

**State of New Mexico**  
**Sun Valley Water and Sanitation District**  
**Audited Financial Statements**  
**June 30, 2015**

Dan Austin CPA, PC  
700 Mechem Drive  
Ste. 15  
Ruidoso, NM 88345

**STATE OF NEW MEXICO  
SUN VALLEY WATER & SANITATION DISTRICT  
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For the Year Ended June 30, 2015**

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**STATE OF NEW MEXICO  
SUN VALLEY WATER & SANITATION DISTRICT  
Official Roster  
June 30, 2015**

**BOARD OF DIRECTORS**

James Miller	Chairman
Marc Stewart	Vice Chairman
Sarah Mazur	Director
Charles Britten	Director /Treasurer
Frank Vanderveen	Director

**ADMINISTRATIVE/OPERATIONS STAFF**

Sharon Stewart	Bookkeeper
Karen Payton	Secretary
Joe Buchanan	System Operator

## Financial Section

Dan Austin CPA, PC  
700 Mechem Drive  
Ste. 15  
Ruidoso, NM 88345

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## Independent Auditors' Report

Honorable Tim Keller  
State Auditor of the State of New Mexico  
Board Members of the Sun Valley Water and Sanitation District

### Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the budgetary comparison of Sun Valley Water and Sanitation District as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise Sun Valley Water and Sanitation District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 and the budgetary comparison of Sun Valley Water and Sanitation District as of June 30, 2015, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America

## Other Matters

### *Required Supplementary Information*

Management has omitted the MD&A which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by GASB 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. Our opinion on the basic financial statements is not affected by this missing information.

### Other Information

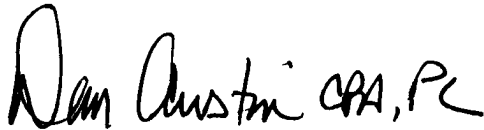
Our audit was conducted for the purpose of forming opinions on the Sun Valley Water and Sanitation District's financial statements and budgetary comparison. The other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2.2 NMAC are the responsibility of management and 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 other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, We have also issued a report dated November 30, 2015, on my consideration of Sun Valley Water and Sanitation District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sun Valley Water and Sanitation District's internal control over financial reporting and compliance.



November 30, 2015  
Ruidoso, New Mexico

**State of New Mexico**  
**Sun Valley Water and Sanitation District**  
**Statement of Net Position – Propriety Fund**  
**June 30, 2015**

**Assets**

**Current Assets**

Cash in Banks	\$ 120,738
Accounts Receivable	10,740
Inventory	9,829
Prepaid Insurance	<u>2,814</u>
Total Current Assets	<u>144,121</u>

**Non-current Assets**

**Capital Assets:**

Land	9,159
Distribution System	1,059,625
Office Furniture and Equipment	2,517
Less: Accumulated Depreciation	<u>(453,784)</u>
Total Non-current Assets	<u>617,517</u>

**Total Assets** **\$ 761,638**

**Liabilities and Net Position**

**Current Liabilities**

Accounts Payable	<u>\$ 6,610</u>
Total Current Liabilities	<u>6,610</u>

**Total Liabilities** **6,610**

**Net Position**

Invested in Capital Assets	617,517
Unrestricted	<u>137,511</u>
Total Net Position	<u>755,028</u>

**Total Liabilities and Net Position** **\$ 761,638**

The accompanying notes are an integral part of this financial statement.

**State of New Mexico**  
**Sun Valley Water and Sanitation District**  
**Statement of Revenue, Expenses, and Changes in Net Position - Proprietary Fund**  
**June 30, 2015**

<b>Operating Revenues</b>	
Water Sales	\$ 84,529
Transfer and late Fees	2,640
Other	<u>947</u>
Total Operating Revenues	<u>88,116</u>
<b>Operating Expense</b>	
Contract Services	56,564
Water Conservation Fee	140
Insurance	3,668
Dues	328
Tax Collection Fees	648
Legal and Accounting	4,606
Water Treatment	519
Office	7,826
Education and Training	432
Repairs and Maintenance	2,115
Supplies	566
Utilities	1,303
Depreciation	<u>40,895</u>
Total Operating Expense	<u>119,610</u>
Operating Income (Expense)	<u>(31,494)</u>
<b>Non-operating Revenues (Expense)</b>	
Property Tax	64,829
Interest Income	431
Grant Revenues-State Sources	<u>20,000</u>
Total Non-operating Revenue (Expense)	<u>85,260</u>
<b>Change in Net Position</b>	53,766
Net Position at Beginning of Year	<u>701,262</u>
<b>Net Position at End of Year</b>	<u>\$ 755,028</u>

The accompanying notes are an integral part of this financial statement.



