

State of New Mexico

**La Luz Mutual Domestic Water Consumers Association and
Mutual Sewage Works Association
Tier 6- Agreed Upon Procedures Report
December 31, 2015**

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STATE OF NEW MEXICO
La Luz Mutual Domestic Water Consumers Association
and Mutual Sewage Works Association
Office of the State Auditor Tier 6 Agreed-Upon Procedures
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December 31, 2015

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STATE OF NEW MEXICO
La Luz Mutual Domestic Water Consumers Association
and Mutual Sewage Works Association
Office of the State Auditor Tier 6 Agreed-Upon Procedures
Official Roster
December 31, 2015

BOARD MEMBERS

<u>Name</u>	<u>Title</u>
Reynaldo Duran	President
Edward Silva, Jr.	Vice-President
Cheri Moore	Secretary
Michael Reinecke	Treasurer
Ray Sanchez	Works Supervisor

ADMINISTRATION

Edward Lueras	Systems Manager
Carol Garcia	Administrative Advisor
Rosalie Romero	Office Administrator
Carlos Salas	Chief Water Operator

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Tim Keller
New Mexico State Auditor
Board of Directors
La Luz Mutual Domestic Water Consumers Association and Mutual Sewage Works Association
La Luz, New Mexico

We have performed the agreed-upon procedures which the Office of the State Auditor and La Luz Mutual Domestic Water Consumers Association and Mutual Sewage Works Association (the Association) have specified, listed in the attached schedule, as required by Tier 6 of the Audit Act- Section 12-6-3B(6) NMSA 1978 and Section 2.2.2.16 NMAC for the year ended December 31, 2015 in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The Association is the responsible party, and the subject matter is the responsibility of the Association. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our findings related to the procedures in the schedule of procedures and results are presented in the accompanying schedule of findings and responses as listed in the table of contents. The results of our procedures are as follows:

STATE OF NEW MEXICO
La Luz Mutual Domestic Water Consumers Association and Mutual Sewage Works Association
Office of the State Auditor Tier 6 Agreed-Upon Procedures
Schedule of Procedures and Results
December 31, 2015

1. Revenue Calculation

Procedure

Verify the local public body's revenue calculation and tier determination.

Results of Procedure

The Association's 2015 revenue was \$258,015 and the total capital outlay award was \$137,106, therefore a Tier 6 agreed upon procedure engagement is required.

2. Cash

Procedures

- a. Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on hand. For purposes of performing these procedures "timely" means completion of the bank reconciliations within one month after the last day of the reporting month and "complete" means that statements for bank accounts are all accounted for and reconciled by the Association.
- b. Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division. For the purpose of performing these procedures, "accuracy" means that reconciling items agree to deposit slip and subsequent bank statements.
- c. Determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

Results of Procedures

- a. We obtained the bank statements and corresponding reconciliations for all of the Association's accounts as of December 31, 2015. No exceptions were noted as a result of this procedure. Bank reconciliations were completed in a timely manner, and all bank statements and reconciliations are complete and on hand.
- b. A random sample of 4 monthly bank reconciliations were haphazardly selected in fiscal year 2015 from the Association's account and found to be accurate. Reconciled balances were traced to the general ledger and supporting documentation as well as the quarterly financial reports submitted to DFA- Local Government Division.
- c. No collateral was required because the Association's accounts are held at three different institutions and the accounts individually did not exceed \$250,000.

3. Capital Assets

Procedure

Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.

Results of Procedure

The Association performed a capital asset inventory that was certified by its Board of Directors for the year ended December 31, 2015.

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La Luz Mutual Domestic Water Consumers Association and Mutual Sewage Works Association
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4. Debt

Procedure

If the local public body has any debt, verify that the required payments were made during the year. If the debt agreement requires reserves, verify that the local public body is in compliance with those requirements.

Results of Procedure

We obtained the annual debt statements and verified that all payments were made during the year. RPC also traced the monthly payment made to USDA to the First American checking account bank statement for the months of May, July, September, and November. RPC also traced the yearly payment made to NMFA to the First American checking account bank state for the month of May. No reserves are required.

5. Revenues

Procedures

- a. Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation and perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue. For purposes of performing analytical procedures, we inquired of Association's management for explanations of all variances of budget to actual of more than 10% from the budgeted amount.

Select a sample of revenues based on auditor judgment [for purpose of procedure in 5(b) and 5(c), we haphazardly selected the months of January, April, June, August, October, and November for a total of 6 months] and test using the following attributes:

- b. Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
- c. Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

Results of Procedures

- a. Actual revenue compared to budgeted revenue for the fiscal year was within expectations as detailed in the comparison schedule below.

