

**LA UNION MUTUAL DOMESTIC SEWER &
WATER ASSOCIATION
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2015**

LA UNION MUTUAL DOMESTIC SEWER & WATER ASSOCIATION

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LA UNION MUTUAL DOMESTIC SEWER AND WATER ASSOCIATION

BOARD OF DIRECTORS

June 30, 2015

OFFICERS

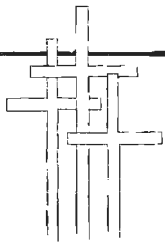
Jose Villalobos, President

Reynaldo Medina, Vice-President

Georgina Galvan, Treasurer

Evangelina Martinez, Secretary

Guillermo Garcia



Clifford, Ross & Cooper, LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
La Union Mutual Domestic Sewer & Water Association
and
Tim Keller
New Mexico State Auditor
La Union, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of La Union Mutual Domestic Sewer & Water Association, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents. We have also audited the financial statements of the budgetary comparisons presented as supplementary information, as defined by the Government Accounting Standards Board, in the financial statements as of and for the year ended June 30, 2015, 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 La Union Mutual Domestic Sewer & Water Association, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis which is required to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

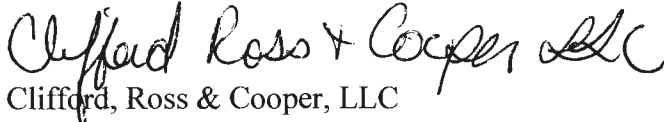
Our audit was conducted for the purpose of forming opinions on La Union Mutual Domestic Sewer & Water Association's financial statements, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and other schedules required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and other schedules required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and information required by Section 2.2.2 NMAC is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2015, on our consideration of the La Union Mutual Domestic Sewer & Water Association'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 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 La Union Mutual Domestic Sewer & Water Association's internal control over financial reporting and compliance.



Clifford, Ross & Cooper, LLC

Las Cruces, New Mexico

October 23, 2015

LA UNION MUTUAL DOMESTIC SEWER & WATER ASSOCIATION

Statement of Net Position

June 30, 2015

ASSETS

Current Assets

Cash and cash equivalents	\$	483,667	
Accounts receivable, less allowance for doubtful accounts of \$-0-		29,004	
Grant receivable		5,089	
Prepaid expenses		1,793	
Total current assets			\$ 519,553

Property and Equipment

Construction work in progress		1,177,436	
Buildings		453,495	
Equipment		8,773	
Land		34,582	
Water rights		50,150	
Wells and pumps		4,122,315	
		5,846,751	
Less accumulated depreciation		(1,073,453)	
Total property and equipment			4,773,298

TOTAL ASSETS			\$ 5,292,851
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LIABILITIES and NET POSITION

Current Liabilities

Notes payable, current	\$	4,968	
Accounts payable		5,089	
Accrued expenses		2,817	
Accrued wages		890	
Deposits		10,100	
Total current liabilities			\$ 23,864

Long-Term Liabilities

Notes payable, long-term		126,946	
Total long-term liabilities			126,946

Net Position

Net investment in capital assets		4,641,384	
Unrestricted		500,657	
Total net position			5,142,041

TOTAL LIABILITIES AND NET POSITION			\$ 5,292,851
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See accompanying notes to the financial statements.

LA UNION MUTUAL DOMESTIC SEWER & WATER ASSOCIATION

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2015

Income from operations

Charges for services	\$ 259,623	
Other revenue	<u>1,000</u>	
Total income from operations		\$ 260,623

Operating expenses

Operating expenses	150,803	
Depreciation expense	<u>134,424</u>	
Total operating expenses		<u>285,227</u>
Net operating income (loss)		(24,604)

Non-operating revenues (expenses)

Grant revenues	1,081,269	
Interest income	165	
Other income	4,033	
Interest expense	<u>(6,418)</u>	
Total nonoperating revenues (expenses)		<u>1,079,049</u>

Changes in Net Position **1,054,445**

Net Position, Beginning of Year **4,087,596**

Net Position, End of Year **\$ 5,142,041**

See accompanying notes to the financial statements.

