

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

**Independent Accountant's Report on
Tier 6 – Agreed Upon Procedures**

Year Ended December 31, 2016

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

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

OFFICIAL ROSTER

Board of Directors

<u>Name</u>	<u>Title</u>
Richard Anderson	President
Jeffrey Betterley	Vice President
John Jones	Treasurer
Jane Farmer	Secretary
Cyndie Dever	Director
Chance Atwood	Director
Tana Hudson	Director

Administrative Staff

<u>Name</u>	<u>Title</u>
Barbara Atwood	Office Manager
Henry Jojola	Water Operator
Kenneth Baldonado	Meter Reader
Gayle Jones	Bookkeeper



Independent Accountant's Agreed Upon Procedures Report

**6200 Uptown Blvd NE
Suite 400
Albuquerque, NM 87110
505.338.0800**

Timothy Keller
New Mexico State Auditor
and
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 (SAMDWCA) and the New Mexico State Auditor's Office, solely to assist in determining if SAMDWCA is in compliance with New Mexico State Audit Rule, Tier 6, as of December 31, 2016. SAMDWCA is the responsible party and the subject matter is the responsibility of SAMDWCA. 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 a supplemental attachment.

This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, 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 SAMDWCA, 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.

Ricci & Company LLC

Albuquerque, New Mexico
June 9, 2017

AGREED UPON PROCEDURES

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2016**

PROCEDURES PERFORMED AND RELATED RESULTS

We have performed the procedures enumerated below for the San Antonio Mutual Domestic Water Consumers Association (SAMDWCA), for the year ended December 31, 2016. 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

- 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.
- 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 San Antonio Mutual Domestic Water Consumers Association (SAMDWCA) has five bank accounts and utilizes QuickBooks to record and process activity. All bank reconciliations are performed within three weeks of receiving the bank statements and all were complete and on-hand.

Random test of four (4) bank reconciliations revealed that the reconciliations were accurate, properly reconciled to the trial balance and agreed with supporting documentation. All deposits were insured by the FDIC.

We also determined that pledged collateral was not required for the deposits as there were no times during the year that the bank balances exceeded the FDIC limits.

2. Capital Assets

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

The SAMDWCA performed an annual inventory as required by Section 12-6-10 NMSA 1978 and maintains a capital asset listing to track all assets that meet the capitalization threshold. No exceptions noted.

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2016**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

3. Debt

Verify that a 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 in accordance with the respective amortization schedules and that reserves are properly accounted for pursuant to the debt agreements.

4. Revenue

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 a sample of revenues based on auditor 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.

Revenues appeared to be consistent with budgeted amounts and were also consistent with prior year revenues. No unexpected fluctuations were noted.

A sample of three (3) months billings were compared to collections recorded in the general ledger noting no significant variances.

Revenues were properly coded in the general ledger for all billings / collections inspected.

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2016**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

5. Expenditures

Select a sample of cash disbursements based on auditor judgment and test using the following attributes:

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

A sample of ten (10) cash disbursements was selected for testing noting that all expenditures were supported by adequate documentation, were approved for payment by authorized personnel, and payee/payment information on the checks agreed with vendor information and invoice amount.

There were no requests for proposal solicited during the year ending December 31, 2016.

6. Journal Entries

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.

Inspected one non-routine journal entry out of eight total entries and noted that it was supported by appropriate documentation and was not indicative of fraud or misappropriation. Journal entry had indication of being reviewed at the appropriate level.

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2016**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

7. Budget

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.

Traced approval of the budget by the Board of Directors to the minutes in which they were approved.

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

The legal level of budgetary control is at the fund level; actual expenditures did not exceed budget for SAMDWCA.

- 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 Revenues and Expenditures - Budget and Actual – Proprietary Fund.

8. Capital Outlay Appropriations

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 vendors invoice, purchase order, contract and cancelled check, as appropriate.
- (b) Determine the disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- (c) Determine that bid process (or request for approval process if applicable), purchase orders, contracts and agreements were processes in accordance with New Mexico Procurement Code.