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>	<u>Percentage</u>
Water sales	274,000	258,015	15,985	6%

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5. Revenues-Continued

The following items were selected for procedures 5(b)-5(c):

Receipt Month	Payer	Description	Amount
January	Various	Water billings	16,529
April	Various	Water billings	21,089
June	Various	Water billings	27,915
August	Various	Water billings	26,164
October	Various	Water billings	21,321
November	Various	Water billings	19,386

- b. No exceptions were noted as a result of this procedure. Amounts recorded in the general ledger agreed with supporting documents.
- c. No exceptions were noted as a result of this procedure. Amounts were properly recorded on a cash basis as to classification, amount and period per review of supporting documentation.

6. Expenditures

Procedures

Select a sample of cash disbursements based on auditor judgment [for purposes of procedures in 6(a), 6(b) and 6(c), we randomly selected a sample of 40 disbursements] and test using the following attributes:

- a. Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and cancelled check, as appropriate.
- b. Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c. Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

The following cash disbursements were selected and the procedures describing in 4(a)-4(c) above were performed:

Date	Check #	Payee	Description	Check Amount
1/5/2015	12886	ATCO	Supplies	23.25
1/7/2015	12893	NMED OPERATOR	Utility Operator Certification	30.00
1/12/2015	12901	PNM	Utilities	733.17

STATE OF NEW MEXICO
 La Luz Mutual Domestic Water Consumers Association and Mutual Sewage Works Association
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 December 31, 2015

6. Expenditures-Continued

Date	Check #	Payee	Description	Check Amount
1/13/2015	12903	POST OFFICE	Postage	230.30
1/13/2015	12905	AIRGAS	Tank Rental	46.30
1/13/2015	12904	ACCOUNTING & CONS	Accounting Services	539.38
2/2/2015	12921	CENTURY LINK	Telephone	188.91
2/2/2015	12931	EDJ	SIMPLE IRA Contributions	190.90
2/9/2015	12941	REY DURAN	Per Diem Meal Reimbursement	46.00
2/9/2015	12944	EDWARD LUERAS	Per Diem Meal Reimbursement	131.10
2/9/2015	12939	ALAMO DAILY NEWS	Publication of Legal Notices	34.91
3/2/2015	12962	ANTHEM LIFE	Insurance	254.80
3/2/2015	12968	TAXATION & REVENUE	Water Conservation Fee	78.03
3/5/2015	12980	NM 811	Membership Dues	59.11
4/6/2015	13000	LA LUZ DITCH	Water & Maintenance Fees	150.00
4/6/2015	13006	RVS SOFTWARE	CASS Certification	63.00
4/6/2015	13004	VISA	Various Expenses	1,019.27
4/23/2015	13024	CARD CENTER	Various Expenses	1,361.42
6/8/2015	13072	MORRISON SUPPLY	Supplies	311.23
7/22/2015	13133	CARLOS SALAS	Boot Allowance	150.00
8/11/2015	13155	PNM	Utilities	2,797.34
8/31/2015	13172	POST OFFICE	Postage	212.57
9/1/2015	13178	EDJ	SIMPLE IRA Contributions	183.70
9/8/2015	13181	DIAGNOSTIC & TECH	Plant Filter	46.39
9/8/2015	13186	HD SUPPLY	Supplies	2,161.73
9/8/2015	13182	CARQUEST	Supplies	339.77
9/14/2015	13192	ZUNI ELECTRIC	Electrical Wiring	621.20
9/21/2015	13204	HD SUPPLY	Supplies	280.38
9/23/2015	13211	ANTHEM LIFE	Insurance	369.50
10/6/2015	13222	SW Disposal	Trash Service	32.28
10/19/2015	13232	NM Gas	Utilities	23.63
10/27/2015	13249	EDJ	SIMPLE IRA Contributions	188.20
11/6/2015	13267	LA LUZ POST OFFICE	PO Box Rental	76.00
11/24/2015	13277	DPC	Chlorine	140.00
12/2/2015	13291	REY DURAN	Appreciation Check	50.00
12/2/2015	13288	NM TAXATION	Water Conservation Fee	68.47
12/14/2015	13305	NM 811	Basic Quarterly Fees	68.87
12/14/2015	13308	HACH	Chlorine Tester	355.10
12/17/2015	13314	HALLIE PRATT	Refund	58.36
12/22/2015	13317	ANTHEM LIFE	Insurance	294.30

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Office of the State Auditor Tier 6 Agreed-Upon Procedures
Schedule of Procedures and Results
December 31, 2015

