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**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, 2017

Accounting • Business Consultation • Auditing & Assurance

**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
Larry Cowan	Vice President
Michael Hawkes	Treasurer
Jane Farmer	Secretary
John Markland	Director
Chance Atwood	Director
John Jones	Director

Administrative Staff

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



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Independent Accountant's Report on Applying Agreed Upon Procedures

Wayne Johnson
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, 2017. SAMDWCA is responsible for compliance with New Mexico State Audit Rule, Tier 6. 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 compliance with New Mexico State Audit Rule, Tier 6. Accordingly, we do not express such an opinion or conclusion. 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
April 24, 2018

AGREED UPON PROCEDURES

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2017**

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, 2017. 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. We have used the tiered system reporting worksheet provided by the New Mexico State Auditor's Office to recalculate the tiered system reporting calculation prepared by SAMDWCA. Our procedures confirmed that the SAMDWCA should have Tier 6 procedures.

2. 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) Test at least 30% of the 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 50% 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. From our random test of four (4) bank reconciliations, we noted that three (3) of the bank reconciliations were not consistently performed timely. Please see finding # 2017-001. However, all were complete and on-hand.

We tested over 30% of the bank reconciliations which revealed that all were accurate and properly reconciled to the trial balance, all agreed to supporting documentation and all traced to the DFA's financial reports.

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.

3. Capital Assets

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

The SAMDWCA did not perform an annual inventory as required by Section 12-6-10 NMSA 1978. Please see finding #2017-002. The Association does maintain a capital asset listing to track all assets that meet the capitalization threshold.

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2017**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

4. Debt

If the local public body has any debt, verify that all required payments were made during the year. If the debt agreement requires reserves, verify that the local public body is in compliance with those requirements.

We verified that all required debt payments were made during the year and that reserves are properly accounted for pursuant to the debt agreements.

5. Revenue

Identify the nature and amount of revenue from all 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.

Select a sample of revenues equal to at least 30% of the total dollar amount and test the following attributes:

- b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
- c) 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.

We tested over 30% of revenues by selecting a sample of four (4) months billings and compared those to collections recorded in the general ledger, which also agreed to supporting documentation. We noted no significant variances.

Revenues were properly coded in the general ledger for classification, amounts and period based on billings / collections inspected.

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2017**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

6. Expenditures

Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test the following attributes:

- a) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that the amount, payee, date and description agree to the vendor's invoice, purchase order, contract and canceled check, as appropriate.
- b) Determine that the 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 fifteen (15) cash disbursements was selected for testing noting that all, but one of the expenditures, were supported by adequate documentation. Furthermore, all but the one above, agreed to the amount, payee, date and description on the supporting documentation. Please see finding # 2017-004.

All items tested were approved for payment by authorized personnel and in accordance to the budget, legal requirements and the Association's policies and procedures.

There were no requests for proposal solicited during the year ending December 31, 2017.

7. Journal Entries

Test all non-routine journal entries, adjustments, and reclassifications posted to the general ledger for the following attributes:

- a) Journal entries appear reasonable and have supporting documentation.
- b) The local public body has policies and procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

We inspected one non-routine journal entry, out of eleven total entries and noted that it was supported by appropriate documentation and was not indicative of fraud or misappropriation.

The Association does not have policies and procedures requiring review and approval of journal entries. Please see finding #2017-003.

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2017**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

8. Budget

Obtain the original fiscal year budget and all budget adjustments made throughout the fiscal year and perform the following test work:

- 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 the answer is yes, 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.

9. Capital Outlay Appropriations

The scope of the agreed-upon procedures engagement shall encompass any and all state-funded capital outlay appropriations of the New Mexico Legislature that meet Tier 6 criteria. Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the fiscal year that meet the Tier 6 criteria. Perform the following tests on all state-funded capital outlay expenditures:

- a) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.
- b) Determine that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2017**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

9. Capital Outlay Appropriations (Continued)

- 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 and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).
- d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.
- e) Verify that status reports were submitted to the state agency charged with oversight per the terms of the agreement and verify that the amounts in the status report agree with the general ledger and other supporting documentation.
- f) If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.
- g) If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and the agreement with the grantor.
- h) Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.
- i) Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.

