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Certified Public Accountants + Business Consultants

STATE OF NEW MEXICO
ELDORADO AREA WATER AND SANITATION DISTRICT

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

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ELDORADO AREA WATER AND SANITATION DISTRICT
TABLE OF CONTENTS
For the Year Ended June 30, 2018

	Page
INTRODUCTORY SECTION	
Table of Contents	i
Official Roster	ii
FINANCIAL SECTION	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-9
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	10
Statement of Revenues, Expenses, and Changes in Fund Net Position	11
Statement of Cash Flows	12
Notes to Financial Statements	13-33
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Proportionate Share of the Net Pension Liability of PERA Fund Division	34
Schedule of Contributions PERA Plan PERA Fund Division	35
SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenses, and Changes in Net Position Budget (Non-GAAP Budgetary Basis) and Actual	36
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Deposit and Investment Accounts	37
COMPLIANCE SECTION	
Independent Auditor's 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*	38-39
Schedule of Findings and Responses	40
EXIT CONFERENCE	41

ELDORADO AREA WATER AND SANITATION DISTRICT
OFFICIAL ROSTER
As of June 30, 2018

Directors and Officers

Title	Name	Term Ends
President and Director	John Calzada	November, 2019
Vice President	Greg Hart	November, 2021
Secretary	David Yard	November, 2019
Treasurer	Elizabeth Roghair	No Specific Term
Director	Steve Ewers	November, 2021
Director	David Burling*	November, 2019

Administrative Officials

Title	Name
General Manager	Steve King**
Planning & Project Manager	Vacant
Administrative Manager	Anna Mondragon-Metzger

* Carolyn Horne, Director, resigned from the Board on September 4, 2017 and was replaced by David Burling

**David Chakroff, General Manager, retired in May of 2018.

Note: The Local Election Act was passed via House Bill 98 by the NM Legislature in 2018 and the Act became effective July 1, 2018. As a result of the new act, Eldorado Area Water and Sanitation District will hold elections every November of odd-numbered years. Therefore, the Directors' terms originally set to expire in January have been extended to the following November.

INDEPENDENT AUDITOR'S REPORT

Governing Board of
Eldorado Area Water and Sanitation District
and
Mr. Wayne Johnson, New Mexico State Auditor

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of Eldorado Area Water and Sanitation District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. We have also audited the budgetary comparison presented as supplementary information, as defined by the *Government Accounting Standards Board*, in the accompanying individual fund financial statements as of and for the year ended June 30, 2018, 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.

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 of the District, as of June 30, 2018, and the respective changes in financial position and cash flows thereof, for the year ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements above present fairly, in all material respects, the respective budgetary comparison 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 as listed in the table of contents 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.

Accounting principles generally accepted in the United States of America require that the Schedules related to PERA and Net Pension Liabilities, listed as *"Required Supplementary Information*" in the table of contents, 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

Our audit was conducted for the purpose of forming opinions on the District's financial statements and the budgetary comparison. The other schedule listed as *"other supplementary"* in the table of contents, required by 2.2.2 NMAC or required by the District, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other schedule listed as *"other supplementary information"* in the table of contents, required by 2.2.2 NMAC, are the responsibility of management and was 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 additional schedule was 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 04, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Hinkle + Landers, P.C.
Albuquerque, NM
December 04, 2018

STATE OF NEW MEXICO
ELDORADO AREA WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018

Introduction

Management of the Eldorado Area Water and Sanitation District (the "District") offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018.

Financial Highlights

Key events for the fiscal year 2018 are:

- The assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year by $20,798,906 (total net position). The components of net position include restricted net position of $1,563,139, unrestricted net position of $1,506,644, and net investment in capital assets of $17,729,123.

- The District's total reported net position increased by $1,534,213 compared to the prior year increase in net position of $1,327,279.

- As of June 30, 2018, the District had current assets, noncurrent assets, and deferred outflows of resources totaling $2,102,201, $26,970,306, and $106,733, respectively. Capital assets, net of accumulated depreciation, totaled $25,563,972. Current liabilities include $54,985 in customer deposits, $156,805 in accounts payable, $3,778 in accrued payroll liabilities, $8,309 in compensated absences, $25,646 in accrued interest, and $849,856 in loans payable. Noncurrent liabilities include $6,166,777 in loans payable, $792,570 in unamortized bond premium, and $299,550 in net pension liability. Deferred inflows of resources include $22,058 related to the net pension liability.

Overview of the Financial Statements

The District is a special purpose government agency engaged only in business-type activities. Therefore, in accordance with GASB Statement No. 34, the District's financial statements are comprised of four components:

1. Independent Auditor's Report
2. Management's Discussion and Analysis (Required Supplementary Information)
3. Basic Financial Statements
4. Other Information, which includes certain required supplementary information, other supplementary information and other required NM State Auditor schedules

These 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 the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the District's net position changed during the most recent Fiscal Year. 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 result in cash flows only in future fiscal periods (e.g., uncollected taxes and accounts payable).

The Statement of Cash Flows presents information on how the District's cash was used. It shows net cash used by or provided by operating activities, capital financing activities, noncapital financing activities and investing activities. It also reconciles beginning cash balances to ending cash balances.

The Notes to the Financial Statements provide additional information that explains the numbers provided in the financial statements.

The Budgetary Comparison compares current period activity on a budgetary basis of accounting to the legally adopted budget. In general, the amounts presented in the budgetary comparison statement will agree with amounts presented in the statement of revenues, expenses and changes in fund net position. This is because the District prepares its budget on the accrual basis of accounting with the exception of depreciation, principal payment on debt, and capital asset acquisition and, accordingly, amounts presented in the budgetary comparison statement are on the non - GAAP budgetary basis of accounting. The budgetary comparison statement has been presented as supplementary information to demonstrate compliance with state budget law.

Government-Wide Financial Analysis—Broad Overview of Finance

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, a positive net position balance (assets and deferred outflows of resources exceeding liabilities and deferred inflows of resources) of $20,798,906 is reported as of the year ended, June 30, 2018, compared to $19,264,693 reported as of June 30, 2017. The largest component of the net position is the net investment in capital assets of $17,729,123, which comprises 85% of the total net position.

The following is a summary of the Statement of Net Position:

Overview of the Statement of Net Position

	2018	2017	Variance
Assets:			
Current assets	$ 2,102,201	2,176,739	(74,538)
Capital assets, net	25,563,972	24,104,961	1,459,011
Other assets	1,406,334	1,554,841	(148,507)
Deferred outflows of resources	106,733	101,510	5,223
Total assets and deferred inflows of resources	$ 29,179,240	27,938,051	1,241,189
Liabilities:			
Current liabilities	$ 1,099,379	1,107,108	(7,729)
Noncurrent liabilities	7,258,897	7,557,759	(298,862)
Total liabilities:	8,358,276	8,664,867	(306,591)
Deferred inflows of resources	22,058	8,491	13,567
Net Position:			
Net investment in capital assets	17,729,123	16,023,802	1,705,321
Restricted	1,563,139	1,755,534	(192,395)
Unrestricted	1,506,644	1,485,357	21,287
Total net position	20,798,906	19,264,693	1,534,213
Total liabilities, deferred inflows, and net position	$ 29,179,240	27,938,051	1,241,189

The net position of the Board's business-type activities increased $1,534,213 during the year, from $19,264,693 at June 30, 2017 to $20,798,906 at June 30, 2018, indicating an improvement in the financial condition of the Board. Net investment in capital assets increased approximately $1,705,321 due to the retirement of related debt and amortization of the bond premiums, the capital asset additions exceeded the current year depreciation expense. Restricted net position decreased by $192,395. Unrestricted net position increased by $21,287.

