

**GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION**

Chimayo, New Mexico

**Financial Statements
June 30, 2007 and June 30, 2006**

INTRODUCTORY SECTION

**GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
June 30, 2007 and 2006**

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**GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
June 30, 2007 and 2006**

Board of Directors

Ilean Martinez President
Philip Kilgour Vice-President
Connie Medina Treasurer
Sydney Cooper Secretary
Mark Trujillo Member

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor
and
Board of Directors and Members of the
Greater Chimayo Mutual Domestic Water
Consumers Association

We have audited the accompanying financial statements of the business-type activities of Greater Chimayo Mutual Domestic Water Consumers Association (Association) as of and for the years ended June 30, 2007 and 2006, which collectively comprise the Association's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Greater Chimayo Mutual Domestic Water Consumers Association as of June 30, 2007 and 2006, and the respective changes in financial position and cash flows of the Association for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with **Government Auditing Standards**, we have also issued our report dated January 28, 2008, on our consideration of the Greater Chimayo Mutual Domestic Water Consumers Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be considered in assessing the results of our audits.

Greater Chimayo Mutual Domestic Water Consumers Association has not presented a Management's Discussion and Analysis that GASB Statement No. 34 of the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Greater Chimayo Mutual Domestic Water Consumers Association basic financial statements. The



accompanying schedules of expenditures of federal awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, **Audits of States, Local Governments, and Non-Profit Organizations**, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Robert J. Rivera, CPA, PC
Santa Fe, New Mexico
January 28, 2008

FINANCIAL STATEMENTS

**GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
Statement of Net Assets - Proprietary Funds
June 30, 2007 and 2006**

	Business-type Activities 2007	Business-type Activities 2006
<u>Assets</u>		
Cash and cash equivalents	\$ 285,000	\$ 147,464
Due from others	2,890	-
Funds held in trust by others - deposits	1,000	1,000
	288,890	148,464
Capital assets:		
Land	97,000	97,000
Construction in progress - infrastructure	3,968,393	888,811
Less accumulated depreciation	-	-
	4,065,393	985,811
 Total assets	 \$ 4,354,283	 \$ 1,134,275
<u>Liabilities</u>		
Deferred grant revenue	222,113	-
Deferred contracts-hook ups	51,520	42,295
Total liabilities	273,633	42,295
<u>Net Assets</u>		
Investment in capital assets	4,065,393	985,811
Restricted	-	-
Unrestricted	15,257	106,169
Total Net assets	4,080,650	1,091,980
Total liabilities and net assets	\$ 4,354,283	\$ 1,134,275

The accompanying notes are an integral part of the financial statements.

**GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION**
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
For the Years Ended June 30, 2007 and 2006

	<u>Business-type Activities 2007</u>	<u>Business-type Activities 2006</u>
Operating revenues:		
Membership dues	\$ 1,738	\$ 525
Operating expenses:		
Water services:		
Contractual services	8,000	18,899
Supplies	362	1,102
Postage	164	245
Legal fees	27,500	-
Bank fees	142	-
Travel and meeting expenses	-	35
Conferences, conventions and other meetings	-	100
Surety bond	100	100
Telephone and communications	832	341
Utilities	15	-
Property taxes	552	-
Printing and copying	-	53
Books and subscriptions	-	109
Filing and recording fees	10	282
Other business expenses	-	80
Total program expenses	<u>37,677</u>	<u>21,346</u>
Operating income (loss)	<u>(35,939)</u>	<u>(20,821)</u>
Non-operating income (expense):		
Federal grants	644,179	39,798
State grants	2,379,770	279,888
Interest income	660	486
Total non-operating income (expense)	<u>3,024,609</u>	<u>320,172</u>
Change in net assets	<u>2,988,670</u>	<u>299,351</u>
Net assets, beginning, as reported	1,091,980	660,669
Restatements:		
Prior-period adjustments (note 7)	-	131,960
Net assets, beginning, as restated	<u>1,091,980</u>	<u>792,629</u>
Net assets, ending	<u>\$ 4,080,650</u>	<u>\$ 1,091,980</u>

The accompanying notes are an integral part of the financial statements.

**GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION**
Statement of Cash Flows - Proprietary Funds
For the Years Ended June 30, 2007 and 2006

	<u>Business-Type Activities</u>	
	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from membership dues	\$ 1,738	\$ 525
Cash paid to suppliers	(37,677)	(21,346)
Receipts from customers for hook-ups- deferred contracts	9,225	7,750
Due from others	(2,890)	-
	<u>(29,604)</u>	<u>(13,071)</u>
Net cash provided (used in) operating activities	(29,604)	(13,071)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of construction in progress	(3,079,582)	(209,694)
Cash received from federal grants	866,292	39,798
Cash received from state grants	2,379,770	279,888
	<u>166,480</u>	<u>109,992</u>
Net cash flows used in capital and financing activities	166,480	109,992
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from interest on savings	660	486
	<u>660</u>	<u>486</u>
Net increase (decrease) in cash and cash equivalents	137,536	97,407
Cash and cash equivalents, beginning of year	147,464	50,057
Cash and cash equivalents, end of year	<u>\$ 285,000</u>	<u>\$ 147,464</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
(Decrease) in operating income	\$ (35,939)	\$ (20,821)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
(Increase) decrease in:		
Increase in Due from others	(2,890)	-
Increase (decrease) in:		
Deferred contracts-hook-ups	9,225	7,750
	<u>9,225</u>	<u>7,750</u>
Net cash provided by operating activities	<u>\$ (29,604)</u>	<u>\$ (13,071)</u>

The accompanying notes are an integral part of the financial statements.

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Notes to Financial Statements
June 30, 2007 and 2006

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Nature of Operations

The Greater Chimayo Mutual Domestic Water Consumers Association (Association) was organized on July 3, 2001 for the purpose of acquiring constructing, installing, maintaining and operating a water and/or sewer system for the supplying and distribution of water for domestic uses and/or collection of sewage for its members, and to engage in any activity related threats including, but not limited to the acquisition of water by purchase, appropriation, lease, or otherwise; and the diversion and storage thereof; the drilling, pumping and purchase; laying installation; operation, maintenance and repair of wells, pumping equipment, canals, ditches, structures, pipelines, valves and all other material and equipment necessary to the construction, repair, maintenance and operation of a complete domestic water supply distribution system and a sewage collection and treatment facility under the Sanitary Projects Act, NMSA 3-29-1, through 3-29-20, NMSA 1978 as amended. The members of the Association are provided with water and are charged a membership fee. This fee covers the cost of providing the water to the members. There are also usage charges if the member uses water in excess of the designated limit.

Under the Sanitary Projects Act, the Association remains a not-for-profit organization owned and governed by its members. It is eligible to receive certain loans and grants from the State of New Mexico.

An Attorney General's (AG) opinion (90-30, dated December 27, 1990) concluded that entities created under the Sanitary Projects Act (SPA) are subject to the New Mexico Audit Act. Additionally, another AG opinion (68-38) states that Mutual Domestic Associations (MDAs) under the SPA are created for "one purpose only, and that is to establish and maintain a water system." Further, it concluded that MDAs are not "other municipal corporations" and are thus subject to ad valorem taxes.

Associations created pursuant to the Sanitary Projects Act (3-29-1 NMSA 1978) are subject to audit under the Audit Act 12-6-2, NMSA 1978 and State Audit Rule 2.2.2 NMAC. However, the policy of the Office of the State Auditor has been to exempt Mutual Domestic Water Associations (MDWA's) from the requirement to receive an annual audit unless one of the following circumstances requires an audit: the MDWA's bylaws or governing board require an annual audit; a state agency (such as the NM Environment Department) that has provided the MDWA with a grant or pass-through federal funds requires that the MDWA obtain an audit; the Office of the State Auditor requires an audit; or the MDWA expends \$500,000 or more of federal funds during a fiscal year, requiring a Single audit.

The Association is considered to be a special-purpose governmental entity in accordance with Government Auditing Board No. 14. The Association is not a component unit of a governmental entity nor does it have any component units. This conclusion was reached because the Association does not have the ability to levy taxes; it is not a subdivision of any government entity; it continues to pay ad valorem taxes; and it has regular New Mexico state license plates on its vehicles.