LA UNION MUTUAL DOMESTIC SEWER & WATER ASSOCIATION

Statement of Cash Flows For the Year Ended June 30, 2015

Cash Flows from Operating Activities:		
Cash provided by funding sources	\$ 249,319	
Cash used for salaries and expenses	(148,875)	
Interest income	<u>165</u>	
Net cash provided (used) by operating activities		\$ 100,609
Cash Flows from Investing Activities:		
Purchase of capital assets	<u>(1,178,113)</u>	
Net cash provided (used) by investing activities		(1,178,113)
Cash Flows from Capital and Related Activities:		
Grant revenue	1,081,269	
Increase (Decrease) in note payable	<u>87,203</u>	
Net cash provided (used) by financing activities		<u>1,168,472</u>
Net Increase (Decrease) in Cash for Year		90,968
Cash, beginning of year		<u>392,699</u>
Cash, end of year		<u><u>\$ 483,667</u></u>
Reconciliation of net position to net cash provided (used) by operating activities:		
Net position		\$ (24,604)
Adjustments to reconcile net position to net cash provided (used) by operating activities:		
Depreciation expense	\$ 134,424	
(Increase) decrease in:		
Grant receivable	(5,089)	
Customer billings	(10,501)	
Prepaid expenses	(1,793)	
Increase (decrease) in:		
Accounts payable	5,089	
Accrued expenses	533	
Deposits	<u>2,550</u>	
Net cash provided (used) by operating activities		<u><u>125,213</u></u>
		<u><u>\$ 100,609</u></u>

See accompanying notes to the financial statements.

LA UNION MUTUAL DOMESTIC SEWER & WATER ASSOCIATION

Notes to Financial Statements

June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The La Union Mutual Domestic Sewer & Water Association was incorporated on May 16, 1995. The Association was incorporated as a nonprofit cooperative association in accordance with the provisions of the The Sanitary Projects Act 3-29-1 through 3-29-19 of the New Mexico Statutes Annotated 1953.

Under the SPA, the Association remains a nonprofit organization owned and governed by its members. It is eligible to receive certain loans and grants from the State of New Mexico and the Federal government.

The Association is governed by a Board of Directors that consists of five (5) members who are responsible for legislative and fiscal control of the Association. The Board is also responsible for administrative control of the Association.

The purposes of the Association is to acquire, construct, install, maintain, and operate a water and/or sewer system for the supply and distribution of water for domestic uses and/or collection of sewage for its members and to engage in any related activity.

Reporting Entity

The financial statements of the Association have been prepared in accordance with general accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements. GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Association is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Association may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt. The Association has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected Association members are financially accountable.

LA UNION MUTUAL DOMESTIC SEWER & WATER ASSOCIATION

Notes to Financial Statements

June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reporting Entity (continued)

There are no other primary governments for which the Association Board Members are financially accountable. There are no other primary governments with which the Association has a significant relationship. For financial reporting purposes, the Association is considered a special-purpose government engaged in business-type activities.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met. The accounts of the Association are organized on the basis of fund type, of which there is only one fund which is considered a proprietary fund.

Proprietary fund operating revenue, such as charges for services, result in exchange transactions associated with the principle activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-exchange revenue, such as subsidies and investment earnings, results from non-exchange transactions or ancillary activities.

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

The Association is exempt from income taxes under Section 501(c)(12) of the U.S. Internal Revenue Code. Section 501 (c)12 of the Internal Revenue Code exempts from income tax corporations such as "...mutual ditch or irrigation companies, mutual or corporation telephone companies, or like organizations: but only if 85 percent or more of income consists of amounts collected from members for the sole purpose of meeting losses and expenses."

LA UNION MUTUAL DOMESTIC SEWER & WATER ASSOCIATION

Notes to Financial Statements

June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days. At year end and throughout the year, the Association's cash balances were deposited in one bank and one money market account. Management believes the Association is not exposed to any significant credit risk on cash and cash equivalents.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising Costs

Advertising costs are expensed as incurred. For the year ending June 30, 2015, the Association incurred no advertising costs.

Allowance for Doubtful Accounts

The Association considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

Capital Assets

Capital Assets are stated at original cost of contract services, direct labor and material, and interest capitalized during construction

LA UNION MUTUAL DOMESTIC SEWER & WATER ASSOCIATION

Notes to Financial Statements

June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation

Depreciation on capital assets is computed on a straight-line method over the following estimated useful lives of the related assets:

Equipment	3-7 years
Building, tanks, fences, wells and pumps	7-40 years
Utility lines and meters	40 years

Depreciation on the well and equipment acquired in 1986 is provided on a declining balance accelerated cost recovery system (ACRS) method for public utilities over an estimated useful life of 15 years. Current year estimated useful life on new constructions would be 50 years.