**State of New Mexico**  
**Sun Valley Water and Sanitation District**  
**Statement of Cash Flows - Proprietary Fund**  
**June 30, 2015**

<b>Cash Flows from Operating Activities</b>	
Receipts from Customers and users	\$ 82,310
Payments Contractors and Suppliers	<u>(104,580)</u>
Net Cash Provided (Used) by Operating Activities	<u>(22,270)</u>
 <b>Cash Flows from Non-capital Financing Activities</b>	
Property Taxes	\$ 64,829
Grants-State Sources	<u>20,000</u>
Net Cash Provided (Used) by Non-capital Financing and Related Financing Activities	<u>84,829</u>
 <b>Cash Flows from Capital and Related Financing Activities</b>	
Purchase of Capital Assets	\$ (20,036)
Other	<u>-</u>
Net Cash Provided (Used) by Capital Financing and Related Financing Activities	<u>(20,036)</u>
 <b>Cash Flows from Investing Activities</b>	
Interest Income	\$ 431
Other	<u>-</u>
Net Cash Provided (Used) by Investing Activities	<u>431</u>
 <b>Net increase (Decrease) in Cash</b>	 42,954
Cash, Beginning of Year	<u>77,784</u>
 <b>Cash, end of Year</b>	 <u>\$ 120,738</u>
 <b>Reconciliation of Net Income to Net Cash Provided by Operating Activities:</b>	
Operating Income	\$ (31,494)
 Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	40,896
Increase(Decrease) in Accounts Receivable	(5,806)
Increase(Decrease) in Inventory	(4,105)
Increase(Decrease) in Prepaid Expense	(84)
(Increase) Decrease in Accounts Payable	(21,342)
(Increase) Decrease in Gross receipts Tax Payable	<u>(335)</u>
Net Cash Provided by Operating Activities	<u>\$ (22,270)</u>

The accompanying notes are an integral part of this financial statement.

**State of New Mexico**  
**Sun Valley Water and Sanitation District**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance –**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**June 30, 2015**

	Original	Final	Budget Basis Actual	Variance Positive (Negative)
<b>Operating Revenues</b>				
Water Sales	\$ 69,000	\$ 69,000	\$ 78,698	\$ 9,698
Property Tax	60,469	60,469	64,829	4,360
Interest Income	550	550	431	(119)
Transfer and Late Fees	750	750	1,700	950
Late Fees	800	800	940	140
	20,000	20,000	20,000	-
Other	525	525	937	412
<b>Total Operating Revenues</b>	<u>152,094</u>	<u>152,094</u>	<u>167,535</u>	<u>15,441</u>
<b>Operating Expense</b>				
Contract Services	56,565	56,565	56,564	1
Water Conservation Fee	200	200	142	58
Insurance	4,000	4,000	3,752	248
Dues	300	300	329	(29)
Tax Collection Fees	638	638	648	(10)
Legal and Accounting	9,302	9,302	4,606	4,696
Water Treatment	550	550	519	31
Office Expense	10,000	10,000	8,221	1,779
Education and Training	12,000	12,000	432	11,568
Repairs and Maintenance	12,000	12,000	2,262	9,738
Supplies	5,000	5,000	3,455	1,545
Utilities	2,000	2,000	1,966	34
Capital Outlay	39,529	39,529	41,834	(2,305)
Bank Charges	10	10	-	10
<b>Total Expenditures</b>	<u>152,094</u>	<u>152,094</u>	<u>124,730</u>	<u>27,364</u>
<b>Excess(Deficiency of Revenues Over Expenditures</b>	-	-	42,805	<u>\$ (11,923)</u>
<b>Cash Balance Beginning of Year</b>	<u>77,784</u>	<u>77,784</u>		
<b>Cash Balance End of Year</b>	<u>\$ 77,784</u>	<u>\$ 77,784</u>		
<b>Reconciliation of Budgetary Basis to GAAP Basis:</b>				
Changes in Accounts Receivable			5,806	
Changes in Inventory			4,105	
Changes in Prepaid Expense			84	
Reclass Capital Outlay			20,036	
Reclass Depreciation			(40,896)	
Changes in Accounts Payable			21,342	
Changes in GRT Payable			335	
Other			149	
<b>Change in Fund Balance GAAP Basis:</b>			<u>\$ 53,766</u>	

The accompanying notes are an integral part of this financial statement.