The following table shows the revenues and expenses for the District for the current and prior fiscal year:

Overview of the Statement of Revenues, Expenses, and Changes In Net Position

	2018	2017	Variance
Revenues:			
Water sales	$ 3,089,823	2,793,971	295,852
Ad valorem tax	1,201,618	1,112,078	89,540
Capital grants	77,288	158,543	(81,255)
Interest income	27,724	14,490	13,234
Other revenue	62,979	48,094	14,885
Charges for fees and services	5,089	-	5,089
Total Revenues	4,464,521	4,127,176	337,345
Expenses:			
Operating expenses	2,736,430	2,567,255	169,175
Bond interest expense	193,878	232,642	(38,764)
Other non-operating expenses	-	-	-
Total Expenses	2,930,308	2,799,897	130,411
Increase in net position	1,534,213	1,327,279	206,934
Total net position, beginning of year	19,264,693	17,937,414	1,327,279
Total net position - end of year	$ 20,798,906	19,264,693	1,534,213

Total business-type activities generated revenues of $4,478,406 while expenses totaled $2,956,280 for the year ended June 30, 2018, resulting in an increase in net position of $1,534,213. Comparatively, revenues were $4,144,202 and expenses totaled $2,816,923 for the year ended June 30, 2017, resulting in an increase in net position of $1,327,279.

Key elements of the increase in net position of compared to prior year include:

- Increase in water sales of $295,852 compared to prior year due to a rate increase, which went into effect January 2016.
- Decrease in capital grants is due to fewer grants being awarded in the current year and delays in capital expenditures in projects which are funded by grants.

Fiscal Year 2018 Budgetary Highlights

Actual revenues for the year ended June 30, 2018 were greater than the final budgeted amount due to an increase in rates. Expenses for the year were lower than the final budgeted amount due to delays in capital projects. Actual loan proceeds were less than the final budgeted amount due to delays in projects which were funded by loans.

The following is a summary of the final budget as compared to actual activity at June 30, 2018. A detailed breakout of budget vs. actual revenue and expenses can be found in the supplementary section of this report.

	Final Budget	Actual	Favorable (Unfavorable)
Revenues	$ 4,052,805	4,464,521	411,716
Expenses	5,986,226	5,310,407	675,819
Loan proceeds	1,543,666	442,237	(1,101,429)
Allocations from reserves	599,490	96,788	(502,702)
Contributions to reserves	(209,735)	(356,683)	(146,948)
	$ -	(663,544)	(663,544)

Capital Improvements and Asset Management

The District's investment in capital assets for business-type activities as of June 30, 2018, totals $25,563,972 (net of accumulated depreciation) compared to $24,104,961. Major capital events during the fiscal year included the following:

- Purchase of the administrative offices building for $550,000 which was partially funded from reserves (see note 14 for more information on this transaction)
- Construction of Well 19, for a capitalized cost of $913,667
- Utility improvements to extend the life of the asset for $371,043.

The District continually evaluates and prioritizes capital improvement projects and maintains both a Utility Master Plan and an Asset Management Plan to ensure that customers are being provided with clean, safe and reliable water services.

Long-term Debt

At June 30, 2018 and 2017, Eldorado Area Water and Sanitation District had New Mexico Finance Authority (NMFA) loans outstanding of $7,016,633 and $7,124,236, respectively. Of the outstanding balance in 2018, $849,856 is considered to be a current obligation. In FY18, the District drew funds in the amount of $442,237 on the $909,000 loan that was closed on in FY16, $197,702 on the $357,035 loan that was closed in FY17, and $32,947 on the $505,000 loan that was closed in FY17. Additional information can be found in Note 14 of the financial statements.

The District made principal payments towards loans in the amount of $780,490 for the year ended June 30, 2018. Interest expense and administrative fees related to the outstanding loans were paid in the amount of $191,422. As of June 30, 2018, the District was in compliance with all of its outstanding loan

covenants. Additional information on Eldorado Area Water and Sanitation District's long-term debt can be found in Note 6 of the financial statements.

Financial Outlook for Next Year

The District's approved budget for fiscal year 2019 anticipates $4,483,766 in total revenues, $3,106,746 in loan proceeds, and $400,000 allocation of reserves. Expenditures are anticipated to be $7,350,699 and $639,813 contributions to reserves. Projected revenues include $2,850,020 from water sales, an approximate 6% increase over FY18. Projected property tax receipts are expected to be $1,298,746, an approximate 5% increase from FY18. Additional resources budgeted and available for expenditure include $1,115,000 in loan proceeds for PZO (Pressure Zone Optimization)–Phases 2 and 3, $445,000 in loan proceeds for Meter Replacements and $315,000 in grant funding for Transmission Line Design from Tank 4 to Tank 1.

Requests for Information

This financial report is designed to provide a general overview of the Eldorado Area Water and Sanitation District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Eldorado Area Water and Sanitation District, 2 North Chamisa Drive, Suite A, Santa Fe, NM 87508.

STATE OF NEW MEXICO
ELDORADO AREA WATER AND SANITATION DISTRICT
STATEMENT OF NET POSITION
As of June 30, 2018

		Business-Type Activities
Current assets		
Cash and cash equivalents	$	979,079
Investments		383,568
Ad valorem taxes receivable		39,413
Customer receivables, net		659,304
Grants receivable		6,501
Prepaid expenses		34,336
Total current assets		2,102,201
Non-current assets		
Restricted cash		
Debt service		597,303
Restricted investments		
Debt service		72,555
Cost of utility acquisition improvements		736,476
Capital assets, net of accumulated depreciation		25,563,972
Total non-current assets		26,970,306
Total assets		29,072,507
Deferred outflows of resources		
Deferred outflow related to pension activity		106,733
Total deferred outflows of resources		106,733
Total assets and deferred outflows of resources	$	29,179,240
LIABILITIES		
Current liabilities		
Accounts payable	$	156,805
Accrued payroll liabilities		3,778
Accrued interest		25,646
Compensated absences		8,309
Customer deposits		54,985
Loans payable		849,856
Total current liabilities		1,099,379
Non-current liabilities		
Loans payable		6,166,777
Bond premium, net		792,570
Net pension liability		299,550
Total non-current liabilities		7,258,897
Total liabilities		8,358,276
Deferred inflows of resources		
Deferred inflow related to pension activity		22,058
Total deferred inflows of resources		22,058
Total liabilities and deferred inflows of resources		8,380,334
NET POSITION		
Net investment in capital assets		17,729,123
Restricted for:		
Cost of utility acquisition and improvements		893,281
Debt service		669,858
Unrestricted		1,506,644
Total net position		20,798,906
Total liabilities, deferred inflows of resources, and net position	$	29,179,240

The accompanying notes are integral to these financial statements

STATE OF NEW MEXICO
ELDORADO AREA WATER AND SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
For The Year Ended June 30, 2018