Maintenance and repairs of property and replacement or renewals of items that are not units of property are charged to operating expenses.

Compensated Absences

The Association does not have a policy for compensated absences. Accordingly, no liability has been accrued.

Budgetary Data

The Association's budget is prepared on the Modified Cash Basis of accounting. For budgetary purposes, revenues are recognized when the cash is received and expenses are recognized when liability is paid. The legal level of budgetary control is at the fund level.

Revenues

Water Sales – La Union Mutual Domestic Sewer & Water Association supplies and distributes water for domestic use.

The base fee for water usage in 2015 was \$25 for residential and \$50 for commercial. Residential rates for water usage range from \$2.50 per thousand gallons up to 3,000 gallons to \$7.50 per thousand gallons over 15,000 gallons. Commercial rates for water usage range from \$4.00 per thousand gallons up to 3,000 gallons to \$9.00 per thousand gallons over 10,000. Fees are also assessed for meter connections and disconnections

LA UNION MUTUAL DOMESTIC SEWER & WATER ASSOCIATION

Notes to Financial Statements

June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues (continued)

USDA Rural Utility Service grant – The Association received a Rural Development grant from the United State Department of Agriculture for improvements to the La Union Water System Improvements Project in the amount of \$1,092,274.

New Mexico Finance Authority – The Association received a Colonias Infrastructure Project Fund grant from the NMFA for improvements of \$ 444,315.

Other Income – Investment income is derived from interest earned on commercial bank accounts and money market accounts.

NOTE 2. CASH AND CASH EQUIVALENTS

The following accounts are listed under cash and cash equivalents as of June 30, 2015:

Name of Bank	Balance per Bank	Outstanding Items	Reconciled Balance
Wells Fargo-Water Rights	\$ 48,687	\$ -0-	\$ 48,687
Wells Fargo-Checking	20,017	(6,141)	13,876
Wells Fargo-Construction	3,000	-0-	3,000
Wells Fargo-Arsenic Project	213	-0-	213
Wells Fargo-Capital Imp..	130,573	-0-	130,573
Wells Fargo-O&M	98,508	-0-	98,508
Wells Fargo-Short Lived	43,879	-0-	43,879
Wells Fargo-Emergency	113,750	-0-	113,750
Wells Fargo-Colonias	<u>30,931</u>	<u>-0-</u>	<u>30,931</u>
	<u>489,558</u>	<u>\$(6,141)</u>	<u>\$483,417</u>
Money box			<u>250</u>
Less FDIC coverage	<u>(250,000)</u>		<u>\$483,667</u>
Uninsured amount	239,558		
Pledged Securities	--		
Over (under collateralized)	<u>\$(239,558)</u>		

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2015, \$239,558 of the Association's bank balance of \$489,558, was exposed to custodial credit risk.

LA UNION MUTUAL DOMESTIC SEWER & WATER ASSOCIATION

Notes to Financial Statements

June 30, 2015

NOTE 3. CAPITAL ASSETS

Purchased property is recorded at acquisition cost, while donated property is recorded at estimated fair market value. Disbursements for improvements and betterments over \$5,000 are capitalized, while repairs and maintenance are charged to current operating expenditures. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets. The Association has no fixed assets that have donor-explicit restrictions.

As of June 30, 2015, property and equipment and the related accumulated depreciation consisted of the following:

	Balance <u>12/31/2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/2015</u>
Construction in progress	\$ 43,754	\$1,133,682	\$ -	\$1,177,436
Land	34,582	-	-	34,582
Office Site	453,495	-	-	453,495
Water Systems	4,122,315	-	-	4,122,315
Water rights	50,150	-	-	50,150
Equipment	<u>8,773</u>	<u>-</u>	<u>-</u>	<u>8,773</u>
	4,713,069	1,133,682	-	5,846,751
Less: accumulated depreciation	<u>(939,029)</u>	<u>(134,424)</u>	<u>-</u>	<u>(1,073,453)</u>
Capital assets, net	<u>\$3,774,040</u>	<u>\$ 999,258</u>	<u>\$ -</u>	<u>\$ 4,773,298</u>

The Association did not dispose of any equipment during the year ending June 30, 2015. Depreciation expense for the year ended June 30, 2015 was \$134,424.