The SAMDWCA did not receive any capital outlay appropriations for the year ending December 31, 2017.

10. 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 all required content detailed in Section 2.2.2.10(L) NMAC.

Year-end Financial Report Submitted to DFA

State of New Mexico
San Antonio MDWCA
Resolution No. 02-2018-01

Calendar Year 2017 Final Quarter, Year-to-date Financial Report
Calendar Year Ending December 31, 2017

WHEREAS, the Governing Board in and for San Antonio MDWCA

State of New Mexico, has developed a budget for Calendar Year 2018; and

WHEREAS, the final quarterly report has been reviewed and approved to ensure the accuracy of the beginning balances used on the Calendar Year 2018 budget; and

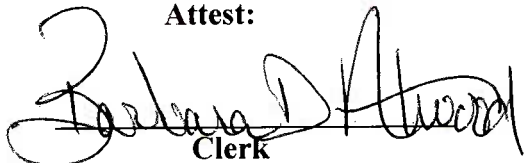
WHEREAS, it is hereby certified that the contents in this report are true and correct to the best of our knowledge and that this report depicts all funds for the Calendar Year 2017,

NOW THEREFORE, BE IT HEREBY RESOLVED the Board of San Antonio MDWCA


State of New Mexico, hereby approves the final quarterly report for Calendar Year 2017 and respectfully requests approval from the Local Government Division of the Department of Finance and Administration.

RESOLVED: in the Governing Board Session this 12th day of February 2018.

Attest:


Clerk

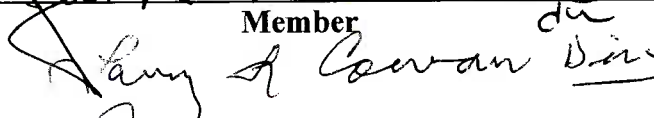
San Antonio MDWCA Governing Body



Chair/President

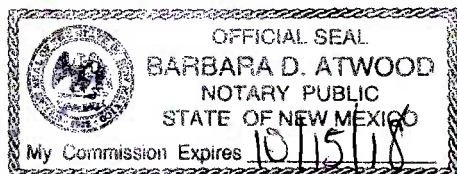

Member


Member


Member


du


Jane Farmer



(Seal)

San Antonio MDWCA		
Calendar Year		2017
(January 1 - December 31)		
BUDGET		Approved Budget
Beginning balances:	Cash	\$32,000
	Savings	\$297,983
	CDs	\$0
	Investments	\$0
	Beginning Balance TOTAL	\$329,983
Revenue		
Operating Revenue		
Water Sales (Water Use Fees)		\$261,875
Connection/Reconnection Charges (Utility Connection/Reconnection Fees)		\$300
Membership and Meter Sales (Utility Service Fees)		\$0
Late Fees and Penalties (Other Fines and Forfeits)		\$0
Gross Receipts Tax (Other State shared taxes)		\$15,000
Other Operating Revenue (miscellaneous - other)		\$80
	Total Operating Revenue	\$277,255
Operating Expenditures		
Salaries - Operator, Bookkeeper, etc.		\$70,300
Employee Benefits and Expenses		\$6,200
Electricity		\$16,000
Other Utilities - Gas, Water, Sewer, Telephone		\$5,600
System Parts and Supplies		\$12,000
System Repairs and Maintenance		\$24,400
Vehicle Expenses		\$4,075
Office and Administrative Expenses		\$12,835
Professional Services - Accounting, Engineering, Legal		\$7,000
Insurance		\$13,000
Dues, Fees, Permits and Licenses		\$1,000
Taxes - Gross Receipts Tax, Water Conservation Fee		\$16,210
Training		\$9,300
Miscellaneous		\$45,000
Loans		
Annual debt service - Loan 1		\$0
Annual debt service - Loan 2		\$30,784
	Total Expenditures	\$273,704
	Ending Balance	\$333,534
	LESS: Operating Reserve	\$134,100
	Emergency Reserve	\$0
	Capital Improvement Reserve	\$133,345
	Debt Reserve	\$62,538
	Ending Available Cash Balance	\$3,551

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURE
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2017**

Prior Year Report Findings

2016-001 – Late AUP report - RESOLVED

Current Year Report Findings

2017-001 – Bank reconciliations not consistently prepared timely.