Attorney General Opinion 06-02 determined that MDWA's created pursuant to the Sanitary Projects Act, NMSA 1978 are public bodies/political subdivisions, whose revenue are "public money" and they have statutory responsibilities to abide by: the Open Meetings Act, the Inspection of Public Records

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Notes to Financial Statements
June 30, 2007 and 2006

A. Organization and Nature of Operations (Cont'd)

Act, the Procurement Code, and the Per Diem and Mileage Act. Due to the fact that MDWS's have officially been determined to be governmental nonprofit organizations, their financial statements must follow the governmental format as described in GASB 34 beginning with the fiscal year ending June 30, 2007. The financial statements for the year ending June 30, 2006 have been also been presented in accordance with GASB 34.

The Board of Directors consists of five members elected by the membership. The Board shall appoint qualified personnel to guide and direct the operations of the Association, and to approve all major contracts, capital outlay, etc. involving the Association.

B. Measurement Focus, Basis of Accounting and Basis Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. Miscellaneous revenues are recorded as revenue when received because they are generally no measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

All activities of the association are accounted for within a proprietary (enterprise) fund. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Proprietary funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The Association is classified as a special-purpose government and is required to meet the requirements for being reported under criteria prescribed by GASB 34.

GASB Statement No. 20 requires that governments' proprietary activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins. Governments are given the option whether or not to

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Notes to Financial Statements
June 30, 2007 and 2006

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Measurement Focus, Basis of Accounting and Basis Financial Statement Presentation (Cont'd)

apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The Association has elected not to implement FASB Statements and Interpretations issued after November 30, 1989.

C. Assets, Liabilities and Net Assets or Equity

1. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Association's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

2. Accounts Receivable

Substantially all of the Association's outstanding receivables are due from its customers for water sales. Collateral is generally not required on receivables, but a deposit is required to activate new service. It is the opinion of management that no allowance for doubtful accounts was necessary as of June 30, 2007 or 2006.

3. Concentration of Credit Risk

The Association grants credit without collateral to its customers for its services, but the customers are subject to service termination if the receivables are not settled within a specified time frame.

4. Property, Plant and Equipment

The Association's policy is to capitalize all expenditures for furniture, equipment and software in excess of \$5,000 and the estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Items with a cost of less than \$5,000 are expensed in the year of acquisition except for costs associated with the installation of new water lines, pumps and tanks, which are capitalized. Expenditures related to maintenance of the existing water system are expensed in the current period. Assets acquired under capital leases are amortized over the life of the respective leases or the services lives of the assets using the straight-line method and the amortization is included with the depreciation expense.

Water rights are not depreciated or amortized because water rights reflect renewable resources that do not deplete through use of depreciation. The Association evaluates the water rights each reporting period to determine whether events or circumstances continue to support an indefinite useful life. The Association does not own any water rights but will acquire water rights in the future.

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Notes to Financial Statements
June 30, 2007 and 2006

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Assets, Liabilities and Net Assets or Equity (Cont'd)

4. Property, Plant and Equipment (Cont'd)

Depreciation is computed by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	50
Water lines, tanks and pumps	50
Equipment	10
Office furniture and equipment	5
Computer software and equipment	5
Vehicles	5

5. Income Taxes

The Association is a New Mexico not-for-profit organization organized under 501(c)(12) of the Internal Revenue Code and is not subject to income taxes.

6. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

7. Budgetary Information

The Association does not legally adopt a budget. Therefore, no comparison is made between the budget and actual expenditures.