		Business-Type Activities
OPERATING REVENUES		
Water sales	$	3,089,823
Fees and charges for services		5,089
Total operating revenues		3,094,912
OPERATING EXPENSES		
Contractual services		1,483,771
Depreciation		600,724
Personnel services		342,448
Utilities		84,513
General and administrative		75,588
Supplies		69,466
Facilities and equipment rent		65,380
Telecommunications		13,555
Travel		985
Total operating expenses		2,736,430
Operating income		358,482
NON-OPERATING REVENUES (EXPENSES)		
Ad valorem tax		1,201,618
Interest income		27,724
Interest expense		(193,878)
Other revenue		62,979
Total non-operating revenues (expenses)		1,098,443
Income before capital grants		1,456,925
Capital grants		77,288
Change in net position		1,534,213
Net position, beginning of year		19,264,693
Net position, end of year	$	20,798,906

The accompanying notes are integral to these financial statements

STATE OF NEW MEXICO
ELDORADO AREA WATER AND SANITATION DISTRICT
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2018

		Business-Type Activities
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	3,000,984
Payments to employees		(322,871)
Payments to suppliers and contractors		(1,797,130)
Net cash provided (used) by operating activities		880,983
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Ad valorem taxes received		1,196,636
Net cash provided (used) by noncapital financing activities		1,196,636
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Other revenue		62,979
Purchase of capital assets		(2,059,734)
Proceeds from capital grants and state appropriations		136,560
Bond and loan principal proceeds		672,886
Bond and loan principal payments		(780,490)
Bond interest payments and admin fees		(332,585)
Net cash provided (used) by capital and related financing activities		(2,300,384)
CASH FLOWS FROM INVESTING ACTIVITIES		
Use of investments		200,000
Proceeds from sale of investments		(859)
Interest income		27,724
Net cash provided (used) by investing activities		226,865
Net increase (decrease) in cash and cash equivalents		4,100
Balances-beginning of year		1,572,282
Balances-end of year	$	1,576,382
Cash		
Cash and cash equivalents	$	979,079
Debt service		597,303
Total cash	$	1,576,382
Reconciliation of operating income to net cash provided/(used) by operating activities:		
Operating income	$	358,482
Adjustments		
Depreciation expense		600,724
Pension expense		23,510
Change in assets and liabilities:		
(Increase) decrease in customer receivables		(66,302)
Increase (decrease) in deferred liability		(13,032)
(Increase) decrease prepaid expenses		40,016
Increase (decrease) in accounts payable		(43,888)
(Increase) decrease in customer deposits		(14,594)
Increase (decrease) in accrued expenses		(1,482)
Increase (decrease) in compensated absences		(2,451)
Net cash provided (used) by operating activities	$	880,983
Supplementary Non-Cash Disclosures		
Change in net pension liability		15,166
Change in deferred inflows of resources		13,567
Change in deferred outflows of resources		(5,223)

The accompanying notes are integral to these financial statements

NOTE 1—NATURE OF BUSINESS AND REPORTING ENTITY

The Eldorado Area Water and Sanitation District (the District) was organized pursuant to Sections 73-21-1 through 73-21-55, NMSA, 1978 Comp, and by order of the New Mexico First Judicial District Court in Santa Fe County, New Mexico on July 3, 1997. The District is a governmental subdivision of the State of New Mexico and a body with all the powers of a public or quasi-municipal corporation. The District was created for the statutory purpose of providing water, sewer and other services to residents within the District's boundary. An elected five-member Board of Directors governs the operations of the District.

On January 1, 2003 and March 28, 2003, the District authorized resolutions for the issuance of Utility Acquisition and Improvement General Obligation Bonds to obtain funding for the acquisition of the utility and for necessary utility improvements. Utility Acquisition and Improvement General Obligation Bonds, in the amount of $7,900,000 were issued on January 1, 2004.

On February 10, 2004, the District filed, in the First Judicial District Court, a condemnation action against El Dorado Utilities, Inc. (EUI), seeking to acquire the water utility through exercise of the District's powers of eminent domain. Initially, the District asked the Court to permit immediate possession by the District. The case was heard in May 2004, but the judge denied immediate possession. The judge, however, set up a jury trial for September 2004, to resolve the valuation of the water system.

On September 22, 2004, the jury empaneled to determine just compensation in the condemnation action determined that the fair market value of the utility was $11,047,128, which was 75% greater than the actual value for which the utility was offered for sale on the open market. The District's board was informed that abandonment of the condemnation action would mean that the District would not acquire the utility and could result in a requirement that the District pay the utility owner's reasonable costs and attorney fees incurred in the condemnation action, without benefit to the District or the District's ratepayers.

On September 30, 2004, the District's board resolved to continue its efforts to acquire the utility at a reasonable purchase price, which would not, in any event, be greater than the amount of the jury verdict plus any reasonable interest thereon. The District's attorneys were instructed to take such actions as are legally reasonable and appropriate to seek a reversal or downward modification of the jury determination, including but not limited to, an appeal of the District court decision. The District's officers were instructed to seek additional funding in such amounts as may be necessary to pay the purchase price of the utility. The District's officers were further instructed to advise the owner of the utility of the District's intentions and to seek, if possible, a negotiated settlement of all issues so that the District may acquire the utility in the most expeditious manner possible, at a reasonable price.

On December 1, 2004, the District took possession of the water utility. Between that date and May 24, 2005, the District worked on obtaining additional funding to purchase the utility. Water Utility Revenue Bonds in the amount of $5,800,000 were issued and on May 27, 2005, the District completed the acquisition of the water utility at an adjudicated price of $11,216,996.

Property or Ad Valorem tax revenues are a critical resource for the District because, unlike water rates, they do not vary with consumption. The District has the ability to levy a maximum of 10.0 mills ($10 per $1,000 of taxable property value) in property taxes. The District's current property tax levy is $4.36 mills. See further discussion on the financial impact of Ad Valorem taxes under Note 2 of the financial statements.

Financial Reporting Entity

The District is a special-purpose government created pursuant to statute and is comprised of an elected Board of Directors. The officers of the District are elected for four-year terms on the second Tuesday in January of each odd numbered year at staggered two-year intervals. The District is a governmental subdivision of the State of New Mexico and a body with all the powers of a public or quasi-municipal corporation and these financial statements include all funds and activities over which the District officers have oversight responsibility.

The Directors of the District have decision-making authority, the power to designate management, the ability to set water rates and set the mil levy for property taxes, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The District is not included in any other governmental reporting entity as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. There are no component units. Also, the District has no tax abatement agreements and therefore, no disclosures under GASB 77 are required.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted (US GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing US GAAP for state and local government accounting and financial reporting principles.

A—Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of Presentation—Fund Financial Statements

The accounts of the District are organized on the basis of one fund that is considered a separate accounting entity. The District's activities are reported as business-type and as a result, are comprised of a single proprietary fund financial statement. The operations of the fund are accounted for with self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses. Government resources are allocated to and accounted for in the fund based upon the purpose for which spending activities are controlled. In this report, the fund is presented with the titles of Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows.

Enterprise Fund

The enterprise fund (proprietary fund) is used to account for operations (a) that are financed and operated in a manner similar to private business enterprise 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.

Measurement Focus

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities, deferred inflows of resources (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Property taxes are recognized as revenues in the year for which they are levied.

Operating and Non-Operating Items

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are user fees generated from water and wastewater services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues, including ad valorem taxes, and expenses not meeting this definition are reported as non-operating revenues and expenses.

B—Use of 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 for amounts associated with assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the financial statement date and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Significant estimates for the District include management's estimate of the allowance for uncollectible accounts for water sales and depreciation on assets over their estimated useful lives.

C—Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, Net Position, Revenues and Expenses

Deposits and 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.

Investments for the District are reported at fair value. 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.

