

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION**

**Independent Accountants' Report on
Tier 6 - Agreed-Upon Procedures**

Year Ended December 31, 2015

Introductory Section

STATE OF NEW MEXICO
San Antonio Mutual Domestic Water Consumers Association
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December 31, 2015

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STATE OF NEW MEXICO
San Antonio Mutual Domestic Water Consumers Association
December 31, 2015
Official Roster

Board of Directors

Tana Hudson
Cyndie Dever
Jeffrey Betterley
Jane Farmer
Chance Attwood
John Jones
Jeffery Betterley

President
Treasurer
Vice President
Secretary
Director
Director
Director

Staff

Barbara Attwood
Henry Jojola
Kenneth Baldonado
Gayle Jones

Office Manager
Water Operator
Meter Reader
Bookkeeper

Financial Section

**Dan Austin CPA, PC
700 Mechem Drive Ste. 15
Ruidoso, NM 88345
575-257-0081**

INDEPENDENT ACCOUNTANTS REPORT

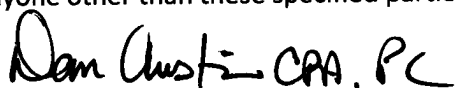
Timothy Keller
New Mexico State Auditor
To the Board of Directors.
San Antonio Mutual Domestic Water Consumers Association
San Antonio, New Mexico

We have performed the procedures enumerated below, which were agreed to by the San Antonio Mutual Domestic Water Consumers Association (the Association) and the New Mexico State Auditor's Office, solely to assist in determining if the Association is in compliance with New Mexico State Auditor Rule, Tier 6, as of December 31, 2015. San Antonio Mutual Domestic Water Consumers Association's governing board and management are responsible for the information included herein. This agreed-upon-procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this 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.

The procedures and the associated findings are included in this report.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the Tier 6 agreed upon procedures. 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 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 these specified parties.



May 17, 2016
Dan Austin CPA, PC

Supplementary Information

**San Antonio Mutual Domestic Water Consumers Association
Tier 6 – Procedures Performed and Related Results
December 31, 2015**

We have performed the procedures enumerated below for the San Antonio Mutual Domestic Water Consumers Association (SAMDWCA), for the year ended December 31, 2015. The SAMDWCA was determined to be a Tier 6 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC.

1. 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.
- (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 (DFA-LGD).
- (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.

We determined the SAMDWCA has five bank accounts and utilizes Quickbooks to record transactions. All bank reconciliations are performed within days of receiving the bank statements and all were complete and on-hand.

Random tests of bank reconciliations revealed that the reconciliations were accurate and agreed with supporting documentation. All Deposits were insured by the FDIC.

2. Capital Assets

Procedures:

- (a) Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA1978.

The SAMDWCA performed a yearly inventory as required by Section 12-6-10 NMSA 1978 and maintains a capital asset listing. No exceptions noted.

3. Debt

Procedures:

Verify that 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 public body is in compliance with those requirements.

We verified debt payments were made as agreed and examined loan documents reserve requirements and noted none.

**San Antonio Mutual Domestic Water Consumers Association
Tier 6 – Agreed Upon Procedures
December 31, 2015**

4. Revenue

Procedures:

Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

- (a) Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.
- (b) Select sample of revenues based on judgment and test using the following attributes:
 - 1. Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
 - 2. 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.

We performed test work above and no exceptions were noted.

5. Expenditures

Procedures: Select a sample of cash disbursements and test for 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 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

We performed test work above and no exceptions were noted.

6. 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.
- (b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

We noted no non-routine journal entries. All journal entries were approved.

**San Antonio Mutual Domestic Water Consumers Association
Tier 6 – Agreed Upon Procedures
December 31, 2015**

7. 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.

We verified that the Board of Directors approved the original budget.

- (b) Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.

We noted no exception. The actual expenditures did not exceed budget.

- (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.

See attached Statement of Revenue and Expenditures –Budget and Actual – Proprietary Fund

8. Capital Outlay

Procedures: Test all capital outlay expenditures for during the fiscal year to:

- (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 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).
- (d) Determine the physical existence by observation of the capital asset.
- (e) Determine whether reimbursement requests were properly supported by costs incurred by the recipient.

There were no capital outlay awards or expenditures for year ended December 31, 2015

9. Other

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, disclose 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.

No other information came to our attention that warranted disclosure.