8. Use of Restricted Cash

When the Association incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Notes to Financial Statements
June 30, 2007 and 2006

2. CASH AND EQUIVALENTS

The total cash and equivalents of the Association consist of the following at June 30, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Cash:		
Bank accounts (book balance)	\$ 285,000	\$ 147,464
Cash on hand	<u>-</u>	<u>-</u>
Total cash and equivalents	<u>\$ 285,000</u>	<u>\$ 147,464</u>
Bank balances	\$ 285,000	\$ 150,001
Less: Outstanding checks	<u>-</u>	<u>(2,537)</u>
Book balances	<u>\$ 285,000</u>	<u>\$ 147,464</u>

Bank deposits at June 30, 2007 and 2006, are as follows:

	<u>Del Norte Credit Union</u>		<u>Century Bank</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Cash on deposit (checking & savings)	\$ 62,812	\$ 56,465	\$222,188	\$ 93,536
Certificates of deposit	-	-	-	-
FDIC coverage	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>
Total uninsured and un collateralized	<u>\$ (37,188)</u>	<u>\$ (43,535)</u>	<u>\$122,188</u>	<u>\$ (6,464)</u>

At June 30, 2007 and 2006, the carrying amounts of the Association's deposits were \$285,000 and \$147,464 respectively, and the bank balances were \$285,000 and \$150,001 respectively. The balances as of June 30, 2007 and 2006, that were covered by the Federal Deposit Insurance Corporation (FDIC) were \$162,812 and \$150,001 respectively. As of June 30, 2007, balances totaling \$122,188 on deposit with Century Bank were not covered by FDIC insurance.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Association's deposits may not be returned. As of June 30, 2007, the Association's bank balances totaled \$285,000. There was \$162,812 which was insured and \$122,188 and was uninsured and exposed to custodial risk. All cash balances as of June 30, 2006, were insured and not exposed to custodial risk.

3. CAPITAL ASSETS

Business-Type Activities

	<u>Adjusted June 30, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2006</u>
Capital assets not being depreciated:				
Land	\$ 97,000	\$ -	\$ -	\$ 97,000
Water rights	-	-	-	-
Construction in progress	<u>679,118</u>	<u>209,693</u>	<u>-</u>	<u>888,811</u>
Total capital assets	<u>\$ 776,118</u>	<u>\$209,693</u>	<u>\$ -</u>	<u>\$ 985,811</u>
Total capital assets, net	<u>\$ 776,118</u>	<u>\$209,693</u>	<u>\$ -</u>	<u>\$ 985,811</u>

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Notes to Financial Statements
June 30, 2007 and 2006

3. CAPITAL ASSETS (Cont'd)

	<u>06/30/2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>06/30/2007</u>
Capital assets not being depreciated				-
Land	\$ 97,000	\$ -	\$ -	\$ 97,000
Water rights	-	-	-	-
Construction in progress	<u>888,811</u>	<u>3,079,582</u>	<u>-</u>	<u>3,968,393</u>
 Total capital assets not being depreciated	 <u>\$ 985,811</u>	 <u>\$ 3,079,582</u>	 <u>\$ -</u>	 <u>\$ 4,065,393</u>
 Total capital assets, net	 <u>\$ 985,811</u>	 <u>\$ 3,079,582</u>	 <u>\$ -</u>	 <u>\$ 4,065,393</u>

4. LONG-TERM DEBT

The Association does not have any long-term debt at June 30, 2007 and 2006.

5. GRANTS and FUNDING

The Association has been awarded various grants and special appropriations from various state and federal agencies, as follows:

Federal

Agency:	U.S. Environment Protection Agency
Grant Award Amount:	\$173,500, Adjusted to \$173,500
Recipient Share:	\$173,500
CFDA #:	66.606 Surveys, Studies, Inventory and Special Purpose
Agreement No.:	XP-97606-01
Grant Period:	12/01/2003 to 6/30/2005
Drawdowns through 6/30/2007:	\$70,243
Drawdowns through 6/30/2006:	\$70,243

Agency:	U.S. Department of Interior-Bureau of Reclamation
Grant Name:	P.L. 102-250, Reclamation States Emergency Drought
Grant Award Amount:	\$167,000, Adjusted to \$159,548
Recipient Share:	\$159,548
CFDA #:	15.514
Agreement No.:	05-FC-40-2430
Grant Period:	09/27/2005 to 3/31/2007
Drawdowns through 6/30/2007:	\$158,548
Drawdowns through 6/30/2006:	\$34,948

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Notes to Financial Statements
June 30, 2007 and 2006