Restricted Cash Equivalents and Investments

Restricted assets consist of those funds expendable for the operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be used. The District has restricted cash and investments. Restricted cash are all identified in the Schedule of Deposit and Investment Accounts as listed in the table of contents.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. There was one prepaid item consisting of general liability insurance, totaling $34,336, as of June 30, 2018.

Capital Assets

Capital assets are tangible assets that have initial useful lives that extend beyond a single reporting period. Capital assets are reported at historical cost or estimated fair value, if donated. Capital assets are depreciated using zero salvage value and the straight-line method over their estimated useful lives.

The major classifications of capital assets and their related depreciable lives are as follows:

Asset Type	Years
Buildings	30
Water utility - original	30
Water utility - improvements	7-30
Water utility - Well 17 and 18	30
Vehicles	5
Furniture and fixtures	15
Equipment and machinery	3-15

The District's water system is depreciated on a straight-line basis over its useful life. Revenue and General Obligation bonds for the acquisition of the water utility system were refunded in fiscal year 2013 with loans from the New Mexico Finance Authority (PP-2900 and PP-2901).

Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation, compensatory hours, and sick pay benefits. Compensated absences are those absences for which employees will be paid, such as vacation, and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the District and its employees is accrued as employees earn the right to the benefits. Compensated absences that related to future services or that are contingent on a special event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or when such events take place. Compensated absences liability includes annual leave which has been accrued but not taken.

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to the aforementioned maximums at their current hourly rate. See the "changes in long term debt" note in this report for the accrued compensated absences payable outstanding as of June 30, 2018.

Ad Valorem Taxes

The Board of Directors has the power and authority to request a levy and collect ad valorem taxes on and against all taxable property within the District. Each year, the Board of Directors determines the amount of money necessary to be raised by taxation, taking into consideration other sources of revenue of the District, and submits a budget request to the Department of

Finance and Administration, Local Government Division (DFA-LGD) sufficient to meet its operating, debt service, construction and other costs. The DFA-LGD utilizes property valuations obtained from the county assessor's office to set the mil levy. The results are provided to the county treasurer who presents all county-wide mil levies to the Board of County Commissioners for approval by October 1. The Board of County Commissioners levies the tax upon the assessed valuation of all taxable property within the District. Taxes levied are due one-half on November 10 and one-half on April 10. It is the duty of the Board of County Commissioners to levy taxes within the District. The County Treasurer collects the taxes and remits such taxes to the District. All taxes levied, until paid, constitute a perpetual lien on and against the property taxed.

Bond Issuance Costs

The District immediately expenses bond issuance costs in the year in which they are incurred.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District has deferred outflows of resources during fiscal year as follows:

Deferred Outflows of Resources

		2018
Pension deferrals	$	106,733
Total deferred outflows of resources	$	106,733

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred Inflows of Resources

		2018
Pension deferrals	$	22,058
Total deferred inflows of resources	$	22,058

Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by corresponding deferred inflows of resources. The District has one type of deferred inflows, which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the deferred inflows, net difference between expected and actual earnings and change in assumptions, are reported on the Statement of Net Position. Deferred inflow amounts related to the net difference between expected and actual investment earnings are amortized into pension expense over a five-year period.

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

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. They include all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities. Non-operating revenues include ad valorem taxes (property), miscellaneous income and interest income.

Capital Grants

Capital grant revenues received from NMED and the NMFA Water Trust Board are recognized on a reimbursement basis. Reimbursements are received after the District incurs and submits qualifying expenses.

Net Position Classification

Net position is the difference between assets, deferred outflows of resources, liabilities and deferred inflow of resources. Net investment in capital assets – net of related debt, are capital assets, less accumulated depreciation and any debt related to the acquisition or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by external restrictions by other governments, creditors or grantors.

D—Budgets and Budgetary Accounting

Special Districts follow procedures that are promulgated by the Department of Finance and Administration, Local Government Division (DFA-LGD). Those procedures are as follows:

1. In March and April, the Treasurer, assisted by the District Financial Service Provider, develops a proposed initial operating budget for the upcoming fiscal year. The proposed initial operating budget is presented to the Board for review and update in April. Changes to the proposed budget are made accordingly.

2. In the first Board meeting in May, the Board holds a public meeting to present the proposed initial operating budget to the communities served and to hear public comment regarding the proposed budget.

3. Any changes directed by the Board are made to the proposed initial budget, which the Treasurer then submits to the Board for approval at a second Board meeting in May. The operating budget includes proposed expenditures and the means of financing them.

4. After the Board approves the proposed initial budget, it is then submitted to the DFA-LGD for review and certification in time to meet the DFA-LGD deadline of June 1.

5. DFA-LGD returns the approved initial budget on the first Monday in July. Fiscal year-end cash balances and any final budget adjustments are then posted to the initial budget to produce the District's final budget, which must be submitted to DFA-LGD by July 30

6. Upon certification by the DFA-LGD, the budget becomes a legally binding document and budgetary control does not allow total expenditures in any fund to exceed the amount budgeted.

7. The Board is authorized to make budget revisions with the DFA-LGD's approval.
8. Formal budgetary integration is employed as a management control device during the year.

Budgets for revenues and most expenses are adopted on a non-GAAP basis of cash receipts and disbursements due to the District and do not include depreciation expense or amortized issuance costs related to its outstanding debt and budgeting principal payments on its outstanding bonds; consequently, certain revenues and the related assets (receivables) are recognized when earned rather than when received and certain expenses are recognized when the obligation is incurred rather than when paid. Budgetary comparisons in this report are presented on the non-GAAP budgetary basis.

The budgetary information presented in these financial statements has been properly amended by the District's board in accordance with the above procedures. These amendments resulted in no changes to the excess (deficiency) of revenues and sources over (under) expenses and uses for the current year.

E—Deposits And Investments

State statutes authorize the investment of District funds in various financial instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. The District is not aware of any invested funds that did not meet the State investment requirements as of June 30, 2018.

Deposits of funds may be made in interest or non-interest-bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute.

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 funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

All of the District's accounts at an insured depository institution, including noninterest bearing accounts, are insured by the FDIC up to the standard maximum deposit insurance amount of $250,000.

NOTE 3—DEPOSITS AND INVESTMENTS

Custodial Credit Risk—Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit be collateralized by the depository thrift or banking institution. At present, state statutes require that a minimum of fifty percent of uninsured balances on deposit with any one institution must be collateralized, with higher requirements up to 100% for financially troubled institutions.

The District's bank balances were exposed to custodial credit risk as shown in the table below. However, all of the bank balances exposed to custodial risk were collateralized by securities not in the District's name. None of the District's deposits were uninsured and uncollateralized at June 30, 2018.

Bank accounts were collateralized as follows:

Location		Balance Per Depository		Book Balance
First National Bank 1870	$	979,079		979,079
Total amount of deposit in bank	$	979,079		
FDIC coverage		(250,000)		
Total uninsured public funds	$	729,079		
50% Collateral Requirement (Section 6-10-17 NMSA 1978)	$	364,540		
Uninsured and uncollateralized			$	-
Uninsured, collateral held by the pledging institutions or by its trust department or agent, but not in the name of the District.			$	729,079
Pledging excess			$	1,379,130

Pledged Collateral

The following schedule identifies the pledged collateral details related to First National Bank 1870:

Name of Depository	Description of Pledged Collateral	Maturity	Cusip Number	Fair Market Value June 30, 2018	Name and Location of Safekeeper
First National Bank 1870	GNR 2013-194 AE	11/16/2044	38378NNC3	2,108,209	First National Bank 1870
	Total Pledged Collateral			$ 2,108,209	

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, County, or political subdivision of the State of New Mexico.