STATE OF NEW MEXICO
San Antonio Mutual Domestic Water Consumers Association
Statement of Revenues and Expenditures
Budget and Actual (Accrual Basis)-Proprietary Fund
For the Year Ended December 31, 2015

	<u>Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Water Service Fees	\$ 279,000	\$ 279,000	\$ 314,910	\$ 35,910
Grant Revenue	20,000	20,000	18,094	(1,906)
Interest Income	75	75	78	3
NMFA Loan Proceeds	-	299,000	-	(299,000)
Other Income	-	-	-	-
Total Revenues	<u>299,075</u>	<u>598,075</u>	<u>333,082</u>	<u>(264,993)</u>
Expenditures				
Personnel Costs	71,400	71,400	68,740	2,660
Advertising	375	375	557	(182)
Auto Expense	5,000	5,000	2,018	2,982
Repairs and Maintenance	32,200	32,200	5,959	26,241
Taxes-Sales and Other	16,210	16,210	17,121	(911)
Directors Fees	2,450	2,450	1,900	550
Insurance	12,000	12,000	10,928	1,072
Utilities	18,100	18,100	15,329	2,771
Telephone	3,700	3,700	3,611	89
Supplies	9,500	9,500	9,382	118
Travel and Education	9,800	9,800	6,455	3,345
Professional Services	10,000	10,000	5,621	4,379
Other Operating Expense	9,353	9,353	5,549	3,804
Interest Expense	46,400	46,400	45,655	745
Capital Outlay	-	428,485	-	428,485
Depreciation	<u>162,000</u>	<u>162,000</u>	<u>115,092</u>	<u>46,908</u>
Total Expenditures	<u>408,488</u>	<u>836,973</u>	<u>313,917</u>	<u>523,056</u>
Excess (Deficiency) of Revenues Over Expenditures	(109,413)	(238,898)	19,165	<u>\$ 258,063</u>
Net Position, Beginning	<u>863,111</u>	<u>863,111</u>	<u>863,111</u>	
Net Position, Ending	<u>\$ 753,698</u>	<u>\$ 624,213</u>	<u>\$ 882,276</u>	

STATE OF NEW MEXICO
San Antonio Mutual Domestic Water Consumers Association
Schedule of Findings and Responses
Year Ended December 31, 2015

Prior Year Report Findings

None

Current Year Findings

None

**STATE OF NEW MEXICO
San Antonio Mutual Domestic Water Consumers Association
Exit Conference
Year Ended December 31, 2015**

EXIT CONFERENCE

The report contents were discussed at an exit conference held on May 31, 2016 at the office of the San Antonio Mutual Domestic Water Consumers Association in San Antonio, New Mexico with the following in attendance:

San Antonio Mutual Domestic Water Users Association

Richard Anderson, President
John Jones, Director
Barbara Attwood, Office Manager
Gayle Jones, Bookkeeper

Accounting Firm

Dan Austin, CPA

San Antonio Mutual Domestic Water Consumers Association

Compilation Report

December 31, 2015

**Dan Austin CPA, PC
700 Mechem Drive Ste. 15
Ruidoso, NM 88345
575-257-0081**

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Timothy Keller, New Mexico State Auditor
Board of Directors San Antonio Mutual Domestic Water Consumers Association
San Antonio, New Mexico

Management is responsible for the accompanying financial statements of the San Antonio Mutual Domestic Water Consumers Association, which comprise the Statement of Net Financial Position as of and for the year ended December 31, 2015 and the related Statement of Revenues, Expenditures and Changes in Net Position, Statement of Cash Flows for the year then ended and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We 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 omitted the management's discussion and analysis and budgetary comparison information that is required to be presented for purposes of additional analysis. 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.



Dan Austin CPA, PC
May 17, 2016

**State of New Mexico
San Antonio Mutual Domestic Water Consumers Association
Statement of Net Position
December 31, 2015**

ASSETS

CURRENT ASSETS

Cash-unrestricted	\$	112,621	
Cash-restricted for construction		52,621	
Cash-restricted for water rights		86,690	
Cash-restricted for debt service		<u>59,444</u>	311,376
Customer Accounts Receivable		35,809	
Allowance For Doubtful Accounts		<u>(276)</u>	35,533
Inventory			<u>9,723</u>
Total Current Assets			<u>356,632</u>

NON CURRENT ASSETS

Capital Assets	\$	3,871,738	
Less Allowance For Depreciation		<u>(2,257,884)</u>	<u>1,613,854</u>
Total Noncurrent Assets			<u>1,613,854</u>
Total Assets	\$		<u><u>1,970,486</u></u>

See independent accountant's compilation report.