6. Expenditures-Continued

Results of Procedures

- a. No exceptions were noted as a result of this procedure. The amounts recorded as disbursed agreed to supporting documentation: amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract, and cancelled check, as appropriate.
- b. No exceptions were noted as a result of this procedure. The disbursements were properly authorized and approved in compliance with the budget, legal requirements, and established policies and procedures.
- c. No exceptions were noted as a result of this procedure. The bid process (or request for proposal process, if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

7. Journal Entries

Procedures

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

- a. Journal entries appear reasonable and have supporting documentation [A journal entry is considered reasonable if: i. Explanation is consistent with the nature of the adjustment and the general ledger accounts affected. ii. supporting documentation {invoices, contracts, correspondence, calculations, etc.} agrees with the journal entry details.]
- b. The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

Results of Procedures

- a. There were no non-routine journal entries recorded during fiscal year ending December 31, 2015, thus the procedure was not performed.
- b. There were no non-routine journal entries recorded during fiscal year ending December 31, 2015, thus the procedure was not performed.

8. Budget

Procedures

Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

- a. Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.

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Schedule of Procedures and Results
December 31, 2015

8. Budget-Continued

- b. Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.
- c. From the original and final approved budgets and general ledger, prepare a schedule of revenues and expenditures – budget and actual on the budgetary basis used by the local public body (cash, accrual or modified accrual basis) for each individual fund.

Results of Procedures

- a. The review of Board minutes indicated that the budget and budget adjustments was approved by the Board, however, the budget adjustments were not sent to DFA for approval (see finding 2014-002).
- b. Total actual expenditures from the general ledger exceeded budgeted amounts by \$132,891 (see finding 2015-001).
- c. A schedule of revenues and expenses – budget and actual was prepared from the Association records on the GAAP budgetary basis.

9. Capital Outlay

Procedures

Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the fiscal year. Test all capital outlay expenditures during the fiscal year to:

- a. Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the purchase order, contract, vendor's invoice and cancelled check, as appropriate.
- b. Determine that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.
- c. Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).
- d. Determine the physical existence (by observation) of the capital asset based on expenditures to date.
- e. Verify that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.
- f. If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.
- g. If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.

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9. Capital Outlay-Continued

- h. Determine whether cash received is accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.
- i. Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.

Results of Procedures

- a. No exceptions were noted as a result of this procedure. The amounts recorded agreed to supporting documentation: amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract, and cancelled check, as appropriate.
- b. No exceptions were noted as a result of this procedure. The disbursements were properly authorized and approved in compliance with the budget, legal requirement, and established policies and procedures.
- c. No exceptions were noted as a result of this procedure. The bid process (or request for proposal process, if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).
- d. The Capital Outlay project was for planning and design; therefore there was no physical existence, thus this procedure was not performed.
- e. No exceptions were noted as a result of this procedure. The status reports were submitted to the state agency per terms and the amounts in the status report agreed with the general ledger and supporting documentation.
- f. There was no advance funding, thus this procedure was not performed.
- g. The project is complete, the unexpended balance will revert per status and agreement with the grantor.
- h. The cash was accounted for in a separate bank account at First American Bank.
- i. No exceptions were noted as a result of this procedure. The reimbursement requests were properly supported by costs incurred by the recipient.

10. Other

Procedures

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10(I)(3)(C) NMAC.

Results of Procedures

Please refer to the schedule of findings and responses in this report.

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La Luz Mutual Domestic Water Consumers Association and Mutual Sewage Works Association
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We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and others within the Association, the New Mexico State Auditor, the Department of Finance and Administration–Local Government Division, and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than those specified parties.

