

**PICACHO MUTUAL DOMESTIC WATER
CONSUMERS ASSOCIATION
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2014**

PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

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PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

BOARD OF DIRECTORS

December 31, 2014

OFFICERS

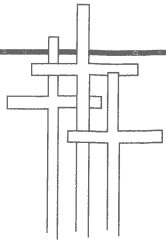
Larry Covington

Freddy Covington

Rosa Lee Chavez

William Kellie

Dana Massingale



Clifford, Ross & Cooper, LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Picahco Mutual Domestic Water Consumers Association
and
Tim Keller
New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Picacho Mutual Domestic Water Consumers Association, as of and for the year ended December 31, 2014, 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 December 31, 2014, 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 Picacho Mutual Domestic Water Consumers Association, as of December 31, 2014, 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 statement, 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. 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 Picacho Mutual Domestic Water Consumers 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2015, on our consideration of the Picacho Mutual Domestic Water Consumers 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 Picacho Mutual Domestic Water Consumers Association's internal control over financial reporting and compliance.



Clifford, Ross & Cooper, LLC
Las Cruces, New Mexico
May 29, 2015

PICACHO MUTUTAL DOMESTIC WATER CONSUMERS ASSOCIATION

Statement of Net Position

December 31, 2014

ASSETS

Current Assets

Cash and cash equivalents	\$	32,084	
Investments		455,873	
Accounts and grants receivable, less allowance for doubtful accounts of \$250		438,447	
Prepaid expenses		6,146	
Undeposited funds		2,587	
Total current assets		<u>935,137</u>	\$ 935,137

Property and Equipment

Construction work in progress		2,960,819	
Buildings		183,588	
Land		3,932	
Utility lines, meters		233,471	
Wells, pumps		238,809	
		<u>3,620,619</u>	
Less accumulated depreciation		(548,368)	
Total property and equipment		<u>3,072,251</u>	<u>3,072,251</u>

TOTAL ASSETS

\$ 4,007,388

LIABILITIES and NET POSITION

Current Liabilities

Notes payable, current	\$	15,073	
Accounts payable		57,372	
Deposits		700	
Total current liabilities		<u>73,145</u>	\$ 73,145

Long-Term Liabilities

Notes payable, long-term		961,371	
Total long-term liabilities		<u>961,371</u>	961,371

Net Position

Net investment in capital assets		2,095,807	
Unrestricted		877,065	
Total net position		<u>2,972,872</u>	<u>2,972,872</u>
TOTAL LIABILITIES AND NET POSITION			<u><u>\$ 4,007,388</u></u>

See accompanying notes to the financial statements.

PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended December 31, 2014

Income from operations

Charges for services	\$ 149,701	
Other revenue	<u>9,080</u>	
Total income from operations		\$ 158,781

Operating expenses

Operating expenses	98,093	
Depreciation expense	<u>16,188</u>	
Total operating expenses		<u>114,281</u>
Net operating income (loss)		44,500

Non operating revenues (expenses)

Grant revenues	1,948,546	
Interest income	18,804	
Other income	295	
Bond Premium	(8,840)	
Interest expense	(15,572)	
Unrealized loss (gain) on investment	<u>2,018</u>	
Total nonoperating revenues (expenses)		<u>1,945,251</u>

Changes in Net Position 1,989,751

Net Position, Beginning of Year 983,121

Net Position, End of Year \$ 2,972,872

See accompanying notes to the financial statements.

PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

Statement of Cash Flows
For the Year Ended December 31, 2014

Cash Flows from Operating Activities:

Cash provided by funding sources	\$ 156,365	
Cash used for salaries and expenses	(497,772)	
Interest income	18,804	
	<u>18,804</u>	
Net cash provided (used) by operating activities		\$ (322,603)

Cash Flows from Investing Activities:

Purchase of capital assets	(2,195,060)	
Investments	(71,952)	
	<u>(71,952)</u>	
Net cash provided (used) by investing activities		(2,267,012)

Cash Flows from Capital and Related Activities:

Grant revenue	1,945,251	
Increase (Decrease) in note payable	627,723	
	<u>627,723</u>	
Net cash provided (used) by financing activities		2,572,974

Net Increase (Decrease) in Cash for Year (16,641)

Cash, beginning of year 48,725

Cash, end of year \$ 32,084

Reconciliation of net position to net cash provided (used) by operating activities:

Net position		\$ 44,500
Adjustments to reconcile net position to net cash provided (used) by operating activities:		
Depreciation expense	\$ 16,188	
(Increase) decrease in:		
Grant receivable	(437,088)	
Prepaid expenses	884	
Undeposited funds	513	
Increase (decrease) in:		
Accounts payable	51,700	
Deposits	700	
	<u>700</u>	
		(367,103)
Net cash provided (used) by operating activities		<u><u>\$ (322,603)</u></u>

See accompanying notes to the financial statements.

PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

December 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Picacho Mutual Domestic Water Consumers Association was incorporated on December 10, 1973. The Association was incorporated as a nonprofit cooperative association in accordance with the provisions of the The Sanitary Projects Act 14-28-1 through 14-28-19 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.

PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

Notes to Financial Statements

December 31, 2014

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 is 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."

PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

Notes to Financial Statements

December 31, 2014

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.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position.

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.

Investments (continued)

Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets.

Advertising Costs

Advertising costs are expensed as incurred. For the year ending December 31, 2014, the Association incurred no advertising costs.

Allowance for Doubtful Accounts

The Association considers all accounts receivable to be fully collectible; accordingly, a small allowance for doubtful accounts has been recorded for \$250.

PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

Notes to Financial Statements

December 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

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

Depreciation

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

Building, tanks, fences, wells and pumps	7-30 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 – Picacho Mutual Domestic Water Consumers Association supplies and distributes water for domestic use.

PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

Notes to Financial Statements

December 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues (continued)

The base fee for water usage in 2014 was \$12.00. Rates for water usage range from \$2.85 per thousand gallons up to 3000 gallons to \$4.25 per thousand gallons over 10,000 gallons. Fees are also assessed for meter connections and disconnections.

USDA Rural Utility Service grant – The Association received a Rural Development and grant from the United State Department of Agriculture for improvements to the Picacho Water System Improvements Project in the amount of \$1,382,055.

New Mexico Finance Authority – The Association received a Colonias Infrastructure Project Fund grant from the NMFA for improvements of \$ 566,491.

Other Income – Investment income is derived from interest earned on commercial bank accounts, money market accounts, certificates of deposit and Federal Home Loan Mortgage bonds.

NOTE 2. CASH AND CASH EQUIVALENTS

The following accounts are listed under cash and cash equivalents as of December 31, 2014:

<u>Name of Bank</u>	<u>Balance per Bank</u>	<u>Outstanding Items</u>	<u>Reconciled Balance</u>
Citizens Bank - Operating	\$21,659	\$(4,285)	\$17,374
Citizens Bank – Construction	15,035	(518)	14,517
Citizens Bank – Colonias	192	--	<u>192</u>
			<u>\$32,083</u>
Less FDIC coverage	<u>(36,886)</u>		
Uninsured amount	--		
Pledged Securities	<u>--</u>		
Over (under collateralized)	<u>\$ --</u>		

PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

Notes to Financial Statements

December 31, 2014

NOTE 3. INVESTMENTS

Investments at December 31, 2014 consist of the following:

	<u>Fair Market Value</u>	<u>Original Cost</u>	<u>Unrealized Gain (Loss)</u>
Long-term investments:			
Money Market	\$ 37,813	\$ 37,813	\$ --
Edward Jones-Government National Mortgage	142,104	135,192	6,912
Edward Jones-Federal Home Loan Mortgage	<u>275,956</u>	<u>259,276</u>	<u>16,680</u>
	<u>\$ 455,873</u>	<u>\$ 432,281</u>	<u>\$ 23,592</u>

NOTE 4. 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 December 31, 2014, property and equipment and the related accumulated depreciation consisted of the following:

	<u>Balance 12/31/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2014</u>
Construction in progress	\$ 765,760	\$2,195,059	\$ -	\$ 2,960,819
Land	3,932	-	-	3,932
Building, tank and fencing	183,588	-	-	183,588
Utility lines and meters	233,471	-	-	233,471
Wells and pumps	<u>238,809</u>	<u>-</u>	<u>-</u>	<u>238,809</u>
	1,425,560	2,195,059	-	3,620,619
Less: accumulated depreciation	<u>(532,180)</u>	<u>(16,188)</u>	<u>-</u>	<u>(548,368)</u>
Capital assets, net	<u>\$ 893,380</u>	<u>\$2,178,871</u>	<u>\$ -</u>	<u>\$ 3,072,251</u>

The Association did not dispose of any equipment during the year ending December 31, 2014. Depreciation expense for 2014 was \$16,188.

PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

Notes to Financial Statements

December 31, 2014

NOTE 5. 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 December 31, 2014, accounts and grants receivable consisted of the following:

Accounts receivable	\$ 2,416
Grants receivable	436,281
Less allowance for doubtful accounts	<u>(250)</u>
Net accounts receivable	<u>\$ 438,447</u>

NOTE 6. PREPAID EXPENSES

As of December 31, 2014, prepaid expenses consisted of the following:

Prepaid insurance	\$ 5,400
Prepaid rent	333
Prepaid dues	<u>413</u>
	<u>\$ 6,146</u>

NOTE 7. NOTE PAYABLE

The Association's long-term debt at December 31, 2014 consisted of the following:

Note payable to State of New Mexico Finance Authority,
due in annual installments of \$3,147, 0% interest, matures June 30, 2034.

Note payable 12/31/14	\$ 62,944
Less current portion of long-term debt	<u>(3,148)</u>
Long-term debt	<u>\$ 59,797</u>

PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

Notes to Financial Statements

December 31, 2014

NOTE 7. NOTE PAYABLE (continued)

Note payable to United States Department of Agriculture,
due in monthly installments of \$3,462, 3.25% interest, matures March 25, 2055.

Note payable, December 31, 2014	\$ 913,500
Less current portion of long-term debt	<u>(11,925)</u>
Long-term debt	<u>\$ 916,075</u>

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

Fiscal Year Ending

December 31,	Principal	Interest	Total
2015	\$ 14,347	\$ 19,959	\$ 34,306
2016	15,073	29,619	44,692
2017	15,466	29,226	44,692
2018	15,874	28,820	44,691
2019	16,291	28,400	44,691
2020-2024	88,253	135,202	223,455
2025-2029	101,029	122,426	223,455
2030-2034	116,058	107,398	223,456
2035-2039	117,998	89,722	207,720
2040-2044	138,788	68,932	207,720
2045-2049	163,241	44,479	207,720
2050-2054	<u>174,029</u>	<u>15,661</u>	<u>189,690</u>
	<u>\$976,444</u>	<u>\$719,844</u>	<u>\$1,696,288</u>

NOTE 8. 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, in 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 December 31, 2014.

PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

Notes to Financial Statements

December 31, 2014

NOTE 9. NET POSITION

Net assets are derived from the following sources:

Memberships - Picacho Mutual Domestic Water Association is a Non-Profit Organization. A membership fee of \$25 is required with each membership certificate. Memberships can be transferred for a fee of \$25. A \$450 parity fee is also assessed with new memberships.

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 and parity fee balances as of December 31, 2014 were \$0 and \$450 respectively.

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 December 31, 2014, invested in capital assets, net of related debt amounted to \$2,095,807.

Fund balance – Earnings in excess of operating costs from supplying and distributing water for domestic uses and investment income for 2014 was \$876,615.

NOTE 10. 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 event 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 condition that did not exist at the balance sheet date.

The Association has evaluated subsequent events through May 29, 2015, the date the financial statements are available to be issued.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
BUDGET AND ACTUAL - Modified Cash Basis
Statement of Revenues and Expenditures
Budget and Actual
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive/(Negative)
REVENUES				
Water Service	\$ 160,000	\$ 160,000	\$ 149,701	\$ (10,299)
Administration Fees/Penalties	3,500	3,500	5,591	2,091
Membership/Install	-	-	1,475	1,475
Miscellaneous	-	-	713	713
Reconnection Fees	350	350	1,300	950
Interest/Rebates	10,000	10,000	19,100	9,100
Unrealized loss (gain) on investment	-	-	(2,018)	(2,018)
Total revenues	173,850	173,850	175,862	2,012
EXPENDITURES				
Salaries/Contractors	32,000	32,000	47,389	(15,389)
Accounting/Legal	41,100	41,100	35,148	5,952
Taxes/Insurance	5,000	5,000	5,351	(351)
Utilities	20,000	20,000	13,234	6,766
System Supplies/Maintenance	12,600	12,600	12,300	300
Office/Miscellaneous	4,895	4,895	2,430	2,465
Water Conservation Fees	1,500	1,500	1,030	470
Depreciation	16,189	16,189	16,188	1
Total expenditures	133,284	133,284	133,070	214
Excess (deficiency) of revenues over expenditures	40,566	40,566	42,792	2,226
OTHER FINANCING SOURCES (USES)				
Grants	2,310,055	2,310,055	1,948,546	361,509
Bond Premium	-	-	(8,840)	8,840
Loan fee expense	-	-	(1,000)	1,000
Loan interest	-	-	(1,376)	1,376
Operating transfer in (out)	-	-	-	-
Total other financing sources (uses)	2,310,055	2,310,055	1,947,546	362,509
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources	2,350,621	2,350,621	\$ 1,990,338	\$ 364,735
Budgeted cash carryover	-	-		
	<u>\$ 2,350,621</u>	<u>\$ 2,350,621</u>		