2017-002 – No physical inventory taken in 2017.

2017-003 – Journal entries are not reviewed and approved.

2017-004 – Cash disbursements

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURE
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2017**

SECTION I – FINDINGS IN ACCORDANCE WITH 2.2.2 NMAC

Finding 2017-001 Bank reconciliations not consistently prepared timely (Other Non-compliance)

CONDITION

The bank reconciliations are prepared for every month; however, they are not being performed on a timely manner on a consistent basis throughout the year. Out of the four bank reconciliations we tested, there were three reconciliations that were prepared between five to eight weeks after the month end. We did not see any notes as to why they were delayed.

CRITERIA

In accordance with NMAC 2.20.5.8(C) (4), cash account records are reconciled timely....; and per client’s policy, prepared by the third week of the following month.

EFFECT

The Association is out of compliance with the aforementioned statute related to the bank reconciliations.

CAUSE

Accountant oversight.

RECOMMENDATION

We recommend preparing bank reconciliations by the third week of the following month. If there is a delay, we recommend documenting the reason on the reconciliation.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

Management will implement a month end close process to include reconciling the bank statements within two weeks after month end. Exceptions to this will be documented as to why any lapse may have occurred.

TIMELINE FOR IMPLEMENTING CORRECTIVE ACTIONS

The notification to the President shall occur as soon as the Responsible Official determines that there is a delay. This shall happen on or before the third week of the following month for which the reconciliation should have taken place.

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURE
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2017**

Finding 2017-002 No physical inventory taken in 2017 (Other Non-compliance)

CONDITION

Per our review of capital assets, it was noted that no physical inventory was taken in 2017. It was noted that there are only 2 employees (both work part time) who would be able to take a physical inventory of the infrastructure, i.e. water lines and pipes, pumps, etc. However, there are 2 other employees who could take a physical inventory of the other assets, i.e. office furniture and fixtures, vehicles and software.

CRITERIA

In accordance with State Statute, NMSA 1978, Section 12-6-10, ...at the end of each fiscal year, conduct a physical inventory of movable chattels and equipment costing more than five thousand dollars (\$5,000) and under the control of the governing authority.

EFFECT

The Association is out of compliance with the aforementioned statute related to annual inventories.

CAUSE

Accountant oversight.

RECOMMENDATION

We recommend establishing a procedure to perform annual inventories of the capital assets that meet the criteria defined above.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The Association will provide validated mapping of the infrastructure in lieu of an annual physical count which will include additions and extensions on a go forward basis; in addition, the moveable chattels and equipment will be physically accounted for and certified on an annual basis. Asset Management software will be incorporated into the fixed asset accounting to supplement these measures.

TIMELINE FOR IMPLEMENTING CORRECTIVE ACTIONS

The Asset Management Software will be selected by June 30, 2018. Data entry and implementation will follow with the goal of a fully operational system by October 31, 2018; physical counts will be performed at or near December 31, 2018 to be compliant with the aforementioned statute.

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURE
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2017**

Finding 2017-003 Journal entries are not reviewed and approved (Other Non-compliance)

CONDITION

During our testing of journal entries, we noted that there is no policy to review and approve journal entries.

CRITERIA

In accordance with NMAC 2.20.5.8 C (1), It is the responsibility of the chief financial officer (or equivalent) to ensure that: an internal control structure exists....and is functioning properly; this would include controls over entering journal entries into the accounting system.

EFFECT

The Association is out of compliance with the aforementioned statute related to journal entry reviews.

CAUSE

Accountant oversight.