**STATE OF NEW MEXICO  
SUN VALLEY WATER AND SANITATION DISTRICT  
Notes to the Financial Statements  
June 30, 2015**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Sun Valley Water & Sanitation District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

***Financial Reporting Entity***

The Sun Valley Water & Sanitation District (District) was created by Laws of 1941, Chapter 80 (Sections 73-21-1 through 73-21-54, New Mexico Statutes, 1978 Compilation). Under law, the District will serve a public use and will promote the health, safety, prosperity, security and general welfare of the inhabitants of the District.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the District may without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The District has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected District members are financially accountable. There are no other primary governments with which the District Board Members are financially accountable. There are no other primary governments with which the District has a significant relationship.

***Business-Type Activities***

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities and Changes in Net Position) report information on all of the non-fiduciary activities of the primary government. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

The Statement of Activities demonstrates the degree to which the direct expense of a given function or segments is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods,

**STATE OF NEW MEXICO  
SUN VALLEY WATER AND SANITATION DISTRICT  
Notes to the Financial Statements  
June 30, 2015**

services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

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

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

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

Private-sector standards of accounting and financial reporting under FASB and AICPA guidance are now included in GASB guidance by GASB 62.

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

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

Proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the District's enterprise fund is 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.

**STATE OF NEW MEXICO  
SUN VALLEY WATER AND SANITATION DISTRICT  
Notes to the Financial Statements  
June 30, 2015**

***Assets, Liabilities and Net Position or Equity***

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

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

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

***Accounts Receivable:*** All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The receivables due at June 30, 2015 consist of customer water fees, and property taxes collected by Lincoln 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 10<sup>th</sup>. The taxes are an enforceable lien on the property.

***Inventory:*** Valued at cost.

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

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

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

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

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

<u>Assets</u>	<u>Years</u>
Furniture & Equipment	5-7
Utility Plant in Service	20-50

***Long-term Obligations:*** In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statements of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using

**STATE OF NEW MEXICO  
SUN VALLEY WATER AND SANITATION DISTRICT  
Notes to the Financial Statements  
June 30, 2015**

the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Currently the District has no debt.

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

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

*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.

**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*Budgets and Budgetary Accounting*

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

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

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

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

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

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

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SUN VALLEY WATER AND SANITATION DISTRICT  
Notes to the Financial Statements  
June 30, 2015**

**CASH AND INVESTMENTS**

The district is required by NMSA Sec 6-10-17 to have all deposits in excess of FDIC insurance coverage to be collateralized. The following is a schedule of deposits as of June 30, 2015 calculates the required collateral requirement per the statutes:

<u>Bank</u>	<u>Type</u>	<u>Balance</u> <u>Bank</u>	<u>O/S</u> <u>Deposits</u>	<u>O/S</u> <u>Checks</u>	<u>Balance</u> <u>F/S</u>
City Bank NM	Checking	\$ 300	\$ -	\$ -	300
City Bank NM	Money Market	<u>120,408</u>	-	-	<u>120,408</u>
		120,708	-	-	120,708
	Less FDIC Coverage	<u>(120,708)</u>			
	Uninsured Amount	-			
	50% Collateral Pledge	-			
	Uncollateralized deposits	-			
	Pledged Collateral	-			
	Over (Under) Requirement	<u>\$ -</u>			
	Petty Cash				<u>30</u>
	Total Cash Per Financial Statements				<u>\$ 120,738</u>

Custodial credit risk is the risk that 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, 2015 all of the District's deposits are insured by the FDIC and the District was no exposed to custodial credit risk.

**ACCOUNTS RECEIVABLE**

The accounts receivable as of June 30, 2015 of \$10,740 is shown is net of any allowance for uncollectible accounts. The district had no uncollectible accounts as of June 30, 2015.

**CAPITAL ASSETS**

	<u>Balance</u> <u>6/30/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2015</u>
<b>Business-type Activity</b>				
Capital Assets not being depreciated:				
Land	\$ 9,159	\$ -	\$ -	9,159
Other Capital Assets:				
Utility System	1,039,590	20,036	-	1,059,626
Office Equipment	<u>2,517</u>	-	-	<u>2,517</u>
Total Other Capital Assets	<u>1,051,266</u>	<u>20,036</u>	-	<u>1,071,302</u>
Less: Accumulated Depreciation				
Utility System	410,372	40,896	-	451,268
Office Equipment	<u>2,517</u>	-	-	<u>2,517</u>
Total Accumulated Depreciation	<u>412,889</u>	<u>40,896</u>	-	<u>453,785</u>
Capital Assets, Net	<u>\$ 638,377</u>	<u>\$ (20,860)</u>	\$ -	<u>\$ 617,517</u>

The current year depreciaton was \$40,896.