Investments

Credit Risk

As of June 30, 2018, the District's investment in the State Treasurer Local Government Investment Pool was rated as AAAm by Standard & Poor's.

The New Mexico Local Government Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(I) through 6-10-10(P) and Sections 6-10-10.1(A) and (E), NMSA 1978. The LGIP's investments are monitored by the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1(F), NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary. Per review of GASB

Statement No. 72, the State Treasurer Local Government Investment Pool is exempt from GASB 72 and should continue to be measured and disclosed in accordance with existing literature.

Concentration of Credit Risk—Investments

For an investment, concentration of credit risk is when any one issuer is 5% or more of the investment portfolio of the District. The investments in U.S. Treasury Money Market Mutual Funds represent 33% of the investment portfolio. The investments in LGIP represent 67% of the investment portfolio.

Investment Type	Risk Rating	Fair Value	Weighted Average Maturity
State Treasurer:			
Local Government Investment Pool			
Property Tax Revenue- G.O. Bonds		$ 72,555	
Utility Acquisition and Improvement		736,476	[50] day WAM (R)
Operating Reserve	AAAm	383,568	[100] day WAM (F)
Restricted LGIP Water Rights		-	
Total LGIP		1,192,599	
U.S. Treasury MM Mutual Fund**	AA+	597,303	<90 days
Total investments		$ 1,789,902	

**These U.S. Treasury MM Mutual Fund amounts are classified as restricted cash equivalents on the statement of net position due to their weighted average maturity of less than or approximately equal to 90 days, but for disclosure purposes the amounts are considered investments.

Interest Rate Risk—Investments

The District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates. The District follows state law with investment activities.

NOTE 4—RECEIVABLES

Receivables are comprised of ad valorem taxes receivable, grants receivable and customer water billings. Capital grants receivable consist of expenses incurred for qualified capital expenses not yet reimbursed by the NMFA Water Trust Board or NMED. Receivable for water billings is water utility revenue billed and unbilled but earned which are not yet collected. Ad Valorem receivables represent current and delinquent taxes. The District considers the amount fully collectible and therefore has not estimated the amount of taxes levied that will be uncollectible.

Receivables and the allowance for doubtful accounts are as follows:

	Type		
	Ad Valorem	Customer Receivables	Grant Receivables
Receivables	$ 39,413	676,120	6,501
Allowance for doubtful accounts	-	(16,816)	-
Net receivables	$ 39,413	659,304	6,501

NOTE 5—CAPITAL ASSETS

Property, equipment, easements and water rights are summarized as follows:

Business-Type Activities	Balance 2017	Additions	Deletions	Balance 2018
Non-depreciable capital assets				
Land	$ 463,000	-	-	**463,000**
Easements	467,818	-	-	**467,818**
Water rights	11,751,450	-	-	**11,751,450**
Water utility well 19	675,810	913,677	-	**1,589,487**
Total non-depreciable capital assets	**13,358,078**	**913,677**	**-**	**14,271,755**
Capital assets being depreciated				
Water utility-Original	7,868,045	-	-	**7,868,045**
Water utility- improvements	4,423,353	371,043	-	**4,794,396**
Water utility well 2	717,440	248,135	-	**965,575**
Water utility well 17	856,880	-	-	**856,880**
Water utility well 18	1,204,123	-	-	**1,204,123**
Water utility well 20	-	44,129	-	**44,129**
Vehicles	147,994	-	-	**147,994**
Buildings	122,987	448,637	-	**571,624**
Furniture, fixtures, & equipment	37,961	-	-	**37,961**
Equipment and machinery	118,407	37,653	(5,896)	**150,164**
Total capital assets being depreciated	15,497,190	1,149,597	(5,896)	**16,640,891**
Total Assets	**28,855,268**	**2,063,274**	**(5,896)**	**30,912,646**
Less accumulated depreciation				
Water utility-Original	(3,140,335)	(262,268)	-	**(3,402,603)**
Water utility- improvements	(850,550)	(219,204)	-	**(1,069,754)**
Water utility well 2	(44,180)	(21,013)	-	**(65,193)**
Water utility well 17	(266,119)	(28,563)	-	**(294,682)**
Water utility well 18	(233,010)	(40,137)	-	**(273,147)**
Vehicles	(115,408)	(16,071)	-	**(131,479)**
Furniture and fixtures	(11,598)	(2,531)	-	**(14,129)**
Equipment and machinery	(89,107)	(9,960)	2,357	**(96,710)**
Buildings	-	(977)	-	**(977)**
Total accumulated depreciation	**(4,750,307)**	**(600,724)**	**2,357**	**(5,348,674)**
Capital assets, net	$ **24,104,961**	**1,462,550**	**(3,539)**	**25,563,972**

For the year ended June 30, 2018, depreciation expense was $600,724, which is charged by water and wastewater functions as disclosed on the face of the financial statements.

Water Rights

Water rights were acquired through partial licenses granted to the District from the Office of the State Engineer on June 4th, 2010. The licenses authorized the District to use 783.43 acre- feet per year from the Central Well Field located in the Eldorado area and the Galisteo Alluvium Field located in the Galisteo Basin. Water rights are intangible assets that are required to be reported under GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets. The District's water rights are tied to the District's service area and integrated delivery system by the partial license.

The New Mexico State Engineer has combined all existing, recognized wells in the area known as the "Central Well Field," which corresponds generally to the District's legal boundaries into a single license, No. RG-18529, in the amount of 583.23 Acre-Feet/Year (AF/Y). The New Mexico State Engineer has combined the existing, recognized wells known as the "Galisteo Creek Wells" into a single license, No. RG-18556, in the amount of 200.2 Acre-Feet/Year (AF/Y). In addition to these 783.43 AF/Y of water rights, the Partial License provides for an additional 254.37 AF/Y of appropriative (unperfected) water rights potentially available to the District in the Central Well Field if 127.185 AF/Y (half) of the appropriative rights are perfected by 2021 and the other half are perfected by 2031.

The term "Partial" has a specific legal intent: to indicate that the remaining appropriative rights must be applied to additional wells ("points of diversion"), the water produced from the wells put to beneficial use, and the corresponding water rights perfected by the dates specified in the Partial License. Subsequent to issuance of the Partial License, the District commissioned a valuation of its perfected water rights as stated in the Partial License from Glorieta Geoscience, Inc. (GGI). GGI completed the valuation on July 30, 2011. The valuation was stated in fair-market terms and assigned a minimum value to the District's 783.23 AF/Y in perfected water rights of $15,000 per AF/Y.

Such a valuation was not possible prior to issuance of the Partial License because the status of water rights received from EUI was incompletely defined, at best, and subject to continued dispute and litigation. The Government Accounting Standards Board (GASB) requires that intangible assets be included in an entity's financial reporting (Statement of Net Assets), effective for periods beginning after June 15, 2009 (i.e., the District's FY2010 and subsequent audits) [GASB Statement 51:20]. GASB Statement 51 requires that "intangible assets received in a nonexchange transaction should be recorded at their estimated fair value at the time of acquisition..." [GASB 51:72]. The District has not assigned any value to the appropriative, unperfected water rights provided under the Partial License.

The New Mexico State Engineer's grants of the Partial License and the Well 18 permit meet the definition of nonexchange transactions.