STATE OF NEW MEXICO
San Antonio Mutual Domestic Water Consumers Association
Statement of Net Position
December 31, 2015

LIABILITIES AND NET POSITION

CURRENT LIABILITIES	
Accounts Payable	\$ 37,831
Accrued Payroll Expense	3,663
Deposits	150
Current Portion of Long Term Liabilities	<u>26,647</u>
Total Current Liabilities	<u>68,291</u>
NONCURRENT LIABILITIES	
Notes Payable	1,046,566
Less: Current Portion of Long Term Debt (above)	<u>(26,647)</u>
Total Noncurrent Liabilities	<u>1,019,919</u>
Total Liabilities	<u>1,088,210</u>
NET POSITION	
Net Invested in Capital Assets	567,288
Restricted for Construction Projects	52,621
Restricted for Debt Service	56,444
Unrestricted Net Position	<u>205,923</u>
Total Net Position	<u>882,276</u>
Total Liabilities And Net Position	<u>\$ 1,970,486</u>

STATE OF NEW MEXICO
San Antonio Mutual Domestic Water Consumers Association
Statement of Revenues, Expenditures and Changes in Net Position
December 31, 2015

Operating Revenues	
Sales and Services	\$ 314,910
Total Operating Revenues	<u>314,910</u>
Operating Expenses	
Personnel Costs	68,740
Advertising	557
Auto Expense	2,018
Repairs and Maintenance	5,959
Taxes-Sales and Other	17,121
Directors Fees	1,900
Insurance	10,928
Utilities	15,329
Telephone	3,611
Supplies	9,382
Travel	6,455
Professional Services	5,621
Other Operating Expense	5,549
Depreciation	115,092
Total Operating Expense	<u>268,262</u>
Total Operating Income (Loss)	<u>46,648</u>
Non-Operating Revenues (Expenses)	
Interest Income	78
Grant Revenues	18,094
Interest Expense	<u>(45,655)</u>
Total Non-operating Revenue (Expense)	<u>(27,483)</u>
Change in Net Position	19,165
Net Position at Beginning of Year	863,111
Contributed Capital - Memberships Current Year	<u>-</u>
Net Position at End of Year	<u>\$ 882,276</u>

See independent accountant's compilation report.

STATE OF NEW MEXICO
San Antonio Mutual Domestic Water Consumers Association
Statement of Cash Flows - Proprietary Fund
December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received From Customers	\$ 299,211
Cash Paid To Suppliers	(94,072)
Cash Paid To Employees and related activities	<u>(68,740)</u>
Net Cash Provided By Operating Activities	<u>136,399</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Receipts of Grants	<u>18,094</u>
Net Cash Provided From Noncapital Financing Activities	<u>18,094</u>

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Principal Paid on Capital Debt	(26,012)
Interest Paid on Capital Debt	(45,655)
Payments For Capital Acquisitions	<u>(24,760)</u>
Net Cash Used For Capital And Related Financing Activities	<u>(96,427)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	<u>78</u>
Net Cash Provided From Investing Activities	<u>78</u>

Net Increase In Cash	58,144
Cash - Beginning Of Year	<u>253,232</u>
Cash - End Of Year	<u>\$ 311,376</u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Income (Loss)	\$ 46,648
Noncash Items in Net Income-Depreciation	
Depreciation	115,092
(Increase) Decrease In:	
Accounts Receivable	(15,699)
Increase (Decrease) In:	
Accounts Payable	(11,079)
Accrued Expense	<u>1,437</u>
Net Cash Provided From Noncapital Financing Activities	<u>\$ 136,399</u>

See independent accountant's compilation report.

STATE OF NEW MEXICO
San Antonio Mutual Domestic Water Consumers Association
Notes to the Financial Statements
December 31, 2015

Note 1. FUNCTION OF THE ENTITY

The San Antonio Mutual Domestic Water Users Association (the Association) was incorporated as a not-for-profit entity on May 9, 1974 exclusively to associate its members together for the mutual interest and benefit and in that end, to acquire, construct, install, maintain and operate a water system for supplying and distribution of water for domestic use and to engage in any activity thereto.

In October 1989, the Association received a determination letter exempting it from federal income tax under Section 501 (c) (12) of the Internal Revenue Code, retroactive from inception of the organization. As a result, no federal or state income tax have been reflected on the financial statements.