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2016**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

(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 request were properly supported by cost incurred

The SAMDWCA did not receive any capital outlay appropriations for the year ending December 31, 2016.

9. Other

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

Please see finding # 2016-001 relating to non-compliance with State Auditor requirement (2.2.2.16 G[1]).

STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
Year Ended December 31, 2016

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenues				
Water Service Fees	\$ 292,675	292,675	275,896	16,779
Grant Revenue	-	-	502	(502)
Interest Income	80	80	145	(65)
Other	-	-	-	-
Total Revenues	292,755	292,755	276,543	16,212
Expenditures				
Personnel Costs	67,440	67,440	61,072	6,368
Advertising	375	375	-	375
Auto Expense	4,000	4,000	4,040	(40)
Repairs and Maintenance	29,800	29,800	8,579	21,221
Taxes-Sales and Other	22,410	22,410	22,478	(68)
Directors Fees	2,450	2,450	1,575	875
Insurance	13,000	13,000	9,417	3,583
Utilities	18,100	18,100	16,070	2,030
Telephone	3,700	3,700	3,520	180
Supplies	9,500	9,500	13,636	(4,136)
Travel and Education	6,800	6,800	7,623	(823)
Professional Services	7,000	7,000	5,784	1,216
Other Operating Expense	12,510	12,510	4,187	8,323
Interest Expense	45,000	45,000	44,530	470
Capital Outlay	-	-	5,150	(5,150)
Depreciation	140,000	140,000	122,896	17,104
Total Expenditures	382,085	382,085	330,557	51,528
Excess (Deficiency) of Revenues Over Expenditures	(89,330)	(89,330)	(54,013)	-
Net Position, Beginning	882,276	882,276	882,276	-
Net Position, Ending	\$ 792,946	792,946	828,263	-

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2016**

FINDINGS –

Prior Year Report Findings

None

Current Year Report Findings

2016-001 – Late AUP report

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2016**

SECTION I – FINDINGS IN ACCORDANCE WITH 2.2.2 NMAC (Other non compliance)

Finding 2016-001 Late AUP report

CONDITION

The Tier 6 Agreed Upon Procedures report was submitted to the State Auditor on June 12, 2017, which is after the statutory deadline.

CRITERIA

In accordance with State Audit Rule (2.2.2.16 G[1]) Tier 6 Agreed Upon Procedures reports are due no later than 5 months after the fiscal year end.

EFFECT

The Association is out of compliance with the aforementioned statute related to report due dates.

CAUSE

Accountant oversight; the deadline was misinterpreted by the accountant.

RECOMMENDATION

As the client was not at fault, we do not have any recommendation to correct the matter as the responsibility lies with the accounting firm.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION

San Antonio has a history for filing all audits in a timely manner. This finding is, in our opinion, of no fault of our association or reflection of our business practices here at San Antonio MDWCA. San Antonio believes this finding to be an oversight by Ricci & Company on time management.

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
EXIT CONFERENCE
December 31, 2016**

An exit conference was held on June 9, 2017 to discuss the agreed upon procedures. In attendance were the following:

Representing the San Antonio Mutual Domestic Water Consumers Association:

Richard Anderson, President
Barbara Attwood, Office Manager

Representing the Independent Auditor:

Mark Santiago, CPA

COMPILED FINANCIAL STATEMENTS



6200 Uptown Blvd NE
Suite 400
Albuquerque, NM 87110
505.338.0800

Independent Accountant's Compilation Report

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

Management is responsible for the accompanying financial statements of San Antonio Mutual Domestic Water Consumers Association (Association) which comprise the Statement of Net Position as of December 31, 2016, and the related Statement of Revenues, Expenditures and Changes in Net Position and Cash Flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. 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.