See accompanying notes to the financial statements

PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

Schedule of Expenditures of Federal Awards

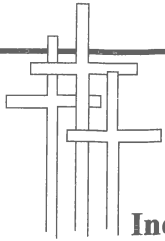
For the Year Ended December 31, 2014

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA No.</u>	<u>Pass Through No.</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
<u>Department of Agriculture</u>				
Water and waste disposal systems for for rural communities				
Grant	10.760	N/A	\$ 1,382,055	\$ 1,382,055
Loan	10.760	N/A	928,000	928,000
				<u>\$ 2,310,055</u>

Note - Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Picaho Mutual Domestic Water Consumers 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	\$2,310,055
State capital outlay grants	566,491
Total	<u>2,876,546</u>
Less: Loan amount	(928,000)
Grant revenue per financial statements	<u>\$1,948,546</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
Picacho Mutual Domestic Water Consumers Association
And Tim Keller
New Mexico State Auditor
Santa Fe, 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 Picacho Mutual Domestic Water Consumers Association ("Association") as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise the Association's basic financial statements and issued our report thereon dated May 29, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Picacho Mutual Domestic Water Consumers 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

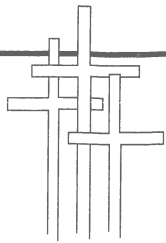
As part of obtaining reasonable assurance about whether Picacho Mutual Domestic Water Consumers Association financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Clifford, Ross & Cooper, LLC
Las Cruces, New Mexico
May 29, 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
Picacho Mutual Domestic Water Consumers Association
and
Tim Keller
New Mexico State Auditor
Santa Fe, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Picacho Mutual Domestic Water Consumers 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 December 31, 2014. Picacho Mutual Domestic Water Consumers 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 Picacho Mutual Domestic Water Consumers 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 Picacho Mutual Domestic Water Consumers 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 Picacho Mutual Domestic Water Consumers Association's compliance.

Opinion on Each Major Federal Program

In our opinion, Picacho Mutual Domestic Water Consumers 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 December 31, 2014.

Report on Internal Control over Compliance

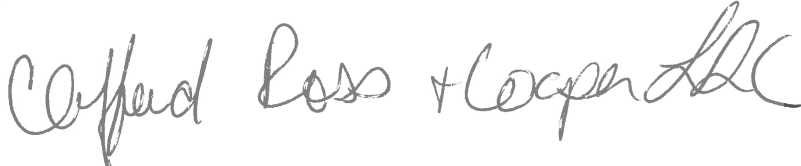
Management of Picacho Mutual Domestic Water Consumers Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Picacho Mutual Domestic Water Consumers 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 Picacho Mutual Domestic Water Consumers 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 cursive script that reads "Clifford Ross & Cooper LLC".

Clifford, Ross & Cooper, LLC
May 29, 2015
Las Cruces, New Mexico

PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

Schedule of Findings and Questioned Costs

December 31, 2014

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditor's Report issued: Unmodified

Internal control over financial reporting:

- Significant Deficiencies identified? Yes X No
- Significant Deficiencies identified that are not considered to be material weaknesses Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Type of Auditor's Report issued on compliance with Major Programs: Unmodified

Internal Control Over Major Programs:

- Significant Deficiencies Identified? Yes X No
- Significant Deficiency(ies) identified that are not considered to be material weakness(es)? Yes X None reported

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes X No

Program tested as major programs include:

a) Water and Waste Disposal Systems For Rural Communities CFDA #
10.760

- Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
- Auditee qualified as a low-risk auditee? Yes X No

PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF CURRENT-YEAR FINDINGS AND QUESTIONED COSTS

December 31, 2014

NONE

SCHEDULE OF PRIOR-YEAR FINDINGS AND QUESTIONED COSTS

December 31, 2013

NONE

**PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
EXIT CONFERENCE
DECEMBER 31, 2014**

Exit Conference:

The exit conference was held on May 29, 2015 with the following persons:

Larry Covington, President

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

These financial statement have been prepared by Clifford, Ross & Cooper, LLC from the books and records of Picacho Mutual Domestic Water Consumers Association with the assistance of management. The content