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505 338 0800 office riccicpa.com

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

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

December 31, 2019

**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>
Michael Hawkes	President
Larry Cowan	Vice President
Jane Farmer	Secretary
Victor Valverde	Director
Chance Atwood	Maintenance Director
John Markland Sr.	Director
John Markland Jr.	Director

Administrative Staff

<u>Name</u>	<u>Title</u>
Barbara Atwood	Office Manager
Henry Jojola	Water Operator



1030 18th Street NW
Albuquerque, NM 87104
505 338 0800 office www.riccicpa.com

Independent Accountants' Report on Applying Agreed Upon Procedures

Brian S. Colón, Esq.
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, 2019. 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
May 22, 2020

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2019**

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, 2019. 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) months bank reconciliations, we noted that the selected bank reconciliations were consistently performed in a timely manner and, 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 Department of Finance and Administration'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.

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2019**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

3. Capital Assets

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

We verified that annual inventory as required by Section 12-6-10 NMSA 1978 was performed by the SAMDWA. The SAMDWA does maintain a capital asset listing to track all assets that meet the capitalization threshold.

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, 2019**

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 twenty (20) cash disbursements was selected for testing noting that all were supported by adequate documentation. Furthermore, all agreed to the amount, payee, date and description on the supporting documentation.

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

There were no requests for proposal solicited during the year ending December 31, 2019.

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 three journal entries, out of six total entries and noted that they were supported by appropriate documentation and were not indicative of fraud or misappropriation.

Per inspection of documentation we noted the entries were reviewed which was indicated by the presence of an authorized signature and date.

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2019**

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, 2019**

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, 2019.

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.

None noted.

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, 2019

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenues				
Water Service Fees	\$ 253,375	253,375	273,140	\$ 19,765
Interest Income	150	150	304	154
Total Revenues	253,525	253,525	273,444	19,919
Expenditures				
Personnel Costs	75,868	75,868	66,666	9,202
Advertising	375	375	-	375
Auto Expense	4,300	4,300	3,540	760
Rent Expense	2,160	2,160	-	2,160
Repairs and Maintenance	24,800	24,800	2,176	22,624
Taxes-Sales and Other	24,410	24,410	30,883	(6,473)
Directors Fees	2,450	2,450	1,925	525
Insurance	13,000	13,000	11,961	1,039
Utilities	17,900	17,900	15,992	1,908
Telephone	3,700	3,700	3,051	649
Supplies	14,500	14,500	25,368	(10,868)
Travel and Education	6,800	6,800	3,266	3,534
Professional Services	7,000	7,000	6,133	867
Other Operating Expense	12,350	12,350	11,621	729
Interest Expense	45,000	45,000	31,447	13,553
Depreciation	110,000	110,000	121,797	(11,797)
Total Expenditures	364,613	364,613	335,826	28,787
Excess (Deficiency) of Revenues Over Expenditures	(111,088)	(111,088)	(62,382)	8,868
Net Position, Beginning	700,538	700,538	738,213	-
Net Position, Ending	\$ 589,450	589,450	675,831	\$ -

State of New Mexico
San Antonio MDWCA
RESOLUTION NO. 02-19-01

Budget Adoption
Calendar Year 2019

WHEREAS, the governing body in and for San Antonio MDWCA

State of New Mexico, has developed a budget for Calendar Year 2019, and

WHEREAS, the said budget was developed on the basis of need and through cooperation with all user departments, elected officials, and other department supervisors, and

WHEREAS, the official meetings for the review of said documents were duly advertised in compliance with the State Open Meetings Act, and,

WHEREAS, it is the majority opinion of this Board that the proposed budget meets the requirements as currently determined for Calendar Year 2019,

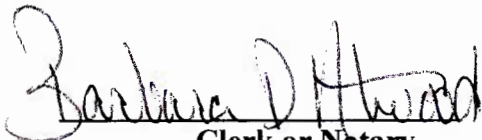
NOW, THEREFORE, BE IT HEREBY RESOLVED that
the Governing Body of San Antonio MDWCA


State of New Mexico, hereby adopts the budget and respectfully requests approval from the Local Government Division of the Department of Finance and Administration.

RESOLVED: In Governing Body Session this 11th of February, 2018.