RPC CPAs + Consultants LLP

RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
April 25, 2016

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STATE OF NEW MEXICO

La Luz Mutual Domestic Water Consumers Association and Mutual Sewage Works Association
 Schedule of Revenues, Expenses, and Change in Net Position
 Budget (GAAP Budgetary Basis) and Actual
 For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Water user fees	\$ 274,000	\$ 258,015	\$ (15,985)
Interest income	-	392	392
Capital grants	-	132,876	132,876
Total Revenues	<u>274,000</u>	<u>391,283</u>	<u>117,283</u>
Expenses			
Accounting	15,000	13,227	1,773
Advertising	2,000	2,886	(886)
Auto, truck, backhoe exp	3,600	2,311	1,289
Bad debt	-	3,047	(3,047)
Bank charges	50	184	(134)
Dues and sub	1,000	1,038	(38)
Employee benefit	3,500	4,511	(1,011)
Employee pension plan	2,500	2,012	488
Eng fees	1,000	-	1,000
Insurance, general	14,000	11,385	2,615
Interest exp	5,500	5,381	119
Legal	7,000	6,854	146
Misc	750	1,009	(259)
Office supplies	6,000	6,154	(154)
Postage	4,000	3,897	103
Repairs, infrastructure	20,000	15,943	4,057
Repairs, vehicles	2,000	880	1,120
Rent, equip	1,000	631	369
Small tools	5,000	1,437	3,563
Salaries and wages	117,000	121,512	(4,512)
Taxes employment	14,200	14,683	(483)
Taxes, other	1,000	2,216	(1,216)
Taxes, state conservation	1,500	1,180	320
Telephone	6,000	4,269	1,731
Travel, lodging, and training	10,000	9,616	384
Health insurance	6,000	-	6,000
Uniforms	1,000	822	178
Utilities	1,000	905	95
Water samples	1,500	1,848	(348)
Electricity	20,000	19,689	311
Chemical/chlorine	3,000	1,942	1,058
Depreciation	25,000	37,232	(12,232)
Meter replacement	4,000	2,184	1,816
Capital expenses	-	137,106	(137,106)
Total Expenses	<u>305,100</u>	<u>437,991</u>	<u>(132,891)</u>
Excess (deficit) of revenues over expenses	(31,100)	(46,708)	(15,608)
Capital expenses above capitalized		137,106	
Change in Net Position per Exhibit A-2	<u>\$ -</u>	<u>\$ 90,398</u>	<u>\$ -</u>

STATE OF NEW MEXICO
La Luz Mutual Domestic Water Consumers Association and Mutual Sewage Works Association
Office of the State Auditor Tier 6 Agreed-Upon Procedures
Schedule of Findings and Responses
December 31, 2015

Prior Year Findings:

2014-001	Expenditures Not Properly Authorized (Compliance Finding)	Resolved
2014-002	Budget Adjustment was not approved by DFA (Compliance Finding)	Repeated and Modified
2014-003	Late Submission of IPA Form and AUP Contract (Other)	Resolved

Current Year Findings:

2014-002 Budget Adjustment was not approved by DFA (Other Noncompliance)

Condition: The Association did not receive approval from DFA-LGD for budgetary amendments prepared by the Association for fiscal year 2015. No progress was made during the 2015 year.

Criteria: Section 6-6-2 NMSA 1978 requires local public bodies to submit subsequent budget adjustments to DFA-LGD and receive approval. The Association plans to submit the budgetary amendments to DFA-LGD for approval after the budgetary amendments have been approved by the board in 2016.

Effect: The Association is not in compliance with Section 6-6-2 NMSA 1978.

Cause: The Association's board approved the budgetary amendments but the budgetary amendments were not submitted to, or approved by, DFA-LGD.

Auditors' Recommendation: The Association should receive approval of amended budgets from DFA-LGD.

Views of Responsible Officials and Planned Corrective Actions: The Association will receive approval of the amended budget in the future. The administrative advisor will submit and receive approval of all budgetary amendments from DFA-LGD beginning in January 2017.

2015-001 Exceeded Budget Authority (Other Noncompliance)

Condition: The Association has over expended its budget by not budgeting for the capital outlay expenditures of \$137,106. This resulted in over spending the budget by \$132,891.

Criteria: NMAC 6.20.2.10 state that all Association funds are to be budgeted by the local governing body and submitted to DFA-LGD for approval. Once adopted, any claims or warrants in excess of budget are a violation of New Mexico State Statute 6-6-6, 1978 Compilation.

Effect: The internal controls established by adherence to budgets has been compromised, and excess spending could result.

Cause: The Association did not budget for the revenues and expenditures related to the capital outlay project.

Auditors' Recommendations: We recommend that the Association monitor its budgets closely, prepare budget adjustments as necessary, and budget for the revenue and expenditures related to all capital outlay projects.

Views of Responsible Officials and Planned Corrective Actions: The Association agrees with the finding and will monitor its budgets with an increased awareness of its balances moving forward. The administrative advisor plans to budget for related revenues and expenditures of all future capital outlay projects, beginning in November 2016 when the administrative advisor prepares the 2017 budget.