LA UNION MUTUAL DOMESTIC SEWER & WATER ASSOCIATION

Notes to Financial Statements

June 30, 2015

NOTE 4. ACCOUNTS/GRANTS RECEIVABLE

The Association has elected to use the allowance method for recognizing uncollectible accounts. The allowance for doubtful accounts is established through a provision for uncollectible accounts charged to expense. Individual accounts are charged against the allowance for doubtful accounts when management believes that the collectability of the account is unlikely.

The allowance is an amount that management believes will be adequate to absorb possible losses, based on evaluations of the collectability of the accounts and experience with prior uncollectible accounts.

As of June 30, 2015, accounts and grants receivable consisted of the following:

Accounts receivable	\$ 29,004
Less allowance for doubtful accounts	<u>(-0-)</u>
Net accounts receivable	<u>\$ 29,089</u>

Grant receivable as of June 30, 2015 is \$5,089.

NOTE 5. PREPAID EXPENSES

As of June 30, 2015, prepaid expenses consisted of the following:

Prepaid insurance	<u>\$ 1,793</u>
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NOTE 6. NOTE PAYABLE

The Association's long-term debt at June 30, 2015 consisted of the following:

Note payable to State of New Mexico Finance Authority,
due in annual installments of \$2,222, 0% interest, matures June 30, 2034.

Note payable 6/30/15	\$ 42,210
Less current portion of long-term debt	<u>(2,222)</u>
Long-term debt	<u>\$ 39,988</u>

LA UNION MUTUAL DOMESTIC SEWER & WATER ASSOCIATION

Notes to Financial Statements

June 30, 2015

NOTE 6. NOTE PAYABLE (continued)

Note payable to United States Department of Agriculture, due in monthly installments of \$417, 2.75% interest, matures March 25, 2040.

Note payable, June 30, 2015	\$ 89,704
Less current portion of long-term debt	<u>(2,746)</u>
Long-term debt	<u>\$ 86,958</u>

Future scheduled maturities of long-term debt are as follows:

Fiscal Year Ending	Principal	Interest	Total
June 30, 2016	\$ 4,968	\$ 2,258	\$ 7,226
2017	4,860	2,366	7,226
2018	4,934	2,292	7,226
2019	4,609	2,617	7,226
2020	5,087	2,139	7,226
2021-2025	26,677	9,453	36,130
2026-2030	28,970	7,160	36,130
2031-2035	29,378	4,530	33,908
2036-2040	23,505	1,515	25,020
	<u>\$132,988</u>	<u>\$ 34,330</u>	<u>\$ 167,318</u>

NOTE 7. CONTINGENCIES

Grants - The Association receives financial assistance from various federal and state agencies in the form of grants and loans. The disbursement of these funds are subject to compliance requirements specified in grant agreements, promissory notes, and legislation. The Association believes that disallowed expenditures, if any, will be insignificant.

Risk Management – The Association purchased insurance coverage that transfers the risk of loss to an unrelated third party. The coverage minimizes the Association’s exposure to losses related to the water distribution system. The Association did not experience any losses or insurance claims during the year ended June 30, 2015.

LA UNION MUTUAL DOMESTIC SEWER & WATER ASSOCIATION

Notes to Financial Statements

June 30, 2015

NOTE 8. NET POSITION

Net assets are derived from the following sources:

Memberships - La Union Mutual Domestic Sewer & Water Association is a Non-Profit Organization. A membership fee of \$100 is required with each membership certificate. Memberships can be transferred for a fee of \$100.

Each member is entitled to only one vote in the affairs and business of the Association and no member is permitted to vote by proxy. Membership fee balances as of June 30, 2015 were \$0.

Invested in capital assets net of related debt – This represents the portion of the Association's net assets invested in capital assets, net of outstanding debt association with those assets. As of June 30, 2015, invested in capital assets, net of related debt amounted to \$4,773,298.

Fund balance – Earnings in excess of operating costs from supplying and distributing water for domestic uses and investment income for the year ended June 30, 2015 was \$368,743.