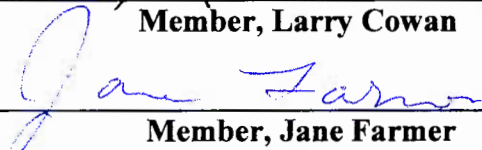
Attest:

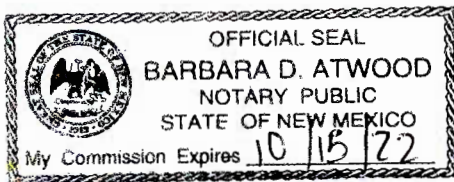
San Antonio MDWCA
Governing Board


Clerk or Notary


Chair/President, Richard Anderson

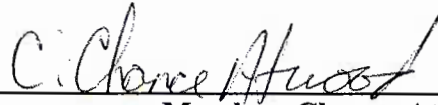

Member, Larry Cowan


Member, Jane Farmer

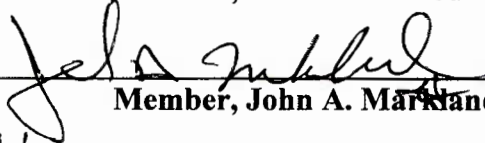


State of New Mexico
San Antonio MDWCA
RESOLUTION NO. 02-19-01

Budget Adoption
Calendar Year 2019



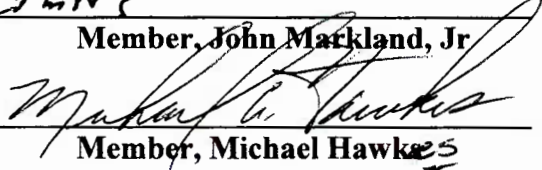
Member, Chance Atwood



Member, John A. Markland

ABSENT

Member, John Markland, Jr



Member, Michael Hawkes

(Seal, if available)

INSTRUCTIONS:

- 1- Fill out the MDWCA name (it will then populate all other tabs in workbook)
- 2- Fill out the items in blue with applicable figures
(these figures will populate the other tab in workbook)
- 3- A47 through A50 have instructions embedded as comments

San Antonio MDWCA
Calendar Year **2019**
(January 1 - December 31)

BUDGET

Approved Budget

Beginning balances:	Cash	\$38,680
	Savings	\$380,489
Petty Cash		\$100
	Investments	\$0
Beginning Balance TOTAL		\$419,269

Revenue

Operating Revenue

Water Sales (Water Use Fees)	\$253,275
Connection/Reconnection Charges (Utility Connection/Reconnection Fees)	\$100
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)	\$150
Total Operating Revenue	\$268,525

Operating Expenditures

Salaries - Operator, Bookkeeper, etc.	\$75,268
Employee Benefits and Expenses	\$600
Electricity	\$16,000
Other Utilities - Gas, Water, Sewer, Telephone	\$5,600
System Parts and Supplies	\$12,000
System Repairs and Maintenance	\$27,725
Vehicle Expenses	\$4,300
Office and Administrative Expenses	\$57,910
Professional Services - Accounting, Engineering, Legal	\$7,000
Insurance	\$13,000
Dues, Fees, Permits and Licenses	\$1,000
Taxes - Gross Receipts Tax, Water Conservation Fee	\$24,410
Training	\$9,800
Miscellaneous	\$0

Loans

Annual debt service - Loan 1	\$6,726
Annual debt service - Loan 2	\$71,666
Total Expenditures	\$333,005

	Ending Balance	\$354,789
	LESS: Operating Reserve	\$100,000
	Emergency Reserve	\$150,000
	Capital Improvement Reserve	\$45,540
	Debt Reserve	\$62,600
	Ending Available Cash Balance	-\$3,351

APPROVED PURSUANT TO
 SECTION 6-6-2 NMSA 1978
 LOCAL GOVERNMENT DIVISION

DATE 3/18/19
 Paul S. Duro-Pike

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURE
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2019**

Prior Year Report Findings

2017-002 – No physical inventory taken in 2018 - Resolved

Current Year Report Findings

None.

COMPILED FINANCIAL STATEMENTS



1030 18th Street NW
Albuquerque, NM 87104
505 338 0800 office www.riccipca.com

Independent Accountants' Compilation Report

Brian S. Colón, Esq.
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 Proprietary Fund as of December 31, 2019, 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
May 22, 2020

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
STATEMENT OF NET POSITION – PROPRIETARY FUND
December 31, 2019**

ASSETS

Current Assets

Cash

Cash-Unrestricted	\$ 224,551
Cash-Restricted for Construction	40,759
Cash-Restricted for Water Rights	106,092
Cash- Restricted for Debt Service	62,410

Total Cash	433,812
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Inventory	15,048
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Accounts Receivable, Net	19,610
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Total Current Assets	468,470
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Non Current Assets

Capital Assets	3,881,969
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Less Allowance for Depreciation	(2,746,999)
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Total Non Current Assets	1,134,970
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Total Assets	\$ 1,603,440
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LIABILITIES

Current Liabilities

Accounts Payable	\$ 2,736
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Accrued Payroll and Taxes	2,723
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Current Portion of Long-Term Debt	30,031
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Total Current Liabilities	35,490
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Non Current Liabilities

Notes Payable	922,150
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Less: Current Portion of Long-term Debt	(30,031)
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Total Non Current Liabilities	892,119
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Total Liabilities	\$ 927,609
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NET POSITION

Net Invested in Capital Assets	\$ 212,820
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Restricted for Debt Service	62,410
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Restricted for Water Rights	106,092
-----------------------------	---------

Restricted for Construction Projects	40,759
--------------------------------------	--------

Unrestricted	253,750
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Total Net Position	675,831
---------------------------	---------

Total Liabilities and Net Position	\$ 1,603,440
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See independent accountants' compilation report.