5. GRANTS and FUNDING (Cont'd)

Agency:	U.S. Department of Interior-Bureau of Reclamation
Grant Name:	P.L. 108-354 Chimayo Water Supply System and Espanola Filtration Facility Act of 2004 - BOR II
Grant Award Amount:	\$970,000, Adjusted to \$955,000
Recipient Share:	\$955,000
CFDA #:	15.XXX
Agreement No.:	06-FC-40-2535
Grant Period:	08/17/2006 to 9/30/2010
Drawdowns through 6/30/2007:	\$ -
Drawdowns through 6/30/2006:	\$741,692

State of New Mexico

Agency:	State of New Mexico-Dept. of Finance & Administration Local Government Division
Grant Award Type:	Tax Relief Funds
Grant Award Amount:	\$1,400,000
Agreement No.:	03-T-007
Grant Period:	Open
Drawdowns through 6/30/2007:	\$1,400,000
Drawdowns through 6/30/2006:	\$255,784

Agency:	State of New Mexico-Economic Development
Grant Award Amount:	\$1,000,000
Agreement No.:	NMED 04-0204
Grant Period:	7/01/2004 to 6/30/2005
Drawdowns through 6/30/2007:	\$1,000,000
Drawdowns through 6/30/2006:	\$221,403

Agency:	State of New Mexico-Economic Development
Grant Award Amount:	\$1,000,000
Agreement No.:	NMED 06-1247 GF B
Grant Period:	7/01/2006 to 6/30/2007
Drawdowns through 6/30/2007:	\$161,854
Drawdowns through 6/30/2006:	\$ -

Agency:	State of New Mexico-Dept. of Finance & Administration Local Government Division
Grant Award Type:	Community Development Block Grant (CDBG)
Grant Award Amount:	\$25,000
Agreement No.:	GDBG-01-C-88
Grant Period:	7/1/2000 to 6/30/2001
Drawdowns through 6/30/2007:	\$25,000

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Notes to Financial Statements
June 30, 2007 and 2006

5. GRANTS and FUNDING (Cont'd)

Agency:	NM Finance Authority
Grant Award Type:	
Grant Award Amount:	\$400,000
Agreement No.:	NMFA 1014-WW
Grant Period:	Open
Drawdowns through 4/30/2007:	\$400,000
Drawdowns through 6/30/2006:	\$319,513

Agency:	NM Finance Authority
Grant Award Type:	
Grant Award Amount:	\$400,000
Agreement No.:	NMFA 1184-WW
Grant Period:	Open
Drawdowns through 4/30/2007:	\$350,505
Drawdowns through 6/30/2006:	\$168,913

Agency:	State of New Mexico-Dept. of Finance & Administration
Grant Award Type:	SAP-General Fund
Grant Award Amount:	\$300,000
Agreement No.:	06-1160 GF
Grant Period:	Open
Drawdowns through 6/30/2007:	\$ -
Drawdowns through 6/30/2006:	\$33,024

6. COMMITMENTS

The Association has the following commitments confirmed as of June 30, 2007.

Molzen Corbin Associates – The Association has contracted with this engineering firm to continue engineering and design work and to create specifications for bidding the first phase of construction.

North Central New Mexico Economic Development District – The Association has a contract with the regional council of governments to assist in grant administration and development of organizational policies and procedures.

PCL Construction New Mexico, Inc. - The Association awarded Phase One construction to this firm for \$4,405,725. However, the project was lowered to approximately \$2,608,767.

7. PRIOR PERIOD ADJUSTMENTS

An adjustment of \$131,960 to the net assets balance at June 30, 2005 was the result of additional construction in progress and revenues which were not reflected on the financial statements at June 30, 2005.

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Notes to Financial Statements
June 30, 2007 and 2006

8. SUBSEQUENT EVENTS

Construction has continued on the Greater Chimayo Mutual Domestic Water Consumers Association. Additional funding sources were developed.

Funding was received from the US Bureau of Reclamation under PL. 108-354, the Chimayo Water Supply System and Española Filtration Facility Act of 2004. These federal funds were targeted toward two activities: a) a study of the feasibility of a regional transmission line between Española and Chimayo; and b) construction to create an emergency water supply for the area of Chimayo. Initial federal funding was \$990,000. Subsequently, an additional \$492,000 was announced in December 2007.

