

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

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

**Year Ended December 31, 2012**

**STATE OF NEW MEXICO**  
**San Antonio Mutual Domestic Water Consumers Association**  
**Table of Contents**  
**December 31, 2012**

Table of Contents	1
Official Roster	2
Independent Accountants' Report on Applying Agreed Upon Procedures	3
Schedule of Revenues and Expenditures - Budget and Actual (Accrual Basis)	7
Schedule of Findings and Reponses	8
Exit Conference	9
Compiled Financial Statements	10

**STATE OF NEW MEXICO**  
**San Antonio Mutual Domestic Water Consumers Association**  
**December 31, 2012**  
**Official Roster**

**Board of Directors**

Richard Anderson  
John Jones  
Jeffrey Betterley  
Jane Farmer  
Larry Cowan

President  
Treasurer  
Vice President  
Secretary  
Director

**Staff**

Barbara Attwood  
Henry Jojola  
E.F.Wade

Office Manager  
Water Operator  
Meter Reader

**Dan Austin CPA, PC  
700 Mechem Drive Ste. 15  
Ruidoso, NM 88345**

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

Richard Anderson, Chairman and  
The Board of Supervisors  
San Antonio Mutual Domestic Water Consumers Association  
and Honorable Hector H. Balderas New Mexico State Auditor

We have performed the procedures enumerated below for the San Antonio Mutual Domestic Water Consumers Association (SAMDWCA), for the year ended December 31, 2012. 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. The procedures were agreed to by the UCSWCD through the Office of the New Mexico State Auditor. The San Antonio Mutual Domestic Water Consumers Association's management is responsible for the organization's accounting records. 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 those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. Our procedures and findings are as follows:

**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.

Findings:

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. No quarterly financial reports were requested or submitted to DFA-LGD.

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.

## Findings

The SAMDWCA performed a yearly inventory as required by Section 12-6-10 NMSA 1978 and maintains a capital asset listing.

### 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.

Findings: Verified debt payments were made as agreed and examined loan documents reserve requirements and noted none.

### 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) Test 50% of the total amount of revenues for the following attributes:

Amount recorded in the general ledger agrees to the supporting documentation and the bank statement. 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.

#### Findings:

Analytical review and test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed no exceptions. Amounts recorded in Quickbooks agreed with supporting documentation and the bank statements.

Amounts were properly recorded on an accrual basis as to classification, amount and period per review of supporting documentation.

### 5. Expenditures

#### Procedures:

- (a) Select a sample of cash disbursements and test for the following attributes:

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.

Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

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).

## Findings:

The test sample of 43 expenditures were recorded as disbursed and agreed to supporting documentation. Amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and cancelled check, as appropriate.

Disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

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 ).

## 6. Journal Entries

### Procedures:

- (a) If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:
- (b) Journal entries appear reasonable and have supporting documentation.
- (c) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

### Findings

The SAMDWCA utilizes Quickbooks to record transactions and prepares journal entries only to record miscellaneous correcting entries and accruals. All journal entries were reviewed and appear reasonable.

## 7. Budget

### Procedures:

- (a) Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:
- (b) 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.
- (c) Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.
- (d) 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.

### Findings

A review of the minutes revealed that the original budget was approved by the SAMDWCA and was submitted to USDA-Rural Utilities Service per their loan covenants. SAMDWCA submitted its 2012 budget to State of New Mexico – Local Government Division in a timely manner but received no response or approval.

Total actual total expenditures did not exceed the final total budgeted expenditures at the fund level, the legal level of budgetary control.

A schedule of revenues and expenditures - budget and actual was prepared on the accrual budgetary basis used by the SAMDWCA.

## 8. Capital Outlay

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.

### Findings:

We examined all requests for reimbursements and expenditures related to capital outlay for the above attributes and noted no exceptions relating to state funded capital outlay for the following Capital Outlay Grant:

New Mexico Severance Tax Special Appropriations Grant-2009 Colonias Initiative Project #09-3118#9  
Grant Amount \$260,000. Expended to date \$260,000. Amount Remaining \$ -0-.

## 9. Other Procedures

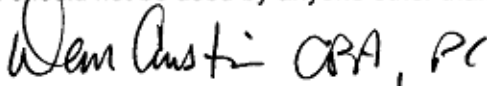
If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, disclose in the report as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10 (I) (3)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

### Findings

See page 8 for findings related to non-compliance.