As of December 31, 2015, the water system included 400 memberships located in the area of San Antonio and Luis Lopez, New Mexico.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

San Antonio 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 400 members. The water service delivery area is restricted to San Antonio rural district in Socorro 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 accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their government-wide financial statements, subject to this same limitation. The Association has elected to utilize alternative #2 under GASB No. 20. *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities That Use Proprietary Fund Accounting*. Under alternative #2. The governmental entities using proprietary fund accounting must follow 1) all GASB pronouncements and 2) all FASB Statements and Interpretations issued after November 30, 1989. APB Opinions, and ARB's, no matter when issued, except those that conflict with a GASB pronouncement. The more significant of the Association's accounting policies are described below.

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.'s 14 and 39.

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 has no component units, and is not a component unit of any other entity.

STATE OF NEW MEXICO
San Antonio Mutual Domestic Water Consumers Association
Notes to the Financial Statements
December 31, 2015

Measurement focus, basis of accounting, and financial statement presentation

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The financial statements are reported using Uneconomic resources measurement locus and the accrual basis of accounting.

The accounts of the Association are organized on the basis of fund type, of which there is only one fund which is considered to be an enterprise fund.

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. 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.

The enterprise fund is accounted for using the full accrual basis of accounting. Revenues are recognized when the related service is completed and billed. Expenses are recorded when an item is utilized or a liability is incurred. The Association reports its proprietary fund as a major fund. The proprietary fund includes:

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

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.

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.

Investments for the Association are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

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.

Inventory: The Association's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed. Inventory is valued at cost and consists of supplies and materials. The cost of purchased supplies and materials is recorded as an expenditure at the time individual inventory items are consumed.

Prepaid Items: Certain payments to vendors related to 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.

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 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. 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 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.

STATE OF NEW MEXICO
San Antonio Mutual Domestic Water Consumers Association
Notes to the Financial Statements
December 31, 2015

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	5
Plant and water system	5-30

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, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Equity Classifications

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

Invested in capital assets, net of related debt:

Net position invested in capital assets, net of accumulated depreciation and 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.

Restricted net positions:

Consists of net positions 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.

Unrestricted net positions:

All other net positions that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

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. All invested funds of the Association properly followed State investment requirements as of December 31, 2015.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations. 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 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 of 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
San Antonio Mutual Domestic Water Consumers Association
Notes to the Financial Statements
December 31, 2015

New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Association for at least one half of the amount on deposit with the institution. 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.

At December 31, 2015, The Association did not have any deposits in excess of the federal deposit insurance. According to the federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit, 'time deposits, savings deposits and interest bearing negotiable order of withdrawal (NOW) accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. .

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 \$311,275 was exposed to custodial credit risk.

Note 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a government unit, the Association is subject to various laws and contractual regulations. An analysis of the Association's compliance with significant laws and regulations and demonstration of its stewardship over Association resources follows:

BUDGETS AND BUDGETARY ACCOUNTING

The Association follows these procedures that are promulgated by the Department of Finance and Administration, Local Government Division. Those procedures are as follows:

1. Prior to January 1, the Association's administration submits to the Board of Directors a proposed operating budget for the fiscal year commencing January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to January 1, the budget is legally enacted through formal adoption by the Board and then submitted to the Local Government Division of the State Department of Finance and Administration for review and approval.
3. The Association's treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors and the State Department of Finance and Administration.
4. Formal budgetary integration is employed as a management control device during the year for the Enterprise funds.

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The budgets are adopted on the GAAP basis of receipts and disbursements. Budgetary comparisons presented in this report are on this GAAP Budgetary basis.

Note 3. DETAIL NOTES ON ACCOUNTS AND TRANSACTION CLASSES

A. CASH

The Association's policy is to limit cash deposits to insured and/or collateralized demand deposit accounts and certificates of deposit. All bank balances or deposits as of December 31, 2015 were insured. The carrying amount of the Association's deposits with financial institutions was \$313,505 and the balances per the banks was \$311,276, and is shown as follows:

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Depository	Account Type	Account Name	Balance Per Depository	Reconciling Items		Balance Per Financial Statements
				Outstanding Checks	Deposits	
First State Bank	Checking	Arsnic	\$ 74,138	\$ -	\$ -	\$ 74,138
First State Bank	Checking	General Fund	40,612	(2,229)	-	38,383
First State Bank	Checking	Grant	52,621	-	-	52,621
Wells Fargo	Checking	Water Rights Reserve	86,690	-	-	86,690
First State Bank	Checking	RUS Debt Service	59,444	-	-	59,444
Total cash on deposit			<u>\$ 313,505</u>	<u>\$ (2,229)</u>	<u>\$ -</u>	<u>311,276</u>
Petty cash						<u>100</u>
Total cash on hand and on deposit						<u>\$ 311,376</u>

B. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-Type Activities:				
Capital assets not being depreciated:				
Easements	\$ 29,072	\$ -	\$ -	\$ 29,072
Water rights	67,884	-	-	67,884
Construction in progress	30,916	18,094	-	49,010
Total capital assets not being depreciated	<u>127,872</u>	<u>18,094</u>	<u>-</u>	<u>145,966</u>
Capital assets being depreciated:				
Buildings and improvements	171,957	-	-	171,957
Furniture and equipment	199,633	2,746	-	202,379
Wells and dams	69,674	-	-	69,674
Lines and storage	3,277,792	3,970	-	3,281,762
Total capital assets being depreciated	<u>3,719,056</u>	<u>6,716</u>	<u>-</u>	<u>3,725,772</u>
Less:				
Accumulated depreciation	<u>2,142,742</u>	<u>115,142</u>	<u>-</u>	<u>2,257,884</u>
Total accumulated depreciation	<u>2,142,742</u>	<u>115,142</u>	<u>-</u>	<u>2,257,884</u>
Total capital assets being depreciated, net	<u>1,576,314</u>	<u>(108,426)</u>	<u>-</u>	<u>1,467,888</u>
Business-type activity capital assets, net	<u>\$ 1,704,186</u>	<u>\$ (90,332)</u>	<u>\$ -</u>	<u>\$ 1,613,854</u>

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C. LONG-TERM OBLIGATIONS

Long-term obligations of the Association are as follows:

	Balance 12/31/14	Additions	(Reductions)	Balance 12/31/15	Due Within One Year
5.0% Note Payable, payable to USDA - RUS in monthly installments of \$1,033, unsecured dated 5/13/1994 matures May 13, 2034	\$ 144,861	\$ -	\$ (5,274)	\$ 139,587	\$ 5,393
5.0% Note Payable, payable to USDA - RUS in monthly installments of \$653, unsecured dated 5/13/1994, matures 5/13/2034	89,770	-	(3,425)	86,345	3,503
4.37% Note Payable, payable to USDA - RUS in monthly installments of \$2,679, unsecured dated 10/31/06, matures 10/31/2046	536,264	-	(8,863)	527,401	9,075
4.12% Note Payable, payable to USDA - RUS in monthly installments of \$767, unsecured dated 04/07/2007, matures 04/07/2047	163,015	-	(2,528)	160,487	2,576
3.00% Note Payable, payable to NMED in annual installments of \$10,082, unsecured dated 10/13/2012, matures 10/18/2032	<u>138,668</u>	<u>-</u>	<u>(5,922)</u>	<u>132,746</u>	<u>6,100</u>
Total Long-Term Obligations	<u>\$ 1,072,578</u>	<u>\$ -</u>	<u>\$ (26,012)</u>	<u>\$ 1,046,566</u>	<u>\$ 26,647</u>

The annual requirements to amortize principal on all debt outstanding as of June 30, 2015, is as follows:

Fiscal Year	Principal	Interest	Total
2016	26,647	45,019	-
2017	27,776	43,887	71,666
2016	28,945	43,887	71,663
2017	30,250	43,887	72,832
2018	32,456	43,887	74,137
2019-2023	155,258	184,624	339,882
2024-2028	145,243	120,453	265,696
2029-2033	138,253	110,533	248,786
2034-2038	164,253	85,230	249,483
2039-2043	168,253	65,453	233,706
2044-2047	<u>129,232</u>	<u>19,362</u>	<u>148,594</u>
	<u>\$ 1,046,566</u>	<u>\$ 806,222</u>	<u>\$ 1,776,445</u>

Note 4. RISK MANAGEMENT AND LITIGATION

The Association is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Association maintains coverage to insure against potential losses and claims. The premiums are based on payroll and other expenditures, and are not directly related to claims filed. The policies are retrospectively rated and premiums may be adjusted after year end, based on the ultimate level of expenditures.

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Note 6. NMFA Grant

The Association received a grant from New Mexico Finance Authority in 2014.. The total of the grant was \$50,000 used to fund planning and engineering for future system improvements. The Association expended \$18,094 during the current fiscal year.

Note 7. Subsequent Pronouncements

Other accounting standards that San Antonio Mutual Domestic Water Consumers Association is currently reviewing for applicability and potential impact on the financial statements include:

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

GASB 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68, this Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. This Statement will be effective for the year endedjunc30,2016.

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

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

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