Santa Fe County agreed to provide \$500,000 for the rehabilitation of an existing water system in Chimayo as part of an agreement for that system to join Greater Chimayo Mutual Domestic Water Consumers Association. Both organizations have agreed to the merger. Completion of the merger is anticipated in 2008.

Further state appropriations were sought and obtained, and additional funds were requested and awarded through the New Mexico Finance Authority. Expenditure of those funds continues.

GCMDWCA purchased property and water rights from the County of Rio Arriba in Chimayo and San Pedro. Application for the use of those water rights in the community system is anticipated in 2008. The property in Chimayo has an existing well, which has been rehabilitated and may be used as part of the community water supply when permission is received from the Office of the State Engineer.

The operation of the first phase began in November 2007. One hundred and three meters were installed and individuals began hooking up immediately. An operator and bookkeeper were hired and the system has begun to deliver water to customers.

As soon as agreements securing funding are signed, the Association will go out for bids on the next phase of construction.

9. RETAINED RISK OF LOSS

The Association is exposed to various risks of loss related to torts, theft to, damage to, and destruction of assets, error and omissions, injuries to employees, and natural disasters. The Association carries commercial insurance for all risks. There have been no claims resulting from these risks during fiscal year 2006 and 2007.

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Schedule of Expenditures of Federal Awards
For Year Ending June 30, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal Catalog of Domestic Assistance Number</u>	<u>Award Amount</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Interior Bureau of Reclamation Cooperative agreement-Reclamation State Emergency Drought Relief - BOR I	15.514	\$ 167,000	05-FC-40-2430	\$ <u>31,084</u>
Total U.S. Department of Interior				<u>31,084</u>
U.S. Environment Protection Agency NM Environment Department	66.606	173,500	XP-07660601-0	<u>4,851</u>
Total U.S. Environment Protection Agency				<u>4,851</u>
Total Expenditure of Federal Awards				\$ <u><u>35,935</u></u>

The accompanying notes are an integral part of this schedule.

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Schedule of Expenditures of Federal Awards
For Year Ending June 30, 2007

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal Catalog of Domestic Assistance Number</u>	<u>Award Amount</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Interior-Bureau of Reclamation Cooperative agreement-Reclamation State Emergency Drought Relief - BOR I (MAJOR PROGRAM)	15.514	\$ 159,547	05-FC-40-2430	\$ 130,831
P.L. 108-354 Chimayo Water Supply System and Espanola Filtration Facility Act of 2004 - BOR II (MAJOR PROGRAM)	15.XXX P.L.-108-354	955,000	06-FC-40-22535	<u>519,579</u>
Total U.S. Department of Interior				<u>650,410</u>
Total Expenditure of Federal Awards				<u>\$ 650,410</u>

The accompanying notes are an integral part of this schedule.

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2007 and June 30, 2006

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Greater Chimayo Mutual Domestic Water Consumers Association (the Association) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of states, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Reconciliation of Schedule to Financial Statements (Year Ended June 30, 2007)

Expenditures per Schedule of Expenditures of Federal Awards (Schedule 2)	\$ 650,410
Less: balance of federal funds from prior year	<u>(6,231)</u>
Federal revenues per the Statement of Activities (Exhibit B)	<u>\$ 644,179</u>

3. Reconciliation of Schedule to Financial Statements (Year Ended June 30, 2006)

Expenditures per Schedule of Expenditures of Federal Awards (Schedule 1)	\$ 35,935
Add: balance of federal funds from prior year	<u>3,863</u>
Federal revenues per the Statement of Activities (Exhibit B)	<u>\$ 39,798</u>

OTHER REPORTS

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors and Members of the
Greater Chimayo Mutual Domestic Water
Consumers Association
and
Hector H. Balderas, State Auditor

We have audited the financial statements of the business-type activities of Greater Chimayo Mutual Domestic Water Consumers Association (Association)(a nonprofit organization), as of and for the years ended June 30, 2007 and June 30, 2006, and have issued our report thereon dated January 28, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Association's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Association's financial statements that is more than inconsequential will not be prevented or detected by the Association's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Association's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under **Government Auditing Standards**, which are described in the accompanying Schedule of Findings and responses as item 2007-1.