Proof of beneficial use for the first and second 10-year periods must be filed with the State Engineer on or before January 31, 2021 and January 31, 2031, respectively. At the completion of this process, the State Engineer will issue a final license for the District's entire water rights.

NOTE 6—CHANGES IN LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2018 is as follows:

Obligation	Balance 2017	Additions	Reduction	Balance 2018	Due Within One Year
New Mexico Finance Authority Loans	$ 1,151,710	-	(70,490)	1,081,220	72,444
NMFA Bond Refunding (GO Bond)	3,060,000	-	(455,000)	2,605,000	475,000
NMFA Bond Refunding (Revenue Bond)	2,850,000	-	(255,000)	2,595,000	265,000
NMFA DW Well 19	62,526	442,237	-	504,764	37,412
Drinking Water Loans	-	230,649	-	230,649	-
Total	$ 7,124,236	672,886	(780,490)	7,016,633	849,856
Accrued compensated absences	$ 10,760	11,469	(13,920)	8,309	8,309
Net pension liability	$ 284,384	15,166	-	299,550	-

The following are details of the debt to be serviced by the District.

#	Description	Date of Issue	Due Date	Original Issue	Out-standing	Rate
1	2469PP-Eldorado Loan	7/16/2010	6/1/2030	$ 1,433,759	965,200	3.97%
2	Revenue bond	6/13/2013	6/1/2025	3,775,000	2,595,000	4.89%
3	GO bonds	6/13/2013	6/1/2023	4,700,000	2,605,000	4.70%
4	WTB 246	3/1/2013	6/1/2033	18,750	14,159	0.25%
5	WTB 277	1/17/2014	6/1/2033	47,000	36,503	0.25%
6	WTB 278	1/17/2014	6/1/2033	36,000	27,960	0.25%
7	WTB 279	1/17/2014	6/1/2033	20,500	15,921	0.25%
8	WTB 297	3/20/2015	6/1/2034	25,667	21,477	0.25%
9	Well 19 DW 3401	5/27/2016	5/1/2038	909,000	504,763	2.00%
10	3593 Drinking Water Loan	2/24/2017	5/1/2038	357,035	197,702	2.00%
11	3620 Drinking Water Loan	6/2/2017	5/1/2039	505,000	32,947	2.00%
	Totals			$ 11,827,711	7,016,633	

The annual principal and interest requirements on long-term debt outstanding as of June 30, 2018 are as follows:

June 30,	Principal	Interest	Total
2019	849,856	307,568	1,157,424
2020	887,746	274,356	1,162,102
2021	920,814	231,781	1,152,595
2022	959,127	195,481	1,154,608
2023	1,007,678	149,109	1,156,787
2024-2028	1,564,776	265,571	1,830,347
2029-2033	563,240	54,080	617,320
2034-2038	263,396	15,929	279,325
	$ 7,016,633	1,493,875	8,510,508

NMFA Debt Outstanding

Loan #1—On July 16, 2010, the District authorized and executed a loan agreement with the New Mexico Finance Authority (NMFA) for the purpose of financing water system improvements and infrastructure. Loan payments are due to NMFA monthly until June 1, 2030. The interest rate over the term of the loan is identified in the table above. The full faith and credit of the District is pledged for payment of principal and interest thereon and the loan will be payable from revenues of the water utility system.

Loans #2 and #3—On June 13, 2013, the District executed two loan refunding agreements with the New Mexico Finance Authority (NMFA) (NMFA Bond Refunding (Revenue Bond) and NMFA Bond Refunding (GO Bond)) through resolution. The loans were issued at a total premium of $1,478,149. The District used these new debt issuances to refund the 2005 Series Revenue Bonds and the 2004 Series General Obligation Bonds. The interest rates for the Revenue Bond and GO Bond are identified in the table above. The Revenue Bond is payable from the net revenues of the water utility system and the GO Bond is payable from general ad valorem taxes.

The District also entered into a loan agreement on May 27, 2016 for an amount of $909,000. The purpose of the loan is to provide funding for a new drinking water well and constructing facilities

and appurtenances necessary for water production and interconnect a drinking water well with the water system.

The terms of the loan require debt service to be paid over a 22-year period. The rate of interest on the loan is 2%. Only $504,763 of the proceeds have been received (drawn-down) by the District.

The District entered into two additional loan agreements for $357,035 and $505,000, that closed on February 24, 2017 and June 2, 2017, respectively. The rate of interest on the loans are 2%. $197,702 of the $357,035 loan and $32,947 of the $505,000 loan have been received (drawn-down) by the District as of June 30, 2018.

All but one of the District's loan agreements with NMFA contain a debt covenant of 1.3x. To meet the covenants, the District's pledged revenues for each debt instrument are required to be equal to or in excess of a contractually designated percentage of the aggregate annual debt service requirement. For the fiscal year ended June 30, 2018, the District is in compliance with these covenants.

NOTE 7—POST-EMPLOYMENT BENEFITS—STATE RETIREE HEALTH CARE PLAN

The District is not a participant under the Retiree Health Care Act.

NOTE 8—OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosures of certain information concerning the fund as follows:

A. The fund did not maintain a deficit net position as of June 30, 2018.

B. The fund did not exceed approved budgetary authority for the year ended June 30, 2018.

NOTE 9—NET POSITION

At June 30, 2018, a portion of the net position was restricted by enabling legislation as follows:

- Costs of utility acquisition and improvements (new wells, pipes, pumps reservoirs, structures, etc.)

Also, at June 30, 2018, the District had restricted net position for debt reserve and debt service requirements.

Therefore, these amounts of net position were not available for general operating expenses.

All amounts are identified on the Statement of Net Position under the Net Position section of the financial statements.

NOTE 10—RISK MANAGEMENT AND LITIGATION

The District covers its insurance needs through various insurance policies. The coverage includes business and personal property, commercial general liability, owned, non-owned and hired automobiles, and directors' and officers' liability. The premiums paid on the policies during the year were $49,312.

If the District's losses exceed its premiums, there is no supplemental assessment; on the other hand, if the District's losses are less than its premiums, it does not receive a refund. Therefore, except for deductible amounts, risk has been transferred to the insurance carrier. There are no pending or known threatened legal proceedings involving material matters to which the District is a party.

The District is insured through purchase of commercial insurance policies for general liability and purchases Worker's Compensation Insurance from the New Mexico Self Insurer's Fund. Worker's Compensation claims are handled by the New Mexico Self Insurer's Fund.

NOTE 11—PENSION PLAN—PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description: Substantially all of the District's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. PERA's Comprehensive Annual Financial Report is available on PERA's website at http://www.pera.state.nm.us.

***Funding Policy*:** Plan members are required to contribute 10.65% of their gross salary. The District is required to contribute 9.55% of the gross covered salary. The contribution requirements of plan members and the District are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to PERA for the years ending June 30, 2018, 2017, and 2016 were $22,058, $18,299 and $14,537 respectively, which equals the amount of the required contributions for the year.

NOTE 12—PENSION PLAN AND POST EMPLOYMENT BENEFITS

Summary of Significant Accounting Policies

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 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's. 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.