**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, 2019**

Operating Revenues	
Sales and Services	\$ 273,140
Operating Expenses	
Salaries	66,666
Auto Expense	3,540
Repairs and Maintenance	2,176
Taxes-Sales and Other	30,883
Directors Fees	1,925
Insurance	11,961
Utilities	15,992
Telephone	3,051
Supplies	25,368
Travel	3,266
Professional Services	6,133
Other Operating Expense	11,621
Depreciation	121,797
Total Operating Expenses	<u>304,379</u>
Total Operating Income	(31,239)
Non Operating Revenues (Expenses)	
Interest Income	304
Interest Expense	(31,447)
Total Non Operating Revenues (Expenses)	<u>(31,143)</u>
Change in Net Position	(62,382)
Net Position at Beginning of Year	<u>738,213</u>
Net Position at End of Year	<u><u>\$ 675,831</u></u>

See independent accountants' compilation report.

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year ended December 31, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 282,228
Cash Paid to Suppliers	(160,800)
Cash Paid to Employees and Related Activities	<u>(66,666)</u>
Net Cash Provided by Operating Activities	<u>54,762</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal Paid on Long Term Debt	<u>(40,220)</u>
Net Cash (Used) by Financing Activities	<u>(40,220)</u>

Net Increase in Cash 14,542

Cash - Beginning of Year 419,270

Cash - End of Year \$ 433,812

**RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Change in Net Position	\$ (62,382)
Noncash Items in Net Income	
Depreciation	121,797

(Increase) Decrease in:

 Accounts Receivable 8,784

Increase (Decrease) in:

 Accounts Payable (12,519)
 Accrued Expenses (918)

Net Cash Provided by Operating Activities \$ 54,762

See independent accountants' compilation report.

NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2019**

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 operating 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, 2019**

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 SAMDWCA's 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

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (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, 2019.

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments (Continued)

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.

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

In May 2020, the GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The requirements of this Statement are effective immediately. Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

In January 2020, the GASB issued Statement No. 92, Omnibus 2020. The requirements of this Statement are effective for reporting periods beginning after June 15, 2020. However, in May 2020, GASB postponed the effective date by one year. Hence, the latest effective date will be for periods beginning after June 15, 2021. Earlier application is encouraged and is permitted by topic. This statement is not applicable to SAMDWCA.

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. However, in May 2020, GASB postponed the effective date by one year. Hence, the latest effective date will be for periods beginning after December 15, 2021. Earlier application is encouraged. This statement is not applicable to SAMDWCA.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. However, in May 2020, GASB postponed the effective date by one year. Hence, the latest effective date will be for periods beginning after December 15, 2019. Earlier application is encouraged. This statement is not applicable to SAMDWCA.

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Pronouncements (Continued)

In March 2018, the GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. However, in May 2020, GASB postponed the effective date by one year. Hence, the latest effective date will be for periods beginning after June 15, 2019. Earlier application is encouraged. This Statement applies to notes to financial statements of all periods presented. SAMDWCA will evaluate effect of requirement for subsequent period.

In June 2017, the GASB issued Statement No. 87, Leases. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019. However, in May 2020, GASB postponed the effective date by 18 months. Hence, the latest effective date will be for periods beginning after June 15, 2021. Earlier application is encouraged. This statement is not applicable to SAMDWCA.

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. However, in May 2020, GASB postponed the effective date by one year. Hence, the latest effective date will be for periods beginning after December 15, 2019. Earlier application is encouraged. This statement is not applicable to SAMDWCA.

In May 2014, FASB has issued ASU NO. 2014-09, Revenue from Contracts with Customers (Topic 606). The amendments in this update are effective for the reporting period beginning after December 15, 2018. However, in May 2020, For all entities that have not yet adopted the guidance (that is, entities that have not yet issued financial statements or made their financial statements available for issuance reflecting the adoption of Topic 606), the Board decided to amend the effective date of Topic 606 by 12 months. Hence, the latest effective date will be for periods beginning after December 15, 2019. Early application will continue to be permitted. SAMDWCA will adopt the topic for subsequent period.