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

This report is intended solely for the information and use of San Antonio Mutual Domestic Water Consumers Association, the New Mexico State Auditor's Office and the DFA-LGD and is not intended to be and should not be used by anyone other than those specified parties.



Dan Austin CPA, P. C.  
May 28, 2013

**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, 2012**

Revenues	Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Water Service Fees</b>	\$ 293,450	\$ 293,450	\$ 286,555	\$ (6,895)
<b>Grant Revenue</b>	-	-	38,962	38,962
<b>Interest Income</b>	60	60	71	11
<b>Capital Contributions</b>	-	-	3,750	3,750
<b>Other Income</b>	-	-	950	950
<b>Total Revenues</b>	<u>293,510</u>	<u>293,510</u>	<u>330,288</u>	<u>36,778</u>
<b>Expenditures</b>				
Personnel Costs	56,400	59,300	59,288	12
Advertising	200	300	259	41
Auto Expense	6,000	5,900	5,866	34
Repairs and Maintenance	31,100	22,600	22,493	107
Taxes-Sales and Other	16,647	16,700	16,684	16
Directors Fees	2,100	2,047	1,375	672
Insurance	12,900	12,000	10,862	1,138
Utilities	17,050	14,050	13,768	282
Telephone	2,700	2,900	2,880	20
Supplies	6,500	6,250	5,893	357
Travel and Education	10,200	11,000	10,903	97
Professional Services	20,432	20,682	20,679	3
Other Operating Expense	9,300	8,200	7,342	858
Interest Expense	45,000	45,500	45,401	99
Depreciation	142,000	151,100	151,088	12
<b>Total Expenditures</b>	<u>378,529</u>	<u>378,529</u>	<u>374,781</u>	<u>3,748</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(85,019)	(85,019)	(44,493)	<u>\$ 40,526</u>
<b>Retained Earnings, Beginning</b>	<u>1,046,754</u>	<u>1,046,754</u>	<u>1,046,754</u>	
<b>Retained Earnings, Ending</b>	<u>\$ 961,735</u>	<u>\$ 961,735</u>	<u>\$ 1,002,261</u>	



**STATE OF NEW MEXICO  
San Antonio Mutual Domestic Water Consumers Association  
Schedule of Findings and Responses  
Year Ended December 31, 2012**

**Prior Year Report Findings**

10-2 Budget Compliance - Resolved

**Current Year Findings**

**12-1 1099 Reporting**

**Condition:** The Association failed to issue a 1099 on one expenditure for payment of services noted in the test of expenditures.

**Criteria:** IRS regulations require 1099 reporting to any vendor providing services in excess of \$600.

**Effect:** Non-compliance with IRS regulations.

**Cause:** Oversight.

**Recommendation:** Withhold payment to vendors until form W-9 is received from vendors.

**Response:** Management will develop procedures to withhold payments until the payee provides Fed Identification numbers needed to comply with reporting requirements.

**STATE OF NEW MEXICO  
San Antonio Mutual Domestic Water Consumers Association  
Exit Conference  
Year Ended December 31, 2012**

**EXIT CONFERENCE**

The report contents were discussed at an exit conference held on May 31, 2013 with the following in attendance:

San Antonio Mutual Domestic Water Users Association

Richard Anderson, President  
Barbara Attwood, Office Manager  
Cyndi Wade CPA, Contract Accountant

Accounting Firm

Dan Austin, CPA

## Compiled Financial Statements

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

**Accountant's Compilation Report**

To the Board of Directors  
San Antonio Mutual Domestic Water Consumers Association  
San Antonio, New Mexico

We have compiled the accompanying statement of net assets - proprietary fund of San Antonio Mutual Domestic Water Consumers Association as of December 31, 2012, and the related statement of revenues, expenditures, and changes in net assets – proprietary fund and statement of cash flows – proprietary fund for the year then ended. We have not audited or reviewed the accompanying financial statements and accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the accrual basis of accounting.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accrual basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

*Dan Austin CPA, PC*

May 28, 2013

**State of New Mexico**  
**San Antonio Mutual Domestic Water Consumers Association**  
**Statement of Nets Assets - Proprietary Fund**  
**December 31, 2012**

**ASSETS**

**CURRENT ASSETS**

Cash-unrestricted	\$	66,298	
Cash-restricted for construction		1,965	
Cash-restricted for water rights		58,288	
Cash-restricted for debt service		<u>40,847</u>	167,398
Customer Accounts Receivable		27,492	
Allowance For Doubtful Accounts		<u>(706)</u>	26,786
Inventory			<u>9,723</u>
Total Current Assets			<u>203,907</u>

**NON CURRENT ASSETS**

Capital Assets	\$	3,809,318	
Less Allowance For Depreciation		<u>(1,814,197)</u>	<u>1,995,121</u>
Total Noncurrent Assets			<u>1,995,121</u>
Total Assets			<u>\$ 2,199,028</u>

See independent accountant's compilation report.