STATE OF NEW MEXICO

La Luz Mutual Domestic Water Consumers Association and Mutual Sewage Works Association
Office of the State Auditor Tier 6 Agreed-Upon Procedures
Exit Conference
December 31, 2015

Exit Conference

The contents of this report were discussed on May 17, 2016. The following individuals were in attendance:

Representing the La Luz Mutual Domestic Water Consumers Association and Mutual Sewage Works Association

Reynaldo Duran	President
Edward Silva, Jr.	Vice President
Cheri Moore	Secretary
Michael Reinecke	Treasurer
Ray Sanchez	Works Supervisor
Carol Garcia	Administrative Advisor
Edward Lueras	Systems Manager
Carlos Salas	Chief Water Operator
Rosalie Romero	Office Administrator

Representing RPC CPAs + Consultants, LLP

Alissandra Atkins, CPA	In-charge Senior Accountant
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State of New Mexico

**La Luz Mutual Domestic Water Consumers Association and
Mutual Sewage Works Association
Annual Compiled Financial Statements
December 31, 2015**

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INTRODUCTORY SECTION

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La Luz Mutual Domestic Water Consumers Association
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STATE OF NEW MEXICO
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and Mutual Sewage Works Association
Official Roster
December 31, 2015

BOARD MEMBERS

<u>Name</u>	<u>Title</u>
Reynaldo Duran	President
Edward Silva, Jr.	Vice President
Cheri Moore	Secretary
Michael Reinecke	Treasurer
Ray Sanchez	Works Supervisor

ADMINISTRATION

Edward Lueras	Systems Manager
Carol Garcia	Administrative Advisor
Rosalie Romero	Office Administrator
Carlos Salas	Water Operator

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FINANCIAL SECTION

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Tim Keller
New Mexico State Auditor
Board of Directors
La Luz Mutual Domestic Water Consumers Association and Mutual Sewage Works Association
La Luz, New Mexico

Management is responsible for the accompanying financial statements of the business-type activities of the La Luz Mutual Domestic Water Consumers Association and Mutual Sewage Works Association (the "Association"), as of and for the year ended December 31, 2015, which comprise the Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position as listed in the table of contents, in accordance with Tier 6 of the Audit Act – Section 12-6-3 B (6) NMSA 1978 and Section 2.2.2.16 NMAC, which is a special-purpose framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit the Statement of Cash Flows and certain disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Association's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

As explained in Note I C to the financial statements, management has not recorded a liability for compensated absences in business-type activities and, accordingly, has not recorded an expense for the current period change in that liability, in accordance with the special-purpose framework described above and in Note 1. Accounting principles generally accepted in the United States of America require that compensated absences attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenditures of the business-type activities. The amount by which this departure would affect the liabilities and expenses of the enterprise activities is not reasonably determinable.

Management has omitted the *Management's Discussion and Analysis* that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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.

RPC CPAs + Consultants LLP

RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
April 25, 2016

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
 La Luz Mutual Domestic Water Consumers Association
 and Mutual Sewage Works Association
 Statement of Net Position
 December 31, 2015

Exhibit A-1

ASSETS

Current assets:	
Cash and cash equivalents	\$ 248,890
Customer receivables	25,366
Prepays	7,379
Total current assets	281,635
Noncurrent assets:	
Capital assets	1,285,831
Accumulated depreciation	(620,020)
Total noncurrent assets	665,811
Total assets	\$ 947,446

LIABILITIES AND NET POSITION

Liabilities:	
Current liabilities:	
Accounts payable	\$ 393
Accrued payroll, taxes, and benefits	6,134
Unearned revenue	5,310
Loans payable	3,223
Total current liabilities	15,060
Noncurrent liabilities:	
Loans payable	133,428
Total liabilities	148,488
Net position:	
Net investment in capital assets	529,160
Unrestricted net position	269,798
Total net position	798,958
Total liabilities and net position	\$ 947,446

See accompanying notes and independent accountants' compilation report.

STATE OF NEW MEXICO
 La Luz Mutual Domestic Water Consumers Association
 and Mutual Sewage Works Association
 Statement of Revenues, Expenses and Change in Net Position
 For the Year Ended December 31, 2015

Exhibit A-2

Operating revenues:	
Charges for services	\$ <u>258,015</u>
Total operating revenues	<u>258,015</u>
Operating expenses:	
Personnel services	154,103
Depreciation	37,232
Utilities	24,863
Postage and supplies	13,430
Contractual services	20,081
Repairs and maintenance	19,007
Travel	9,616
Miscellaneous	11,465
Property taxes	2,216
State conservation taxes	1,180
Auto Expense	<u>2,311</u>
Total operating expenses	<u>295,504</u>
Operating income	<u>(37,489)</u>
Non-operating revenues (expenses):	
Interest income	392
Interest expense	<u>(5,381)</u>
Total non-operating revenues (expenses)	<u>(4,989)</u>
Income (loss) before contributions and transfers	<u>(42,478)</u>
Capital grants	<u>132,876</u>
Change in net position	<u>90,398</u>
Net position, beginning of year	<u>708,560</u>
Net position, end of year	<u><u>\$ 798,958</u></u>

See accompanying notes and independent accountants' compilation report.