RECOMMENDATION

We recommend that the Board of Directors reviews and initials journal entries at their monthly board meetings.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The Responsible Officials are the President or an appointed Board Member. The Accountant is responsible for generating journal entries and shall obtain a signature or initials from the Responsible Official prior to entering the journal voucher. If, for any reason, approval cannot be obtained in a timely manner, the Accountant shall document the details and file with the journal entry. This action will be communicated to the President and the appointed Board Member

TIMELINE FOR IMPLEMENTING CORRECTIVE ACTIONS

This topic has been addressed at our June 18, 2018 board meeting and the corrective action is in place as of the date of this report.

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURE
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2017**

Finding 2017-004 Cash Disbursements (Other Non-compliance)

CONDITION

During our testing of cash disbursements, a sample of 15 items selected revealed that one out of fifteen items did not have adequate supporting documentation to validate the disbursement.

CRITERIA

In accordance with NMAC 2.20.5.8 C (1), It is the responsibility of the chief financial officer (or equivalent) to ensure that: an internal control structure exists....and is functioning properly; this would include controls over disbursement of public funds.

EFFECT

The Association is out of compliance with the aforementioned statute related to controls over cash disbursements.

CAUSE

This particular transaction appears to have been overlooked with respect to attaching supporting documents.

RECOMMENDATION

We recommend that the Association streamline the processes over cash disbursements to insure that all cash disbursements are reviewed thoroughly to make sure that all supporting documents are included with the disbursement packet.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

Management does have procedures in place to insure that all disbursements are properly supported and are for proper business purposes; we feel that this is an isolated incident but will continue to be diligent about review over cash disbursements.

TIMELINE FOR IMPLEMENTING CORRECTIVE ACTIONS

Management will take immediate action on this matter as part of our existing process.

COMPILED FINANCIAL STATEMENTS



Service plus value, it all adds up.

6200 Uptown Blvd., NE, Suite 400
Albuquerque, NM 87110
505 338 0800 office www.riccicpa.com

Independent Accountant's Compilation Report

Wayne Johnson
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 (SAMDWCA) which comprise the Statement of Net Position as of December 31, 2017, and the related Statement of Revenues, Expenditures and Changes in Net Position and Cash Flows for the Proprietary Fund 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 have 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 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
April 24, 2018

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
STATEMENT OF NET POSITION - PROPRIETARY FUND
Year Ended December 31, 2017**

ASSETS

Current Assets

Cash

Cash-Unrestricted	\$	203,348
Cash-Restricted for Construction		40,689
Cash-Restricted for Water Rights		93,797
Cash- Restricted for Debt Service		62,546

Total Cash 400,380

Inventory 9,723

Accounts Receivable, Net 31,440

Total Current Assets 441,543

Non Current Assets

Capital Assets 3,876,888

Less Allowance for Depreciation (2,503,249)

Total Non Current Assets 1,373,639

Total Assets \$ 1,815,182

LIABILITIES

Current Liabilities

Accounts Payable \$ 18,811

Accrued Payroll and Taxes 3,475

Current Portion of Long-Term Debt 28,945

Total Current Liabilities 51,231

Non Current Liabilities

Notes Payable 991,418

Less: Current Portion of Long-term Debt (28,945)

Total Non Current Liabilities 962,473

Total Liabilities 1,013,704

NET POSITION

Net Invested in Capital Assets 382,221

Restricted for Debt Service 62,546

Restricted for Water Rights 93,797

Restricted for Construction Projects 40,689

Unrestricted Net Position 222,225

Total Net Position 801,478

Total Liabilities and Net Position \$ 1,815,182

See independent accountant's compilation report.

STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - PROPRIETARY FUND
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenues				
Water Service Fees	\$ 277,175	277,175	283,178	6,003
Interest Income	80	80	383	303
Total Revenues	277,255	277,255	283,561	6,306
Expenditures				
Personnel Costs	70,300	70,300	63,337	6,963
Advertising	375	375	-	375
Auto Expense	4,075	4,075	2,421	1,654
Repairs and Maintenance	22,800	22,800	2,133	20,667
Taxes-Sales and Other	22,410	22,410	20,419	1,991
Directors Fees	2,450	2,450	1,900	550
Insurance	13,000	13,000	11,046	1,954
Utilities	17,900	17,900	14,100	3,800
Telephone	3,700	3,700	3,137	563
Supplies	14,500	14,500	11,151	3,349
Travel and Education	6,800	6,800	2,720	4,080
Professional Services	7,000	7,000	5,151	1,849
Other Operating Expense	12,610	12,610	6,707	5,903
Interest Expense	45,000	45,000	43,656	1,344
Depreciation	140,000	140,000	122,468	17,532
Total Expenditures	382,920	382,920	310,346	72,574
Excess (Deficiency) of Revenues Over Expenditures	(105,665)	(105,665)	(26,785)	66,268
Net Position, Beginning	828,263	828,263	828,263	-
Net Position, Ending	\$ 722,598	722,598	801,478	-