STATE OF NEW MEXICO  
 San Antonio Mutual Domestic Water Consumers Association  
 Statement of Net Assets - Proprietary Fund  
 December 31, 2012

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts Payable	\$ 73,108
Accrued Payroll Expense	2,091
Deposits	150
Current Portion of Long Term Liabilities	<u>23,529</u>

**Total Current Liabilities** 98,878

**NONCURRENT LIABILITIES**

Notes Payable	1,121,418
Less: Current Portion of Long Term Debt (above)	<u>(23,529)</u>

**Total Noncurrent Liabilities** 1,097,889

**Total Liabilities** 1,196,767

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	873,703
Restricted for Construction Projects	1,965
Restricted for Debt Service	40,847
Unrestricted	<u>85,746</u>

**Total Net Assets** 1,002,261

**Total Liabilities And Net Assets** \$ 2,199,028

See independent accountant's compilation report.

**State of New Mexico**  
**San Antonio Mutual Domestic Water Users Association**  
**Statement of Revenues, Expenses and Changes**  
**In Fund Nets Assets – Proprietary Fund**  
**December 31, 2012**

<b>Operating Revenues</b>	
Sales and Services	\$ 286,555
Total Operating Revenues	<u>286,555</u>
<b>Operating Expenses</b>	
Personnel Costs	59,288
Advertising	259
Auto Expense	5,866
Repairs and Maintenance	22,493
Taxes-Sales and Other	16,684
Directors Fees	1,375
Insurance	10,862
Utilities	13,768
Telephone	2,880
Supplies	5,893
Travel	10,903
Professional Services	20,676
Other Operating Expense	7,342
Depreciation	<u>151,088</u>
Total Operating Revenues	<u>329,377</u>
Total Operating Income (Loss)	<u>(42,822)</u>
<b>Non-Operating Revenues (Expenses)</b>	
NMED Grants	38,962
Interest Income	71
Gain on sale of fixed assets	950
Interest Expense	<u>(45,401)</u>
Total Non-operating Revenue (Expense)	<u>(5,418)</u>
Change in Net Assets	(48,240)
<b>Net Assets at Beginning of Year</b>	1,046,751
Contributed Capital - Memberships Current Year	<u>3,750</u>
<b>Net Assets at End of Year</b>	<u>\$ 1,002,261</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, 2012**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received From Customers	\$ 288,311
Cash Paid To Suppliers	(136,604)
Cash Paid To Employees	<u>(59,288)</u>
Net Cash Provided By Operating Activities	<u>92,419</u>

**CASH FLOWS FROM NONCAPITAL  
FINANCING ACTIVITIES**

Receipts of Grants	<u>38,962</u>
Net Cash Provided From Noncapital Financing Activities	<u>38,962</u>

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

Principal Paid on Capital Debt	(17,498)
Interest Paid on Capital Debt	(45,401)
Proceeds from debt financing	150,000
Proceeds from sale of capital assets	950
Capital Memberships	3,750
Payments For Capital Acquisitions	<u>(199,516)</u>
Net Cash Used For Capital And Related Financing Activities	<u>(107,715)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Income	<u>71</u>
Net Cash Provided From Investing Activities	<u>71</u>

Net Increase In Cash	23,737
Cash - Beginning Of Year	<u>143,661</u>
Cash - End Of Year	<u>\$ 167,398</u>

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

Operating Income (Loss)	\$ (42,825)
Noncash Items in Net Income-Depreciation	
Depreciation	151,088
(Increase) Decrease In:	
Accounts Receivable	1,756
Increase (Decrease) In:	
Accounts Payable	(17,378)
Prepaid Expense	160
Accrued Expense	<u>(382)</u>
Net Cash Provided From Noncapital Financing Activities	<u>\$ 92,419</u>

See independent accountant's compilation report.