The Association's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Association's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Association's Board of Directors, the New Mexico State Legislature, the New Mexico State Auditor, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Robert J. Rivera, CPA, PC
Santa Fe, New Mexico
January 28, 2008

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors and Members of the
Greater Chimayo Mutual Domestic Water
Consumers Association
and
Hector H. Balderas, State Auditor

Compliance

We have audited the compliance of the Greater Chimayo Mutual Domestic Water Consumers Association (Association)(a nonprofit organization) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Association's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Association's management. Our responsibility is to express an opinion on the Association's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Association's compliance with those requirements.

In our opinion, the Greater Chimayo Mutual Domestic Water Consumers Association complied, in all material respects, with the types of compliance requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Association is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Association's internal control over compliance with the requirements that could have a direct and material effect on a major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the Association's internal control over compliance.



Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2007-2 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We do not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

Chimayo Mutual Domestic Water Consumers Association's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Chimayo Mutual Domestic Water Consumers Association's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Association's Board of Directors, the New Mexico State Legislature, the New Mexico State Auditor, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Robert J. Rivera, CPA, PC
Santa Fe, New Mexico
January 28, 2008

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Schedule of Findings and Questioned Costs (Federal Award Programs)
Year Ended June 30, 2007

I. SUMMARY OF AUDITOR'S RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Greater Chimayo Mutual Domestic Water Consumers Association.
2. There were no significant deficiencies in internal control disclosed during the audit of the financial statements of the Greater Chimayo Mutual Domestic Water Consumers Association..
3. There was one instance of noncompliance material to the financial statements of the Greater Chimayo Mutual Domestic Water Consumers Association disclosed during the audit which is required to be reported in accordance with *Government Auditing Standards*.
4. There was one significant deficiency in internal control over major federal programs disclosed during the audit. The significant deficiency is not considered to be a material weakness.
5. The auditors' report on compliance for the major federal award programs for of the Greater Chimayo Mutual Domestic Water Consumers Association expresses an unqualified opinion on all major federal programs.
6. The audit disclosed no audit findings relating to major federal programs that the auditors are required to report on in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs including the following:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
15.514	U.S. Department of Interior-Bureau of Reclamation Cooperative Agreement -Reclamation State Emergency Drought Relief
15.XXX	U. S. Department of Interior - Bureau of Reclamation P.L. 108-354 Chimayo Water Supply System and Espanola Filtration Facility Act of 2004

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Greater Chimayo Mutual Domestic Water Consumers Association was determined to be a high-risk auditee and did not qualify as a low-risk auditee.

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Schedule of Findings and Questioned Costs (Federal Award Programs)
Year Ended June 30, 2007

II. FINDINGS - FINDINGS and QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

**Questioned
Costs**

US DEPARTMENT OF INTERIOR-BUREAU OF RECLAMATION
Cooperative Agreement-Reclamation State Emergency Drought
Relief-BOR I - CFDA No. 15.514

PL 108-354 Chimayo Water Supply System and Espanola Filtration
Facility Act of 2004 - BOR II - CFDA No. 15.XXX

Finding No. 2007-2 - Reporting Under the Single Audit-Year Ended June 30, 2007

Condition

The Association expended in excess of \$500,000 in federal funds during the fiscal year ended June 30, 2007, and as a result was subject to the Single Audit Act pursuant to OMB Circular A-133. A "single audit" is a term used in reference to an entity-wide audit consisting of two main parts; an audit of the basic financial statements, and an audit of the entity's major federal award programs.

The Association did not submit its audit report and data collection form to the Federal Audit Clearinghouse for the year ended June 30, 2007, as required by the Yellow Book and OMB Circular A-133, by the required due date. As of the date of this report, the entity has still not submitted the data to the Federal Audit Clearinghouse.

The Yellow Book and OMB Circular A-133 at Section 300(e) indicate that the auditee is responsible for ensuring appropriate submission of the audit reports to appropriate governmental officials or organizations. OMB Circular A-133 at Section 320(a) states that the reporting package -[(a) financial statements, (b) schedule of expenditures of federal awards, (c) summary schedule of prior audit findings, (d) auditor's reports including the schedule of findings and questioned costs, (e) corrective action plan] must be submitted to the Federal Audit Clearinghouse no later than 30 days after the reports are received from the auditors, but no later than nine months after the end of the audit period.