Ricci & Company LLC

Albuquerque, New Mexico
June 9, 2017

STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
STATEMENT OF NET POSITION
Year Ended December 31, 2016

ASSETS

Current Assets

Cash-Unrestricted	\$	155,571
Cash-Restricted for Construction		40,657
Cash-Restricted for Water Rights		82,627
Cash- Restricted for Debt Service		62,540
Inventory		9,723
Accounts Receivable, Net		31,962
Total Current Assets		<u>383,079</u>

Non Current Assets

Capital Assets		3,876,888
Less Allowance for Depreciation		(2,380,781)
Total Non Current Assets		<u>1,496,108</u>

Total Assets	\$	<u><u>1,879,187</u></u>
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LIABILITIES

Current Liabilities

Accounts Payable	\$	28,796
Accrued Payroll and Taxes		2,699
Current Portion of Long-Term Liabilities		27,136
Total Current Liabilities		<u>58,630</u>

Non Current Liabilities

Notes Payable		1,019,430
Less: Current Portion of Long-term Debt		(27,136)
Total Non Current Liabilities		<u>992,294</u>

Total Liabilities		<u>1,050,924</u>
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NET POSITION

Net Invested in Capital Assets		476,678
Restricted for Debt Service		62,540
Restricted for Water Rights		82,627
Restricted for Construction Projects		40,657
Unrestricted Net Position		165,761
Total Net Position		<u>828,263</u>

Total Liabilities and Net Position	\$	<u><u>1,879,187</u></u>
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See independent accountant's compilation report.

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
STATEMENT OF REVENUES AND EXPENDITURES
AND CHANGES IN NET POSITION
Year Ended December 31, 2016**

Operating Revenues	
Sales and Services	\$ 275,896
	<u>275,896</u>
Total Operating Revenues	<u>275,896</u>
Operating Expenses	
Salaries	61,072
Advertising	-
Auto Expense	4,040
Repairs and Maintenance	13,729
Taxes-Sales and Other	22,478
Equipment Rent	175
Directors Fees	1,575
Insurance	9,417
Utilities	16,070
Telephone	3,520
Supplies	13,636
Travel	7,623
Professional Services	5,784
Other Operating Expense	4,012
Depreciation	122,896
Total Operating Expenses	<u>286,027</u>
Total Operating Income (Loss)	(10,130)
Non Operating Revenues (Expenses)	
Interest Income	145
Grant Revenues	502
Interest Expense	(44,530)
Total Non Operating Revenues (Expenses)	<u>(43,883)</u>
Change in Net Position	<u>(54,013)</u>
Net Position at Beginning of Year	882,276
Contributed Capital-Memberships Current Year	<u>-</u>
Net Position at End of Year	<u><u>\$ 828,263</u></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, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 279,467
Cash Paid to Suppliers	(111,244)
Cash Paid to Employees and Related Activities	(62,036)
Net Cash Provided by Operating Activities	<u>106,187</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Receipts of Grants	<u>502</u>
Net Cash Provided by Noncapital Financing Activities	<u>502</u>

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

Principal Paid on Capital Debt	(27,136)
Purchase of Capital Assets	(5,150)
Interest Paid on Capital Debt	(44,529)
Net Cash Used by Capital and Related Financing Activities	<u>(76,815)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	<u>145</u>
Net Cash Provided by Investing Activities	<u>145</u>

Net Increase in Cash	30,019
Cash - Beginning of Year	<u>311,376</u>
Cash - End of Year	<u>\$ 341,395</u>

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

Operating Income (Loss)	\$ (10,130)
Noncash Items in Net Income	
Depreciation	122,896
(Increase) Decrease in:	
Accounts Receivable	3,571
Increase (Decrease) in:	
Accounts Payable	(9,187)
Accrued Expenses	(964)
Net Cash Provided by Operating Financing Activities	<u>\$ 106,187</u>

See independent accountant's compilation report.

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 1. ORGANIZATION

Function and Definition of Entity

The San Antonio Mutual Domestic Water Consumers Association (the SAMDWCA) was incorporated on May 9, 1974 exclusively to associate its members together for the mutual interest, benefit, and in the end to engage in any activity thereto.