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
STATEMENT OF REVENUES AND EXPENDITURES
AND CHANGES IN NET POSITION - PROPRIETARY FUND
Year Ended December 31, 2017**

Operating Revenues

Sales and Services	\$ 283,178
--------------------	------------

Operating Expenses

Salaries	63,337
Auto Expense	2,421
Repairs and Maintenance	2,133
Taxes-Sales and Other	20,419
Directors Fees	1,900
Insurance	11,046
Utilities	14,100
Telephone	3,137
Supplies	11,151
Travel	2,720
Professional Services	5,151
Other Operating Expense	6,707
Depreciation	122,468
Total Operating Expenses	<u>266,690</u>

Total Operating Income	16,488
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Non Operating Revenues (Expenses)

Interest Income	383
Interest Expense	<u>(43,656)</u>
Total Non Operating Revenues (Expenses)	<u>(43,273)</u>

Change in Net Position	(26,785)
------------------------	----------

Net Position at Beginning of Year	<u>828,263</u>
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Net Position at End of Year	<u><u>\$ 801,478</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, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 284,083
Cash Paid to Suppliers	(133,749)
Cash Paid to Employees and Related Activities	(63,337)
Net Cash Provided by Operating Activities	<u>86,997</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal Paid on Long Term Debt	(28,012)
Net Cash Used by Capital and Related Financing Activities	<u>(28,012)</u>

Net Increase in Cash	58,985
Cash - Beginning of Year	<u>341,395</u>

Cash - End of Year	<u>\$ 400,380</u>
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RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Change in Net Position	\$ (26,785)
Noncash Items in Net Income	
Depreciation	122,468
(Increase) Decrease in:	
Accounts Receivable	522
Increase (Decrease) in:	
Accounts Payable	(9,984)
Accrued Expenses	776
Net Cash Provided by Operating Activities	<u>\$ 86,997</u>

See independent accountant's compilation report.

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

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.

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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 the economic resources measurement focus and the accrual basis 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
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NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The proprietary 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

Cash. 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.

Accounts Receivable. 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, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets 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

Net Position Classifications. Equity is classified as net positions and displayed in three components:

Net Invested in Capital Assets. 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 “net invested in capital assets.”

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, 2017.

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.

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

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 and credit of those governments.

New Pronouncements. FASB has issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in this update were issued to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. To achieve that objective, and upon adoption, the Company will be required to disclose qualitative and quantitative information about its contracts with customers, the significant judgements and changes in those judgements as well as any assets recognized from the costs to obtain or fulfill a contract with a customer. The amendments in this update are effective for fiscal years beginning after December 15, 2019. Early adoption of ASC Topic 606 is permitted for public business entities and certain other specified entities only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Association has not yet adopted Topic 606.

In addition, FASB has issued ASU No. 2016-02, *Leases (Topic 842)*. The amendments in this update were issued to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The main difference between previous GAAP and Topic 842 is the recognition of lease assets and lease liabilities for those leases classified as operating leases under previous GAAP. The amendments in this update are effective for fiscal years beginning after December 15, 2019. Early application is permitted; however, the Association has not yet adopted Topic 842.