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 SAMDWCA reports only one proprietary fund.

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.

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2019**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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, 2019, 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, 2019 none of the SAMDWCA's bank balances of \$433,541 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:

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. The legal level of budgetary control is at the fund level.
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.

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2019**

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, 2019 were insured. The carrying amount of the SAMDWCA’s deposits with financial institutions was \$433,541 and the book balances were \$433,812 and are shown as below:

Cash

Cash consists of the following at December 31, 2019:

Arsenic	\$ 192,079
General Fund	32,272
Grant	40,759
Water Rights Reserve	106,092
RUS Debt Service	62,410
Cash on hand	<u>200</u>
Total cash	<u><u>\$ 433,812</u></u>

Accounts Receivable

Accounts receivable consists primarily of billings for periodic water service to its members. At December 31, 2019, receivables amounted to \$19,610 net of \$895 of allowance for uncollectible accounts.

Capital Assets

Capital asset activity for the year ended in December 31, 2019 was as follows:

STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 4. DETAIL NOTES ON ACCOUNTS (CONTINUED)

	Beginning Balances 12/31/2018	Increases	Decreases	Ending Balances 12/31/2019
Business-Type Activities:				
Capital assets not being depreciated				
Easements	\$ 29,072	-	-	\$ 29,072
Water Rights	67,884	-	-	67,884
Colonias Project A	25,000	-	-	25,000
Total capital assets not being depreciated	\$ 121,956	-	-	\$ 121,956
Capital Assets not being depreciated				
Buildings and improvements	\$ 171,957	-	-	\$ 171,957
Furniture and equipment	70,533	-	-	70,533
Vehicles	8,084	-	-	8,084
Pumps and Treatment	286,544	-	-	286,544
Wells and dams	69,674	-	-	69,674
Lines and storage	3,153,221	-	-	3,153,221
Total capital assets being depreciated	\$ 3,760,013	-	-	\$ 3,760,013
Total Capital Asset	\$ 3,881,969	-	-	\$ 3,881,969
Accumulated Depreciation	2,625,202	121,797	-	2,746,999
Business-type activity capital assets, Net	\$ 1,256,767	(121,797)	-	\$ 1,134,970

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2019**

NOTE 4. DETAIL NOTES ON ACCOUNTS (CONTINUED)

<i>Note Payable</i>	Balance 12/31/2018	Increases	Decreases	Balance 12/31/2019	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	\$ 116,049	-	(6,650)	109,399	\$ 6,257
5.0% Notes Payable to USDA- RUS in monthly installments of \$653, unsecured dated 5/13/1994 matures 5/13/2034	71,098	-	(4,283)	66,815	3,983
4.37% Notes Payable to USDA- RUS in monthly installments of \$2,679, unsecured dated 10/31/06 matures 10/31/2046	488,450	-	(10,900)	477,550	10,260
12% Notes Payable to USDA- RUS in monthly installments of \$767, unsecured dated 4/7/07 matures 4/7/2047	149,220	-	(3,010)	146,210	3,060
3.00% Notes Payable to USDA- RUS in annual installments of \$10,082, unsecured dated 10/13/12 matures 10/18/2032	107,303	-	(15,158)	92,145	6,471
Total Note Payable	\$ 932,120	-	(40,001)	892,119	\$ 30,031

he annual requirements to amortize principal on all debt outstanding as of December 31, 2019, are

Fiscal Year	Principal	Interest	Total
2020	\$ 30,031	41,635	71,666
2021	31,335	40,331	71,666
2022	32,697	38,969	71,666
2023	34,121	37,545	71,666
2024	35,608	36,058	71,666
2025 and thereafter	728,327	456,882	1,185,209
	\$ 892,119	651,420	1,543,539

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2019**

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. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a global pandemic, which continues to spread throughout the United States and around the world. As of May 22, 2020, the SAMDWCA is aware of changes in its business as a result of COVID-19 but uncertain of the impact of those changes on its financial position, results of operations or cash flows. Management believes any disruption, when and if experienced, could be temporary; however, there is uncertainty around when any disruption might occur, the duration and hence the potential impact. As a result, we are unable to estimate the potential impact on their business as of the date of issuance.

**STATE OF NEW MEXICO
SAN ANTONIO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
EXIT CONFERENCE
December 31, 2019**

An exit conference was held on May 26, 2020 to discuss the agreed upon procedures. In attendance were the following:

Representing the San Antonio Mutual Domestic Water Consumers Association:

Michael Hawkes, President
Gayle Jones, Accountant
Barbara Atwood, Office Manger

Representing the Independent Auditor:

Mark Santiago, CPA, Senior Manager
Esther Alejo, Senior Auditor