In October 1989, the SAMDWCA 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 taxes have been reflected on the financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

San Antonio Mutual Domestic Water Consumers Association (“the SAMDWCA”) is a political subdivision of the State of New Mexico established and regulated by the constitution of the State of New Mexico. The SAMDWCA was incorporated in 1974 for the purpose of constructing, maintaining, and operation a water system for the supply and distribution of water for domestic use of its members. The SAMDWCA 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 SAMDWCA is presented to assist in the understanding of the SAMDWCA's financial statements. The financial statements and notes are the representation of the SAMDWCA's management and Board of Directors who are responsible for their integrity and objectivity. The financial statements of the SAMDWCA 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 Standards 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 the pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of the following subsequent private sector guidance for their government-wide financial statements, subject to this same limitation. The SAMDWCA has selected 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. The more significant of the SAMDWCA's accounting policies are described below.

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 SAMDWCA, 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 Statements 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, 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 SAMDWCA and/or its citizens, or whether the activity is conducted within the geographic boundaries of the SAMDWCA and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion from the reporting entity is the existence of special financing relationships, regardless of whether the SAMDWCA 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 SAMDWCA has no component units, and is not a component unit of any other entity.

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 has is of accounting.

The accounts of the SAMDWCA are organized on the basis of fund type, of which there is only one fund which is considered to be a proprietary 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 funds principal ongoing operations. The principal operating revenue is charges for services for the SAMDWCA's water. Operating expenses 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.

STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement focus, basis of accounting, and financial statement presentation (continued)

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 incurred. The SAMDWCA reports its proprietary fund as a major fund. The proprietary fund accounts for a water system for supply and distribution of water for domestic use to its members, including constructing, maintaining and operating the system.

When both restricted and unrestricted resources are available for use. It is the SAMDWCA'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 SAMDWCA's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the SAMDWCA 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 SAMDWCA's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchased 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 expenditure at the time individual inventory items are consumed.

Capital Assets. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an investment useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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 FINANCIAL STATEMENTS
December 31, 2016**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. (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 in the SAMDWCA’s financial statements include management’s estimate of depreciation on assets over their estimated useful lives and the allowance for uncollectible accounts.

Deposits and Investments. State statutes authorize the investment of the SAMDWCA 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 SAMDWCA properly followed State investment requirements as of December 31, 2016.

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

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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The rate of interest on interest-bearing accounts shall be set by the state board of Finance, but in no case shall 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 credit of those governments.

Basis of Presentation

The financial transactions of the SAMDWCA are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the accompanying financial statements. The various funds are reported by generic classification within the financial statements.

New Mexico State Statutes require collateral pledge for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the SAMDWCA 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, 2016, the SAMDWCA did not have any deposits in excess of the federal deposit insurance coverage of \$250,000.

Custodial credit risk is the risk that in the event of a bank failure, the SAMDWCA's deposits may not be returned to it. The SAMDWCA does not have a deposit policy for custodial credit risk, other than the following state statutes as set forth in the Public Money Act (section 6-10-1 to 6-10-63, NMSA). At December 31, 2016 none of the association's bank balances of \$311,275 was exposed to custodial credit risk.

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Budgets and Budgetary Accounting

The SAMDWCA follows 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 SAMDWCA'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 that 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 SAMDWCA'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.

Budgets are adopted on a cash basis which is not consistent with generally accepted accounting principles (GAAP). The budgets are adopted on the cash basis of receipts and disbursements. Budgetary comparisons presented in this report are on this basis.

NOTE 4. DETAIL NOTES ON ACCOUNTS AND TRANSACTION CLASSES

The SAMDWCA'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, 2016 were insured. The carrying amount of the SAMDWCA's deposits with financial institutions was \$311,375 and the balances per banks was \$341,395 and is shown as below:

Cash

Cash consists of the following at December 31, 2016:

Arsenic	\$ 103,136
General Fund	52,334
Grant	40,657
Water Rights Reserve	82,627
RUS Debt Service	62,540
Cash on hand	<u>100</u>
Total cash	<u>\$ 341,395</u>

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NOTE 4. DETAIL NOTES ON ACCOUNTS AND TRANSACTION CLASSES (CONTINUED)

Accounts Receivable

Accounts receivable consists primarily of billings for periodic water service to its members. At December 31, 2016, receivables amounted to \$31,962, net of \$777 of allowance for uncollectible accounts.