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STATE OF NEW MEXICO
La Luz Mutual Domestic Water Consumers Association and Mutual Sewage Works Association
Notes to Special Purpose Financial Statements
December 31, 2015

NOTE 1. Summary of Significant Accounting Policies

La Luz Mutual Domestic Water Consumers Association (the “Association”) is a political subdivision of the State of New Mexico established and regulated by the constitution of the State of New Mexico. The Association was incorporated in 1952 for the purpose of constructing, maintaining, and operating a water system for the supply and distribution of water for domestic use to its members. The Association has a Board of Directors and approximately 700 members. The water service delivery area is restricted to La Luz rural district in Otero County, New Mexico.

The summary of significant accounting policies of the Association is presented to assist in the understanding of the Association’s financial statements. The financial statements and notes are the representation of the Association’s management and Board of Directors who are responsible for their integrity and objectivity. The financial statements of the Association have been prepared in conformity with Tier 6 of the Audit Act – Section 12-6-3 B (6) NMSA 1978 and Section 2.2.2.16 NMAC, which is a special-purpose framework.

A. Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

In evaluating how to define the Association, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14 as amended by GASB Statement No. 39 and GASB Statement No. 61. Blended component units, although legally separate entities, are in substance part of the government’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Association and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Association and is generally available to its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Association is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Association does not have any component units, and is not a component unit of another governmental agency.

The Association’s basic financial statements are prepared in accordance with Tier 6 of the Audit Act – Section 12-6-3 B (6) NMSA 1978 and Section 2.2.2.16 NMAC, which is a special-purpose framework.

STATE OF NEW MEXICO
La Luz Mutual Domestic Water Consumers Association and Mutual Sewage Works Association
Notes to Special Purpose Financial Statements
December 31, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Measurement focus, basis of accounting, and financial statement presentation

The accounting and financial reporting treatment applied to the Association is determined by its measurement focus. The Association's proprietary (enterprise) fund is accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All assets and all liabilities associated with the operations are included on the balance sheet. Net Position (i.e., total assets net of total liabilities) is segregated into net investment in capital assets; restricted; and unrestricted components.

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

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

The Association reports its proprietary fund as a major fund. The proprietary fund is:

The *La Luz Mutual Domestic Water Consumers Association Fund* accounts for a water system for the supply and distribution of water for domestic use to its members, including constructing, maintaining and operating the system.

C. Assets, Liabilities and Net Positions or Equity

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

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

Receivables and Payables: All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Payables are comprised of unpaid vendor and supplier invoices and are recognized when incurred.

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

Restricted Assets: Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

STATE OF NEW MEXICO
 La Luz Mutual Domestic Water Consumers Association and Mutual Sewage Works Association
 Notes to Special Purpose Financial Statements
 December 31, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Water rights and land are not subject to depreciation and are carried at their historical costs. Because the Association is a phase III government for purposes of implementing GASB 34, it is not required to retroactively report its major general infrastructure assets. However, it must report all infrastructure assets purchased or built after July 1, 2003. Donated capital assets are recorded at estimated fair market value at the date of donation. The Association does not develop any software. The Association annually reviews the impairment of all water rights and adjusts the carrying values as necessary.

Information Technology Equipment including software is being capitalized and included in furniture and fixtures in accordance with NMAC 2.20.1.9 C (5).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Furniture and fixtures (including software)	5-10
Automobiles	10
Wells	40
Plant and water system	5-40

Accrued Expenses: Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through December 31, 2015, along with applicable payroll taxes.

Long-term Obligations: In the financial statements, long-term debt and other long-term obligations are reported as liabilities. For bonds issued after the Association implemented GASB 34, bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Compensated Absences: Management has not recorded a liability for compensated absences in business-type activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that compensated absences attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenditures of the business-type activities. The amount by which this departure would affect the liabilities and expenses of the business-type activities is not reasonably determinable.

STATE OF NEW MEXICO
La Luz Mutual Domestic Water Consumers Association and Mutual Sewage Works Association
Notes to Special Purpose Financial Statements
December 31, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

Equity Classifications:

Equity is classified as net positions and displayed in three components:

- a. Net investment in capital assets:
Capital assets, net of accumulated depreciation is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position:
Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the Association's financial statements include management's estimate of depreciation on assets over their estimated useful lives and the allowance for uncollectible accounts.

Reclassifications: Certain amounts included in the financial statements have been reclassified to conform to the current year presentation.

