been made by the Board as documented in the District's meeting minutes.

Criteria: NMSA 1978 Section 6-6-3 requires that every local public body keep all books, records, and accounts in their respective offices in the form prescribed by the local government division. The District's purpose for their personnel policy is to ensure equal employment opportunity with the District and to outline procedures for action in case of violation.

Cause: The District does not have adequate controls over their employee handbook and personnel policies.

Effect: The District is not in compliance with NMSA 1978 Section 6-6-3 and is lacking controls over their employee handbook and personnel policies.

Recommendation: The District should update and amend their employee handbook and personnel policies to include all changes as approved by the Board and to include all future changes as amendments documented within the policies.

Management's Response: The General Manager will ensure the employee handbook and personnel policies are updated to include accrual rates for annual leave and all changes made through the date of the policy updated. This update is expected to be completed in January 2020 and will be fully implemented by June 30, 2020.

STATE OF NEW MEXICO  
EL PRADO WATER & SANITATION DISTRICT  
Exit Conference  
June 30, 2019

Auditor Prepared Financial Statements

The accompanying financial statements are the responsibility of the District and are based on information from the District's financial records. Assistance was provided by Burt & Company CPAs, LLC to the District in preparing the financial statements.

Exit Conference

The contents of this report were discussed on December 12, 2019. The following individuals were in attendance:

El Prado Water & Sanitation District

Telesfor R. Gonzales	Chairman
Elaine Trujillo	Secretary - Treasurer
John S. Painter	Board Member
Trudy S. Abrams	Board Member
Christine Dimas	General Manager
William Espinoza	Water Operator

Burt & Company CPAs, LLC

Ronald E. Schranz, CPA, CVA, Partner