NOTE 9. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occurred after the balance sheet date but before the financial statements are issued or available to be issued. The Association recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the balance sheet date, including estimates inherent in the process of preparing financial statements. The financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the balance sheet date.

The Association has evaluated subsequent events through October 23, 2015, the date the financial statements are available to be issued.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
LA UNION MUTUAL DOMESTIC SEWER & WATER ASSOCIATION
BUDGET AND ACTUAL - Modified Cash Basis
Statement of Revenues and Expenditures
Budget and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive/(Negative)
REVENUES				
Water Service	\$ 170,586	\$ 170,586	\$ 231,080	\$ 60,494
Other income	36,399	36,399	23,665	(12,734)
	-	-	-	-
Total revenues	<u>206,985</u>	<u>206,985</u>	<u>254,745</u>	<u>47,760</u>
EXPENDITURES				
Salaries/Contractors	34,964	34,964	35,991	(1,027)
Mileage and per Diem	1,852	1,852	1,756	96
Building Expenses	16,295	9,777	3,721	6,056
Utilities	22,055	22,055	26,512	(4,457)
Postage	2,108	2,108	2,102	6
Office Supplies & Other expenses	8,409	14,927	16,785	(1,858)
Training Workshops & Education Expenses	6,000	6,000	4,369	1,631
Annual Audit/Financial Report expenses	3,953	3,953	3,778	175
Dues and Board fees	969	969	784	185
Liability Insurance	-	-	4,848	(4,848)
Contractual Fees & Other Services	91,625	91,625	49,918	41,707
Other debt services	6,809	6,809	16,226	(9,417)
Total expenditures	<u>195,039</u>	<u>195,039</u>	<u>166,790</u>	<u>28,249</u>
Excess (deficiency) of revenues over expenditures	<u>11,946</u>	<u>11,946</u>	<u>87,955</u>	<u>76,009</u>
OTHER FINANCING SOURCES (USES)				
Grants	-	-	1,081,269	1,081,269
Operating transfer in (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,081,269</u>	<u>1,081,269</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources	<u>11,946</u>	<u>11,946</u>	<u>\$ 1,169,224</u>	<u>\$ 1,157,278</u>
Budgeted cash carryover	-	-		
	<u>\$ 11,946</u>	<u>\$ 11,946</u>		

Reconciliation between the Budgetary Basis-Modified Cash and GAAP:

Excess or revenues and other financing sources over expenditures-budgetary basis		\$ 1,169,224
Depreciation expense not used in budgetary basis	\$ (134,423)	
Difference in gross receipts tax-cash vs. accrual	(1,230)	
Difference in accounts receivable on GAAP basis	11,304	
Expenses capitalized on a GAAP basis	10,473	
Accrued expenses on a GAAP basis	(903)	(114,779)
Changes in Net Position (GAAP)		<u>\$ 1,054,445</u>

See accompanying notes to the financial statements

LA UNION MUTUAL DOMESTIC SEWER & WATER ASSOCIATION

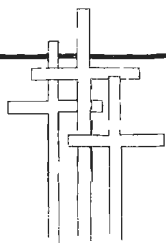
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Pass Through No.	Award Amount	Federal Expenditures
<u>Department of Agriculture</u>				
Water and Waste Disposal Loans and Grants	10.770	N/A	\$ 1,092,274	\$ 1,081,268
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	121,000	121,000
				<u>\$ 1,202,268</u>

Note - Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of La Union Mutual Domestic Sewer & Water Association and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Federal Expenditures above	\$1,202,268
State capital outlay grants	42,210
Total	<u>1,244,478</u>
Less: Loan amount	(163,209)
Grant revenue per financial statements	<u>\$1,081,269</u>



Clifford, Ross & Cooper, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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*

Board of Directors of
La Union Mutual Domestic Sewer & Water Association
And Tim Keller
New Mexico State Auditor
La Union, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the related budgetary comparison, presented as supplementary information of La Union Mutual Domestic Sewer & Water Association ("Association") as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Association's basic financial statements and issued our report thereon dated October 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit we considered the Association's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of La Union Mutual Domestic Sewer & Water Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses or significant deficiencies. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

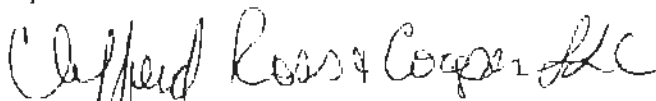
As part of obtaining reasonable assurance about whether La Union Mutual Domestic Sewer & Water Association financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as FS 2013-003.