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, net position, 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, 2017, 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 following state statutes as set forth in the Public Money Act (section 6-10-1 to 6-10-63, NMSA). At December 31, 2017 none of the Association's bank balances of \$400,795 were 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:

**STATE OF NEW MEXICO
 SAN ANTONIO MUTUAL DOMESTIC
 WATER CONSUMERS ASSOCIATION
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017**

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

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, 2017 were insured. The carrying amount of the SAMDWCA's deposits with financial institutions was \$400,380 and the bank balances were \$400,795 and are shown as below:

Cash

Cash consists of the following at December 31, 2017:

Arsenic	\$ 137,672
General Fund	65,576
Grant	40,689
Water Rights Reserve	93,797
RUS Debt Service	62,546
Cash on hand	<u>100</u>
Total cash	<u>\$ 400,380</u>

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 4. DETAIL NOTES ON ACCOUNTS (CONTINUED)

Accounts Receivable

Accounts receivable consists primarily of billings for periodic water service to its members. At December 31, 2017, receivables amounted to \$31,440, net of \$220 of allowance for uncollectible accounts.

Capital Assets

Capital asset activity for the year ended in December 31, 2017 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	49,010	-	-	49,010
Total capital assets not being depreciated	\$ 145,966	-	-	145,966
Capital assets being depreciated				
Buildings and improvements	\$ 171,957	-	-	171,957
Furniture and equipment	69,102	-	-	69,102
Colonias Project A	25,000	-	-	25,000
Vehicles	8,084	-	-	8,084
Pumps and treatment	236,544	-	-	236,544
Wells and dams	69,674	-	-	69,674
Lines and storage	3,150,561	-	-	3,150,561
Total capital assets being depreciated	\$ 3,730,922	-	-	3,730,922
Less:				
Accumulated depreciation	2,380,781	122,468	-	2,503,249
Total accumulated depreciation	2,380,781	122,468	-	2,503,249
Total capital assets being depreciated, Net	\$ 1,350,142	-	122,468	1,227,673
Business-type activity capital assets, Net	\$ 1,496,108	-	122,468	1,373,639

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 4. DETAIL NOTES ON ACCOUNTS (CONTINUED)

Long Term Debt

	Balance 12/31/2016	Additions	(Reductions)	Balance 12/31/2017	Due Within One Year
5.0% Notes Payable to USDA- RUS in monthly installments of \$1,033, unsecured dated 5/13/1994 matures 5/13/2034	\$ 134,045	\$ -	\$ (5,827)	\$ 128,218	\$ 5,858
5.0% Notes Payable to USDA- RUS in monthly installments of \$653, unsecured dated 5/13/1994 matures 5/31/2034	82,744	-	(3,785)	78,959	3,805
4.37% Notes Payable to USDA- RUS in monthly installments of \$2,679, unsecured dated 10/31/06 matures 10/31/2046	518,142	-	(9,673)	508,469	9,858
12% Notes Payable to USDA- RUS in monthly installments of \$767, unsecured dated 4/7/07 matures 4/7/2047	157,854	-	(2,745)	155,109	2,798
3.0% Notes Payable to USDA- RUS in annual installments of \$10,082, unsecured dated 10/13/12 matures 10/18/2032	126,645	-	(5,982)	120,663	6,626
Total Long-Term Debt	\$ 1,019,430	\$ -	\$ (28,012)	\$ 991,418	\$ 28,945

The annual requirements to amortize principal on all debt outstanding as of December 31, 2017, are:

Fiscal Year	Principal	Interest	Total
2018	\$ 47,311	\$ 24,355	\$ 71,666
2019	48,769	22,897	71,666
2020	41,241	30,425	71,666
2021	39,925	31,741	71,666
2022	38,551	33,115	71,666
2023-2027	334,880	23,451	358,330
2028-2032	284,987	73,343	358,330
2033-2037	94,662	225,914	320,576
2038-2042	48,859	157,901	206,760
2043-2047	12,233	94,175	106,408
	\$ 991,418	\$ 717,316	\$ 1,708,734

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

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.

**STATE OF NEW MEXICO
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EXIT CONFERENCE
December 31, 2017**

An exit conference was held on May 21, 2018 to discuss the agreed upon procedures. In attendance were the following:

Representing the San Antonio Mutual Domestic Water Consumers Association:

Chance Attwood, Board Member
Gayle Jones, Accountant

Representing the Independent Auditor:

Mark Santiago, CPA