NOTE 2. Stewardship, Compliance and Accountability

Annual budgets of the Association are prepared prior to December 1 and must be approved by resolution of the Board Members and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the Board Members and the Department of Finance and Administration. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total at the fund level.

These budgets are prepared on the GAAP basis. The budget secures appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

NOTE 3. Deposits and Investments

State statutes authorize the investment of Association funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. The Association is not aware of any invested funds that did not meet the State investment requirements as of December 31, 2015.

Deposits of funds may be made in interest or noninterest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Association. Deposits may be made to the extent that they are insured by an agency of the United States or are collateralized as required by statute. The financial institution must provide pledged collateral of 50% of the deposit amount in excess of the deposit insurance.

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.

STATE OF NEW MEXICO
 La Luz Mutual Domestic Water Consumers Association and Mutual Sewage Works Association
 Notes to Special Purpose Financial Statements
 December 31, 2015

NOTE 3. Deposits and Investments (continued)

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

Custodial Credit Risk – Deposits Custodial credit risk is the risk that in the event of a bank failure, the Association's deposits may not be returned to it. The Association does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At December 31, 2015, none of the Association's bank balances of \$248,790 was exposed to custodial credit risk. \$0 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Association's name and \$0 was uninsured and uncollateralized.

	First American Bank	Wells Fargo	Bank 34	Totals
Amount of deposits	\$ 188,372	\$ 11,919	\$ 48,499	\$ 248,790
FDIC Coverage	(188,372)	(11,919)	(48,499)	(248,790)
Total uninsured public funds	-	-	-	-
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Association's name	-	-	-	-
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement (50% of uninsured public funds)	\$ -	\$ -	\$ -	\$ -
Pledged collateral	-	-	-	-
Over (under) collateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district, or political subdivision of the State of New Mexico. The Association was not required to have collateral pledged for the year ended December 30, 2015.

Reconciliation of Cash and Cash Equivalents

Reconciliation to the Statement of Net Positions

Unrestricted cash and cash equivalents per Exhibit A-1	\$ 248,890
Less petty cash	<u>(100)</u>
Bank balance of deposits	<u>\$ 248,790</u>

STATE OF NEW MEXICO
 La Luz Mutual Domestic Water Consumers Association and Mutual Sewage Works Association
 Notes to Special Purpose Financial Statements
 December 31, 2015

NOTE 4. Receivables

Receivables from water billing activities as of December 31, 2015, are as follows:

Customer receivables \$ 25,366

All of the above receivables are deemed by the Association to be fully collectible.

NOTE 5. Capital Assets

A summary of capital assets and changes occurring during the year ended December 31, 2015, follows. Land and water rights are not subject to depreciation.

	Balance, December 31, 2014	Adjustments	Additions	Deletions	Balance, December 31, 2015
Capital assets not being depreciated:					
Land	\$ 26,282	\$ -	\$ -	\$ -	\$ 26,282
Water rights	1,200	-	-	-	1,200
Total	<u>27,482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,482</u>
Capital assets being depreciated:					
Furniture and fixtures	23,302	-	-	-	23,302
Automobiles	34,901	-	-	-	34,901
Wells	57,767	16,372	-	-	74,138
Plant and water system	1,005,274	(16,372)	137,106	-	1,126,008
Total	<u>1,121,244</u>	<u>-</u>	<u>137,106</u>	<u>-</u>	<u>1,258,349</u>
Less accumulated depreciation:					
Furniture and fixtures	8,053	-	3,740	-	11,793
Automobiles	20,251	-	3,490	-	23,741
Wells	49,101	-	3,218	-	52,319
Plant and water system	505,384	-	26,784	-	532,167
Total	<u>582,789</u>	<u>-</u>	<u>37,232</u>	<u>-</u>	<u>620,020</u>
Total capital assets, net of depreciation	<u>\$ 565,937</u>	<u>\$ -</u>	<u>\$ 174,338</u>	<u>\$ -</u>	<u>\$ 665,811</u>

Depreciation expense for the year ended December 31, 2015 was \$37,232.

NOTE 6. Unearned Revenue

Unearned revenue represents revenues collected but not earned and totals \$5,310 as of December 31, 2015. This is composed of customer payments received before the end of the year but for services for the next fiscal year.