Capital Assets

Capital asset activity for the year ended in December 31, 2016, was as follows

	Balance 12/31/15	Increase	Decrease	Balance 12/31/16
Capital assets not being depreciated:				
Easements	\$ 29,072	-	-	29,072
Water rights	67,884	-	-	67,884
Construction in progress	49,010	-	-	49,010
Total capital assets not being depreciated	<u>145,966</u>	-	-	<u>145,966</u>
Capital assets being depreciated:				
Building and improvements	171,956	-	-	171,956
Furniture and equipment	97,037	5,150	-	102,187
Wells and dams	69,674	-	-	69,674
Lines and storage	3,387,105	-	-	3,387,105
Total capital assets being depreciated	<u>3,725,773</u>	<u>5,150</u>	-	<u>3,730,922</u>
Less: Accumulated depreciation	<u>2,257,884</u>	<u>122,896</u>	-	<u>2,380,781</u>
Total accumulated depreciation	<u>2,257,884</u>	<u>122,896</u>	-	<u>2,380,781</u>
Total capital assets being depreciated, net	<u>1,467,889</u>	-	<u>117,746</u>	<u>1,350,142</u>
Capital assets, net	<u>\$ 1,613,854</u>	-	<u>117,746</u>	<u>1,496,108</u>

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NOTE 4. DETAIL NOTES ON ACCOUNTS AND TRANSACTION CLASSES (CONTINUED)

Long Term Obligations

	Balance, 12/31/15	Additions	Deletions	Transfers	Balance, 12/31/16
5.0% Notes payable, payable to USDA – RUS in monthly installments of \$1,033, unsecured dated 5/13/94 matures May 31, 2034	\$ 139,587	-	(5,542)	-	134,045
5.0% Notes payable, payable to USDA – RUS in monthly installments of \$653, unsecured dated 5/13/94 matures May 31, 2034	\$ 86,345	-	(3,601)	-	82,744
4.37% Notes payable, payable to USDA – RUS in monthly installments of \$2,679, unsecured dated 10/31/06 matures October 31, 2046	\$ 527,401	-	(9,259)	-	518,142
4.12% Notes payable, payable to USDA – RUS in monthly installments of \$767, unsecured dated 4/07/07 matures April 4, 2047	\$ 160,487	-	(2,633)	-	157,854
3.00% Notes payable, payable to NMED in annual installments of \$10,082, unsecured dated 10/31/12 matures October 18, 2032	\$ 132,746	-	(6,101)	-	126,645
Total long-term	\$ 1,046,566	-	(27,136)	-	1,019,430

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NOTE 4. DETAIL NOTES ON ACCOUNTS AND TRANSACTION CLASSES (CONTINUED)

The annual requirements to amortize principal on all debt outstanding as of June 30, 2016, is as follows:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 27,776	43,887	71,663
2018	28,945	43,887	72,832
2019	30,250	43,887	74,137
2020	32,456	43,887	76,343
2021	34,500	43,887	78,387
2022-2026	149,508	140,737	290,245
2027-2031	145,243	120,453	265,696
2031-2036	126,753	110,533	237,286
2037-2041	158,503	128,702	287,205
2042-2047	285,496	41,343	326,839
Totals	<u>\$ 1,019,430</u>	<u>761,203</u>	<u>1,780,633</u>

NOTE 5. RISK MANAGEMENT AND LITIGATION

The SAMDWCA is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omission; injuries to employees; natural disasters. The SAMDWCA 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.

NOTE 6. NMFA GRANT

The SAMDWCA received a grant from New Mexico Finance Authority in 2014, the total of grant was \$50,000 used to fund planning and engineering for future system improvements. The SAMDWCA expended \$502 during the current fiscal year.