**STATE OF NEW MEXICO**  
**San Antonio Mutual Domestic Water Consumers Association**  
**Notes to the Basic Financial Statements**  
**December 31, 2012**

**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, 2012, the water system included 405 memberships located in the area of San Antonio and Luis Lopez, New Mexico.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Association's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations) and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principal Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

**Note A. REPORTING ENTITY**

The Association is a quasi-government created pursuant to its bylaws and is comprised of an appointed Board of Directors. The officers of the Association are elected annually. The Association is a governmental subdivision of the State of New Mexico and a body with all the powers of a public or quasi-municipal corporation and these financial statements include all funds and activities over which the Association board of directors have oversight responsibility. The board of directors have decision-making Association, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The Association is not included in any other governmental reporting entity as defined in the *Codification of Governmental Accounting and Financial Reporting Standards*.

**Note B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS**

Because the Association is a special-purpose government, with only a single fund, business-type activity, the basic financial statements do not include both government-wide (based on the Association as a whole) and fund financial statements. The new reporting model focus is on either the Association as a whole or major individual funds (within the fund financial statements). The Association is a single-program government that engages in only business-type activities and has no component units.

In the Statements of Net Assets and the Statement of Revenues, Expenses, and Changes in Fund Net Assets, the business-type activities are presented on the full accrual basis, flow of economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations. The Association's net assets are reported in three parts – invested in capital assets, restricted net assets and unrestricted net assets. Business-type operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. Operating revenues and expenses are presented separately from non-operating items. The principal operating revenues reflect charges to customers for solid waste services. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Grant revenues are recognized when all of the eligibility requirements have been met.

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

The Association applies all applicable Financial Accounting Standards Board Statements and Interpretations.

**STATE OF NEW MEXICO  
San Antonio Mutual Domestic Water Consumers Association  
Notes to the Basic Financial Statements  
December 31, 2012**

**Note C. BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Business-type activities are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**Note D. USE OF 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note E. ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Association.

**Note F. FINANCIAL STATEMENTS AMOUNTS**

**1. Cash**

For the purpose of the Statement of Net Assets, "cash" includes all petty cash, demand, savings accounts and certificates of deposit of the Association.

**2. Accounts Receivable**

Accounts receivable consists of revenue earned from sales to customers. The Association has the option of collecting delinquent receivables by filing a lien against properties with delinquent accounts or filing a civil action against the delinquent property owners. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**3. Capital Assets**

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, computer software and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis with no salvage value. The estimated useful lives of the various classes of depreciable capital assets are as follows: buildings/improvements, 30 years; furniture and equipment, five to ten years.

GASB Statement No. 34 requires the Association to report and depreciate infrastructure assets. Infrastructure assets include roads, bridges, underground pipe, traffic signals, etc. The Association does not own any infrastructure assets.

Assets acquired under capital leases are included in the assets for which depreciation expense is computed.

In the proprietary fund, interest is capitalized on assets acquired with debt proceeds. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

**4. Equity Classifications**

Equity is classified as net assets. Net assets is the difference between assets and liabilities. Net assets invested in capital assets represents the historical costs of assets or fair value on date of receipt less accumulated depreciation on those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by the

**STATE OF NEW MEXICO**  
**San Antonio Mutual Domestic Water Consumers Association**  
**Notes to the Basic Financial Statements**  
**December 31, 2012**

Association or external restrictions by other governments, creditors or grantors. Unrestricted net assets are all other net assets that do not meet the definition of "restricted" or "invested in capital assets." When both restricted and unrestricted resources are available for use, it is the Association's policy to use restricted sources first, the unrestricted resources as they are needed.

**Note G. 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 H. DETAIL NOTES ON ACCOUNTS AND TRANSACTION CLASSES**

**1. 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, 2012 were insured (The Dodd Frank Act of 2010 required the FDIC to insure all non-interest bearing accounts until December 31, 2012). The carrying amount of the Association's deposits with financial institutions was \$167,398 and the balances per the banks was \$161,463, and is shown as follows:

Depository	Account Type	Account Name	Balance Per Depository	Reconciling Items		Balance Per Financial Statements
				Outstanding Checks	Deposits	
First State Bank	Checking	Arsnic	\$ 27,926	\$ -	\$ -	\$ 27,926
First State Bank	Checking	General Fund	32,952	(932)	6,252	38,272
First State Bank	Checking	Grant	1,965	-	-	1,965
Wells Fargo	Checking	Water Rights Reserve	58,288	-	-	58,288
First State Bank	Checking	RUS Debt Service	40,332	-	515	40,847
<b>Total cash on deposit</b>			<b>\$ 161,463</b>	<b>\$ (932)</b>	<b>\$ 6,767</b>	<b>167,298</b>
Petty cash						100
<b>Total cash on hand and on deposit</b>						<b>\$ 167,398</b>

**STATE OF NEW MEXICO**  
**San Antonio Mutual Domestic Water Consumers Association**  
**Notes to the Basic Financial Statements**  
**December 31, 2012**

The total deposits at all banks as of December 31, 2012 amounted to \$161,463. The amount in excess of the insurance provided by the FDIC was \$0.

**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 deposit policy for custodial credit risk. As a result of the FDIC insurance the Association's has no credit risk at December 31, 2012.

**2. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2012, was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Easements	\$ 29,072	\$ -	\$ -	\$ 29,072
Water rights	67,884	-	-	67,884
Construction in progress	<u>250,094</u>	<u>-</u>	<u>250,094</u>	<u>-</u>
Total capital assets not being depreciated	<u>347,050</u>	<u>-</u>	<u>250,094</u>	<u>96,956</u>
Capital assets being depreciated:				
Buildings and improvements	171,957	-	-	171,957
Furniture and equipment	217,818	-	22,177	195,641
Wells and dams	69,674	-	-	69,674
Lines and storage	<u>2,825,480</u>	<u>449,610</u>	<u>-</u>	<u>3,275,090</u>
Total capital assets being depreciated	<u>3,284,929</u>	<u>449,610</u>	<u>22,177</u>	<u>3,712,362</u>
Less:				
Accumulated depreciation	<u>1,685,286</u>	<u>151,088</u>	<u>22,177</u>	<u>1,814,197</u>
Total accumulated depreciation	<u>1,685,286</u>	<u>151,088</u>	<u>22,177</u>	<u>1,814,197</u>
Total capital assets being depreciated, net	<u>1,599,643</u>	<u>298,522</u>	<u>-</u>	<u>1,898,165</u>
Business-type activity capital assets, net	<u>\$ 1,946,693</u>	<u>\$ 298,522</u>	<u>\$ 250,094</u>	<u>\$ 1,995,121</u>

STATE OF NEW MEXICO  
San Antonio Mutual Domestic Water Consumers Association  
Notes to the Basic Financial Statements  
December 31, 2012

3. LONG-TERM OBLIGATIONS

Long-term obligations of the Association are as follows:

	Balance 12/31/11	Additions	(Reductions)	Balance 12/31/12	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	\$ 159,189	\$ -	\$ (4,540)	\$ 154,649	\$ 4,658
5.0% Note Payable, payable to USDA - RUS in monthly installments of \$653, unsecured dated 5/13/1994, matures 5/13/2034	99,079	-	(2,950)	96,129	3,026
4.37% Note Payable, payable to USDA - RUS in monthly installments of \$2,679, unsecured dated 10/31/06, matures 10/31/2046	560,647	-	(7,775)	552,872	7,982
4.12% Note Payable, payable to USDA - RUS in monthly installments of \$767, unsecured dated 04/07/2007, matures 04/07/2047	170,001	-	(2,233)	167,768	2,281
3.00% Note Payable, payable to NMED in annual installments of \$10,082, unsecured dated 10/13/2012, matures 10/18/2032	-	150,000	-	150,000	5,582
<b>Total Long-Term Obligations</b>	<b>\$ 988,916</b>	<b>\$ 150,000</b>	<b>\$ (17,498)</b>	<b>\$ 1,121,418</b>	<b>\$ 23,529</b>

The annual requirements to amortize principal on all debt outstanding as of June 30, 2012, is as follows:

Fiscal Year	Principal	Interest	Total
2013	23,529	47,736	71,265
2014	24,525	47,141	71,666
2015	25,562	46,102	71,664
2016	26,647	45,019	71,666
2017	27,776	43,887	71,663
2018-2022	160,658	200,678	361,336
2023-2046	832,721	415,848	1,248,569
	<b>\$ 1,121,418</b>	<b>\$ 846,411</b>	<b>\$ 1,967,829</b>

Note I. 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.