**RISK MANAGEMENT**

Commercial insurance covers all losses. There have been no significant reductions in insurance coverage. Settlement amount have not exceeded insurance coverage for the current year of the three prior years. There are no claim liabilities at year end.

**SURETY BONDS**

The Directors and Contract Laborers of the District are covered by a surety bond as required by Section 12 6-7, NMSA, 1978 Compliance and State Auditor's Rule.

**STATE OF NEW MEXICO**  
**SUN VALLEY WATER AND SANITATION DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2015**

**RELATED PARTY TRANSACTIONS**

Directors on the Board of the District are recipients of water sales and services. These transactions are correctly considered arm's-length transactions since these related parties are subject to the same installation, invoicing, payment expectations, and late payment procedures as all the District customers. The treasurer is a contract paid position on the Board of Directors. The total paid to the treasurer was \$8,028 for year ended June 30, 2015.

**SUBSEQUENT ACCOUNTING STANDARDS PRONOUNCEMENTS**

Other accounting standards that Sun Valley Water and Sanitation District is currently reviewing for applicability and potential impact on the financial statements include:

*GASB 72, Fair Value Measurement and Application*, This Statement addresses accounting and financial reporting issues related to fair value measurements. This definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement will be effective for the year ended June 30, 2016.

*GASB 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, this Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. This Statement will be effective for the year ended June 30, 2016.

*GASB 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPKB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. This Statement will be effective for the year ended June 30, 2017.

*GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, this Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by 1 employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPKB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPKB plans. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPKB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPKB also are addressed. This Statement will be effective for the year ended June 30, 2018.

*GASB 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement will be effective for the year ended June 30, 2016.

**Subsequent Events**

Subsequent events were evaluated through November 30, 2015, which is the date the financial statements were available to be issued.



## Other Information and Reports

**STATE OF NEW MEXICO  
 SUN VALLEY WATER AND SANITATION DISTRICT  
 (For Purchases Exceeding \$60,000 Excluding GRT)  
 Schedule of Vendor Information  
 (Unaudited)  
 June 30, 2015**

Prepared By: Charles Britten

Title: Treasurer

Date: November 30, 2015

<u>RFP #</u>	<u>Type of Procurement</u>	<u>Awarded Vendor</u>	<u>Amount Of Awarded Contract</u>	<u>Amount Of Awarded Contract</u>	<u>Name and Physical Address of All Respondents</u>	<u>Instate Out of State Vendor</u>	<u>Veteran's Preference N/A For Fed Funds</u>	<u>Scope of Work</u>
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There were no purchases exceeding \$60,000

**Dan Austin CPA, PC  
700 Mechem Drive Ste. 15  
Ruidoso, NM 88345**

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**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***

**Independent Auditors' Report**

Honorable Tim Keller  
State Auditor of the State of New Mexico  
Board Members of the Sun Valley Water and Sanitation District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the business-type activities and the budgetary comparison for the business-type activities of Sun Valley Water and Sanitation District as of and for the year ended June 30, 2015, and have issued our report thereon dated November 30, 2015.

**Internal Control Over Financial Reporting**

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

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.

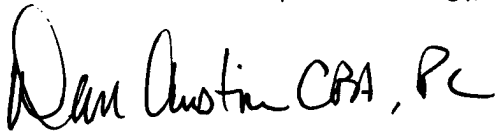
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Sun Valley Water and Sanitation District financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard and pursuant to Section 12-6-5, NMSA 1978*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dan Austin CPA, PC". The signature is written in a cursive, flowing style.

November 30, 2015  
Ruidoso, New Mexico

**STATE OF NEW MEXICO  
SUN VALLEY WATER AND SANITATION DISTRICT  
Schedule of Findings and Responses  
June 30, 2015**

**Prior Year Audit Findings**

None

**Current Year Findings**

None

**Financial Statement Preparation**

Although it would be preferred and desirable for the District to prepare its own GAAP-based financial statements, it is felt that the District's personnel have neither the time nor the expertise to prepare them. Therefore, the outside auditor has prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report, however, the responsibility for the content of the report remains with the District management.

**Exit Conference**

An exit conference was held on December 1, 2015 at the office of Dan Austin CPA, PC. Those present were James Miller, Chairman, Charles Britten-Treasurer, and Dan Austin, CPA. The report and other issues were discussed.