General Information about the Pension Plan

Plan description – *Public Employees Retirement Fund* is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter

10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

Benefits provided – Benefits are generally available at age 65 with five or Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

TIER II – The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions – See PERA's publicly available financial report and comprehensive annual financial report obtained at http://saonm.org/ using the Audit Report Search function for agency 366, for the employer and employee contribution rates in effect for fiscal year 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – **Municipal General Division;** At June 30, 2018, the District reported a liability of $299,550 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. 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. At June 30, 2017, the District's proportion was 0.0218%, which was a decrease of 0.004% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized PERA Fund Division; Municipal General Division pension expense of $46,086. At June 30, 2018, the District reported PERA Fund Division; Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

Municipal General Division	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 11,770	15,343
Changes of assumptions	13,814	3,095
Net difference between projected and actual earnings on pension plan investments	24,576	-
		-
Change in proportion and differences between EAWSD contributions and proportionate share of contributions	33,997	3,620
EAWSD contributions subsequent to the measurement date	22,576	-
Total	$ 106,733	22,058

$22,576 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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:	Amount
2019	$ 18,321
2020	36,750
2021	14,211
2022	(7,183)
2023	-
Thereafter	-

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:

Refer to Note 12. *Summary of Actuarial Methods and Assumptions* in PERA's June 30, 2017 Comprehensive Annual Financial Report (CAFR) for more in-depth detail of the actuarial methods and assumptions, by fund. http://www.nmpera.org.

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed Market Value
Actuarial assumptions	
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for first 9 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	Includes inflation at 2.25% for the first 9 years and 2.75% thereafter
Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience study dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 30, 2016 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board use in the June 30, 2016 actuarial valuation.

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

All Funds - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets	20.00%	7.35%
Total	100.00%	

Discount rate – A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the* Authority*'s proportionate share of the net pension liability to changes in the discount rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.51 percent, as well as what the employer name's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.51 percent) or 1-percentage-point higher (8.51 percent) than the current rate:

PERA Fund Division - Municipal General Division	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
EAWSD's proportionate share of the net pension liability	$ 469,494	$ 299,550	$ 158,218

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued PERA financial reports, available at http://www.nmpera.org/.

NOTE 13—OPERATING LEASES

The District entered into a lease agreement in February 2016 for the rental of administrative office space for the water utility operations office. This lease ended on June 12, 2018 when the building was purchased by the District.

There are no future minimum lease payments. Rent expense for the year ended June 30, 2018 was $65,380.

NOTE 14 — COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

The District has certain commitments, contingencies and subsequent events as noted below:

Loans

The District entered into a loan agreement of $585,889 with NMFA for the 2 North Chamisa Drive property for $350,000 and an additional $200,000 for necessary improvements to the property which included a new roof, stucco and new heating, ventilation and air conditioning system. The remaining amount of the loan includes the loan agreement debt service reserve deposit and processing fee. Loan terms are 30 years at an average interest rate of 3.409%, payable in roughly equal amounts each year. The final payment can be offset by the debt service reserve fund. Due to the timing of the purchase and the loan closure, the District funded the full closing cost of the building using reserves from LGIP of $347,137. This amount was reimbursed to the District after the loan closed on July 27, 2018.

The District entered into a loan agreement on May 27, 2016 for the amount of $909,000. The purpose of the loan is to provide funding for a new drinking water well and constructing facilities and appurtenances necessary for water production and to interconnect a drinking water well with the water system. As of June 30, 2018, The District has drawn down $504,763 in loan proceeds which is identified in Note 6 and anticipates drawing down the remaining funds in the current fiscal year.

The terms of the loan require debt service to be paid over a 22-year period. The rate of interest on the loan is 2%.

The District entered into two loan agreements for $357,035 and $505,000 that closed on February 24, 2017 and June 2, 2017, respectively. The terms of the loans require debt service to be paid over a 22-year period. The rate of interest on the loans are 2%. $197,702 of the $357,035 loan and $32,947 of the $505,000 loan have been received (drawn-down) by the District as of June 30, 2018.

The District entered into two additional loan agreements for $1,315,020 and $565,600, that both closed on June 8, 2018. The terms of the loans require debt service to be paid over a 22-year period. The rate of interest on the loans are 2%. No proceeds have been received (drawn-down) by the District as of June 30, 2018.

Detail of the loans are as follows:

Loan Commitments		Amount	Rate of Interest	Term	Purpose
NMFA Loan No. PPRF-4735	$	585,889	3.409%	30 year period	Purchase of Building, Property and to make Improvements
NMFA Drinking Water Loan No. 3401-DW		909,000	2.000%	22 year period	Financing of Water Wells
NMFA Drinking Water Loan No. 3593-DW		357,035	2.000%	22 year period	Financing of Water Wells
NMFA Drinking Water Loan No. 3620-DW		505,000	2.000%	22 year period	Pressure Zone Optimization Phase 2
NMFA Drinking Water Loan No. 4208-DW		1,315,020	2.000%	22 year period	Line and Meter
NMFA Drinking Water Loan No. 4215-DW		565,600	2.000%	22 year period	Water Improvement Project
Total Water System Fund	$	4,237,544			

Construction Commitments

As of June 30, 2018, there were four construction projects (Well 2A/2B, Well 19, PZO Improvements Phase II, and Well 20) in process:

Well 2A/2B

As of June 30, 2018, Construction of Well 2A/2B Dual Production was 99% complete with SCADA adjustments and training the only remaining tasks. Closeout was 60% complete. After the start of FY19, substantial completion of the project was achieved on July 17, 2018.

Well 19

As of June 30, 2018, Well 19 Production Facilities Construction was 95% complete with SCADA programming, completion of the fence and training being the remaining tasks. Closeout was 30% complete. After the start of FY19, Substantial Completion of the project was achieved on July 19, 2018.

PZO Improvements Phase II
As of June 30, 2018, the Design Phase of PZO Improvements Phase II was 100% complete. The project had been advertised and the Bidding/Award phase was 45% complete.

Well 20
As of June 30, 2018, a draft of the Well 20 Siting Study had been delivered to and reviewed by the District. The District and NMED Construction Program Bureau comments had been incorporated and the final draft was delivered in mid-July. Subconsultant Glorieta Geoscience had completed about 75% of groundwater model updates. The Design Phase for Well 20 had been placed on hold pending testing of an existing well that may potentially serve as a new supply well for the District, depending on condition and capacity.

Contracts

The District has granted a first lien on the Pledged Revenues and a security interest therein, for payment of the principal, interest, administrative fees, and any other amount due under the loan agreement.

Contract Operations
Effective July 1, 2011, the District renewed its contract with a contractor to provide day-to-day operations and management of the District's water system. The term of the agreement was for four years commencing on the 1st day of July 2011, with an option to extend for an additional period of up to four years through formal amendment. The agreement was renewed for the additional four-year period on June 16, 2014, effective July 1, 2014. The District may at any time and at its sole convenience terminate this contract by providing written notice to the Contractor. Upon receipt of the notice, the Contractor will have 90 days to demobilize unless otherwise directed by the District.

As part of the contract renewal, a fixed annual increase of 2.5% was agreed upon for base fees for the fifth through eighth contract years.

The District is in the eighth year of an eight-year contract to provide operations, billing and customer support services. The contract which expires on June 30, 2019 is in excess of $1,000,000 annually and represents the largest reoccurring operating expense for the district. The District will issue a Request for Proposals to recompete for these services prior to expiration of the existing contract.

Engineering Services
The District is in the second of a three-year contract with Molzen Corbin to provide general engineering services which include planning, design and construction support services for projects on the District's five-year Capital Improvement Plan. Assignments under the contract are awarded on an individual Task Order basis. The District will issue a Request for Proposals to recompete for these services prior to expiration of the existing contract.