La Union Mutual Domestic Sewer & Water Association's Response to Findings

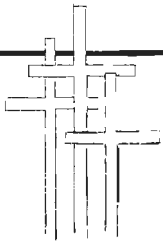
La Union Mutual Domestic Sewer & Water Association's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. La Union Mutual Domestic Sewer & Water Association's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Clifford Ross & Cooper, LLC
Las Cruces, New Mexico
October 23, 2015



Clifford, Ross & Cooper, LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
La Union Mutual Domestic Sewer & Water Association
and
Tim Keller
New Mexico State Auditor
La Union, New Mexico

Report on Compliance for Each Major Federal Program

We have audited La Union Mutual Domestic Sewer & Water Association's (Association) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended June 30, 2015. La Union Mutual Domestic Sewer & Water Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of La Union Mutual Domestic Sewer & Water Association's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about La Union Mutual Domestic Sewer & Water Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Auditor's Responsibility (continued)

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of La Union Mutual Domestic Sewer & Water Association's compliance.

Opinion on Each Major Federal Program

In our opinion, La Union Mutual Domestic Sewer & Water Association's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

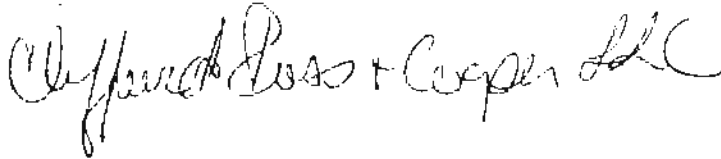
Management of La Union Mutual Domestic Sewer & Water Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered La Union Mutual Domestic Sewer & Water Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of La Union Mutual Domestic Sewer & Water Association's internal control over compliance.

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

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

Report on Internal Control over Compliance (continued)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Clifford, Ross & Cooper, LLC". The signature is written in a cursive, flowing style.

Clifford, Ross & Cooper, LLC

Las Cruces, New Mexico

October 23, 2015

LA UNION MUTUAL DOMESTIC SEWER & WATER ASSOCIATION
SCHEDULE OF CURRENT-YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2015

B. FINDINGS-FINANCIAL STATEMENT AUDIT

FS 2013-003 (2014-03) Pledged Collateral (Repeated/Modified) - Other Matter

Statement of Condition:

The balances at one bank exceed the FDIC limit of \$250,000 by \$239,558. The bank did not provide pledged collateral. Management has closed all Texas bank accounts and opened New Mexico account as of July, 2015 in order to get pledged collateral.

Criteria:

Section 6-10-17 NMSA 1978, NM Public Money Act requires that the Association obtain pledged collateral for all accounts in excess of the FDIC limit of \$250,000.

Effect:

The Organization could lose monies in excess of the \$250,000.

Cause:

The Association relied on the bank to provide the pledged collateral. They had been assured by the bank that they did have pledged collateral, however there was no evidence of it.

Recommendation:

Request the Bank to provide pledged collateral on all funds in excess of the FDIC limit of \$250,000.

Management Response:

The Texas bank required the Association to open new bank accounts in New Mexico in order to get pledged collateral. The new accounts were open and the first month pledge collateral was available July 2015.

C. FEDERAL AWARD FINDINGS

No federal award findings

D. SCHEDULE OF PRIOR-YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2014

2014-01	Submission of reports to DFA-LGD. closed in current year
2014-02	Budget, closed in current year
2013-03	Pledged Collateral, repeated in current year

LA UNION MUTUAL DOMESTIC SEWER & WATER ASSOCIATION
EXIT CONFERENCE
June 30, 2015

Exit Conference:

The exit conference was held on November 23, 2015 with the following persons:

Jose Villalobos, President
Reynaldo Medina, Vice-President
Evangelina Martinez, Secretary
Georgina Galvan, Treasurer

Denise S. Cooper, Partner, Clifford, Ross & Cooper, LLC

These financial statements have been prepared by Clifford, Ross & Cooper, LLC from the books and records of La Union Mutual Domestic Sewer & Water Association with the assistance of management. The content in this report is the responsibility of the La Union Mutual Domestic Sewer & Water Association