STATE OF NEW MEXICO
 La Luz Mutual Domestic Water Consumers Association and Mutual Sewage Works Association
 Notes to Special Purpose Financial Statements
 December 31, 2015

NOTE 7. Long-term Debt

During the year ended December 31, 2015, the following changes occurred in the liabilities reported in the statement of net position:

	Balance, December 31, 2014	Additions	Retirements	Balance, December 31, 2015	Due Within One Year
USDA, Rural Development	\$ 126,042	\$ -	\$ 2,430	\$ 123,612	\$ 2,536
NMFA	-	13,726	687	13,039	687
Totals	<u>\$ 126,042</u>	<u>\$ 13,726</u>	<u>\$ 3,117</u>	<u>\$ 136,651</u>	<u>\$ 3,223</u>

Loans Payable

On August 13, 2003, the Association borrowed \$148,400 from the United States Department of Agriculture, Rural Development for the purpose of the Phase II construction project for water systems. The loan is payable in monthly installments of \$645 and matures on August 13, 2043. The annual interest rate on the loan is 4.25%.

On February 12, 2015, the Association borrowed \$13,726 from the New Mexico Finance Authority for the purpose of the design of Phase IV improvements to the water system. The loan is payable in yearly installments of \$687 and matures on June 1, 2034. The annual interest rate on the loan is 0%.

Debt Service Requirements

Debt service requirements for the next five years and thereafter are as follows:

Loans Payable

Fiscal Year Ending December 31,	Principal Payment	Interest Payment	Total Debt Service
2016	\$ 3,223	\$ 5,204	\$ 8,427
2017	3,332	5,095	8,427
2018	3,447	4,980	8,427
2019	3,567	4,860	8,427
2020	3,690	4,736	8,426
2021-2025	20,521	21,609	42,130
2026-2030	24,560	17,570	42,130
2031-2035	28,868	12,577	41,445
2036-2040	32,297	6,403	38,700
2041-2043	13,146	518	13,664
Total	<u>\$ 136,651</u>	<u>\$ 83,552</u>	<u>\$ 220,203</u>

NOTE 8. Joint Powers Agreements and Memorandums of Understanding

As of the year ended December 31, 2015, the Association was not involved in any Joint Powers Agreements or Memorandums of Understanding.

NOTE 9. Construction and Other Significant Commitments

As of the year ended December 31, 2015, the Association had a significant commitment with Souder, Miller & Associates for the design phase of water system improvements.

STATE OF NEW MEXICO

La Luz Mutual Domestic Water Consumers Association and Mutual Sewage Works Association
Notes to Special Purpose Financial Statements
December 31, 2015

NOTE 10. Retirement Plan

The Association offers a retirement plan in the form of a SIMPLE IRA through Edward Jones. The Association matches up to 3% of the employee's contributions. The employees are allowed to contribute up to 6%. The Association's Board of Directors has the authority to amend the terms and conditions of the retirement plan annually in accordance with guidelines established by the Internal Revenue Service. At December 31, 2015, there were 2 participants in the plan. Retirement plan expense for the year ended December 31, 2015 was \$2,012.

NOTE 11. Contingent Liabilities

The Association is party to various claims and lawsuits arising in the normal course of business. In the opinion of management, the outcome of these matters will not have a material effect on the financial position of the Association.

NOTE 12. Risk Management

The Association is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions and natural disasters. The Association purchases commercial liability insurance.

The Association has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the Association which exceeds the insurance coverage, the Association would not be responsible for a loss in excess of the coverage amounts. As claims are filed, commercial liability insurance company assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverages have not changed significantly from prior years and coverages are expected to be continued.

At December 31, 2015 no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the Association.

The commercial liability insurance company has not provided information on an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year.

NOTE 13. Concentrations

The Association depends on financial resources flowing from, or associated with, both the State of New Mexico and residents that are using the system. Because of this dependency, the Association is subject to changes in the specific flows of intergovernmental revenues based on modifications to State laws and State appropriations as well as water usage from the residents which are using the system.

NOTE 14. Federal and State Grants

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

NOTE 15. Subsequent Pronouncements

In February 2015, GASB Statement No. 72 *Fair Value Measurement and Application*, was issued. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015 with earlier application being encouraged. The Association is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO
La Luz Mutual Domestic Water Consumers Association and Mutual Sewage Works Association
Notes to Special Purpose Financial Statements
December 31, 2015

NOTE 15. Subsequent Pronouncements (continued)

In June 2015, GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, was issued. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016 with earlier application being encouraged. The Association is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued. The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. The Association is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The Association is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015 with earlier application being encouraged. The Association is still evaluating how this pronouncement will affect the financial statements.

In August 2015, GASB Statement No. 77 *Tax Abatement Disclosures*, was issued. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015 with earlier application being encouraged. The Association is still evaluating how this pronouncement will affect the financial statements.

NOTE 16. Subsequent events

The date to which events occurring after December 31, 2015, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statement or disclosures is April 25, 2016, which is the date on which the financial statements were issued.