Legal Services
The District is in the fourth year of a four-year contract with Law & Resource Planning Associates P.C. (LRPA) to provide as-needed legal services. As the cost of these services is expected to be less

than $60,000 the District will consider either renewal of the existing contract or issuing of a Request for Proposals to recompete for these services prior to expiration of the existing contract.

Hydrology Services

The District had an annual contract with Glorieta Geoscience, Inc (GGI) to provide hydrologic services on an as-needed basis including well water level monitoring and data analysis and reporting. As the cost of these services is expected to be less than $60,000 the District will consider either renewal of the existing contract or issuing of a Request for Proposals to recompete for these services prior to expiration of the existing contract.

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF ELDORADO AREA WATER AND SANITATION ELDORADO AREA WATER AND SANITATION DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF PERA FUND DIVISION;
MUNICIPAL GENERAL DIVISION
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS*

		2018	2017	2016	2015
		Measurement Date as of			
		June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
The Eldorado Area Water and Sanitation District's proportion of the net pension liability (asset) (%)		0.0218%	0.0178%	0.0183%	0.0186%
The Eldorado Area Water and Sanitation District's proportionate share of the net pension liability (asset) ($)	$	299,550	284,384	186,584	145100
The Eldorado Area Water and Sanitation District's covered payroll	$	191,613	152,220	151,885	150,963
The Eldorado Area Water and Sanitation District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll		156.33%	186.82%	122.85%	96.12%
Plan fiduciary net position as a percentage of the total pension liability		73.74%	69.18%	76.99%	81.29%

**Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2015, the year the statement's requirements became effective

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF ELDORADO AREA WATER AND SANITATION DISTRICT'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA FUND DIVISION; MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS*

		2018	2017	2016	2015
Statutory required contribution	$	22,058	18,299	14,537	14,505
Contributions in relation to the statutorily required contribution		22,058	18,299	14,537	14,505
Contribution deficiency (excess)	$	-	-	-	-

**Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2015, the year the statement's requirements became effective

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2018

Changes of Benefit Terms: The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CAFR. https://www.saonm.org

Changes of Assumptions: The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2017 report is available at http://www.nmpera.org/

STATE OF NEW MEXICO
ELDORADO AREA WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Budget (Non-GAAP Budgetary Basis) and Actual
For The Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
Operating revenues				
Water sales	$ 2,695,700	2,695,700	3,089,823	394,123
Fees and charges for services	-	-	5,089	5,089
Total operating revenues	2,695,700	2,695,700	3,094,912	399,212
Operating expenses				
Contractual services	1,656,767	1,656,767	1,483,771	172,996
Personnel services -salaries and benefits	322,775	322,775	342,448	(19,673)
Other	246,737	246,737	239,036	7,701
Supplies	34,576	34,576	69,466	(34,890)
Travel	3,484	3,484	985	2,499
Capital outlay	2,715,000	2,715,000	2,063,274	651,726
Debt service:				
Principal	780,490	780,490	780,490	-
Interest	226,397	226,397	330,937	(104,540)
Total operating expenses	5,986,226	5,986,226	5,310,407	675,819
Non-operating revenues (expenses)				
Ad valorem taxes	1,241,597	1,241,597	1,201,618	(39,979)
Other revenue	-	-	62,979	62,979
Interest income	14,490	14,490	27,724	13,234
Total non-operating revenues	1,256,087	1,256,087	1,292,321	36,234
Capital contributions				
Capital grant and state appropriation	101,018	101,018	77,288	(23,730)
Total capital contributions	101,018	101,018	77,288	(23,730)
Excess (deficiency) of revenues and sources over (under) expenses and uses	(1,933,421)	(1,933,421)	(845,886)	1,087,535
Other financing sources (uses)				
Loan proceeds	1,543,666	1,543,666	442,237	(1,101,429)
Allocations from reserves	599,490	599,490	96,788	(502,702)
Contributions to reserves	(209,735)	(209,735)	(356,683)	(146,948)
Total other financing sources (uses)	$ 1,933,421	1,933,421	182,342	(1,751,079)
Net change in net position (non-GAAP budget basis)			$ (663,544)	
Adjustments for GAAP basis				
Depreciation			(600,724)	
Adjustment for other financing sources (uses) - budget basis			(182,342)	
Adjustment for bond interest and bond premiums			137,059	
Capital outlay			2,063,274	
Principal payments on debt			780,490	
			2,197,757	
Net change in net position before contributions (GAAP basis)			$ 1,534,213	

STATE OF NEW MEXICO
ELDORADO AREA WATER AND SANITATION DISTRICT
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
As of June 30, 2018

Account Name/Type	Deposits: First National Bank 1870	Deposits: NewMexigrow LGIP	Totals
Deposits			
First National Bank 1870			
Checking	$ 427,296	-	427,296
Savings	538,516	-	538,516
Payroll	13,267	-	13,267
New Mexico Finance Authority			
Reserve Account	105,161	-	105,161
Debt Service Account	492,142	-	492,142
Investments			
LGIP-Property Tax Revenue	-	72,555	72,555
LGIP-Utility Acquisition	-	736,476	736,476
LGIP-Operating Reserve	-	383,568	383,568
Total deposits and investments	1,576,382	1,192,599	2,768,981
Reconciling items	-	-	-
Reconciled balance	$ 1,576,382	1,192,599	2,768,981

Reconciliation to Financial Statements		
Unrestricted Cash		
Cash and cash equivalents	$	979,079
Restricted Cash		
Debt service		597,303
Total Restricted Cash		597,303
Unrestricted Investments:		
Investments	$	383,568
Restricted Investments		
Debt service		72,555
Cost of utility acquisition and improvements		736,476
Total restricted investments		809,031
Total Cash and Investments	$	2,768,981

INDEPENDENT AUDITOR'S 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*

Governing Board of
Eldorado Area Water and Sanitation District
and
Mr. Wayne Johnson, New Mexico State Auditor

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 Eldorado Area Water and Sanitation District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the related budgetary comparison of the District, presented as supplementary information, and have issued our report thereon dated December 04, 2018.

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) to determine the 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 a 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 was for the limited purpose describe 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 and. 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations

contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hinkle + Landers, PC
Albuquerque, NM
December 04, 2018

STATE OF NEW MEXICO
ELDORADO AREA WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2018

SUMMARY OF FINDINGS AND RESPONSES

Reference #	Finding	Status of Prior Year Findings	Type of Finding
Prior Year Findings			
None		N/A	
Current Year Findings			
None		N/A	

* Legend for Type of Findings

A. Material Weakness in Internal Control Over Financial Reporting
B. Significant Deficiency in Internal Control Over Financial Reporting
C. Other Matters Involving Internal Control Over Financial Reporting
D. Non-compliance with State Audit Rule, NM State Statutes, NMAC or other entity compliance

STATE OF NEW MEXICO
ELDORADO AREA WATER AND SANITATION DISTRICT
EXIT CONFERENCE
For the Year Ended June 30, 2018

An exit conference was held in a closed session on December 04, 2018, at the District's Offices in Santa Fe, New Mexico. In attendance were the following:

Eldorado Area Water and Sanitation District

Elizabeth Roghair, CPA	Treasurer
David Burling	Director
Phil Speicher	Member, Audit Advisory Committee
Steve King	General Manager
Jessa Huybrechts, CPA	Outsourced Controller

Hinkle + Landers, PC

Farley Vener, CPA, CFE, CGMA	President & Managing Shareholder

FINANCIAL STATEMENTS

The financial statements of the District as of June 30, 2018, were substantially prepared by Hinkle + Landers, PC, however, the financial statements are the responsibility of management.