The Federal Audit Clearinghouse considers the submission requirement complete when it has received both the data collection form and the reporting package.

Cause

The Association was not aware of the reporting requirements under OMB Circular A-133 regarding the submission of audit reports and the data collection forms to the Federal Audit Clearinghouse.

Effect

The Association is not in compliance with OMB Circular A-133 which requires the submission of the audit reports and data collection form to the Federal Audit Clearinghouse.

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Schedule of Findings and Questioned Costs (Federal Award Programs)
Year Ended June 30, 2007

II. FINDINGS - FINDINGS and QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT (Cont'd)

**Questioned
Costs**

US DEPARTMENT OF INTERIOR-BUREAU OF RECLAMATION
Cooperative Agreement-Reclamation State Emergency Drought
Relief-BOR I - CFDA No. 15.514

PL 108-354 Chimayo Water Supply System and Espanola Filtration
Facility Act of 2004 - BOR II - CFDA No. 15.XXX

Finding No. 2007-2 - Reporting Under the Single Audit-Year Ended June 30, 2007

Recommendation

We recommend that the Association comply with OMB Circular A-133, Section 300(e) and Section 320(a) and ensure that the audit reports and data collection form be submitted to the Federal Audit Clearinghouse for the fiscal year ended June 30, 2007.

Management Response

The Association was not aware of the reporting requirements under OMB Circular A-133 regarding the submission of audit reports and data collection form to the Federal Audit Clearinghouse. The Association will comply with this requirement.

Total US Department of Interior-Bureau of Reclamation \$ 0

III. STATUS OF PRIOR AUDIT FINDINGS and QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

Current Status

None None

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Schedule of Findings and Responses(Pertaining to Financial Statements)
Year Ended June 30, 2007 and 2006

I. PRIOR-YEAR AUDIT FINDINGS

None

II. CURRENT-YEAR FINDINGS PERTAINING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED

Finding No. 2007-1 Late Audit Report

Condition

The June 30, 2007 and June 30, 2006 audit reports were not submitted to the New Mexico State Auditor's Office by the due date established by the audit contract of April 14, 2008. A contract was approved by the State Auditor on March 12, 2008. The audit (two year audit) was submitted to the New Mexico State Auditor's Office in January 2010. Prior to March 12, 2008, the Association was not on the list of entities who submitted an annual audit to the New Mexico State Auditor's Office. In addition, the financial statements of the Associations were prepared in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations. In March 2008, it was determined that the Association was a special-purpose governmental entity of the State of New Mexico and was required to have an annual audit and submit the audit to the New Mexico State Auditor' Office in accordance with the State Audit Act.

Prior to an audit contract being approved through the New Mexico State Auditor's Office, an independent audit was preformed and issued to the Association which was dated January 28, 2008, for the fiscal years ending June 30, 2007 and June 30, 2006. The Association was not aware that audit contracts for the audits had to be routed through the New Mexico State Auditor's Office since the Association did not consider itself to be a governmental entity. In addition, the financial statements were prepared in accordance with accounting principles generally accepted in the United States of American for not-for-profit organizations. Subsequent to the audits being issued to the Association, an audit contract was submitted and approved by the State Auditor which covering the same audit periods ending June 30, 2007 and June 30, 2006. The financial statements were revised by the Association and the auditor to conform with the requirements of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

Criteria

The Association was determined to be a special-purpose governmental entity in accordance with Statement No. 14 of the Governmental Accounting Standards Board, *The Reporting Entity*, in March 2008. Due to the fact that Association was officially determined to be governmental nonprofit organization, their financial statements must follow the governmental format as described in GASB Statement No. 34 beginning with the fiscal year ending June 30, 2007.

The New Mexico State Auditor's Office issued NMAC 2.2.2, *Requirements for Contracting and Conducting Audits of Agencies*, setting the due dates for submission of audit reports. The rule specifies that Mutual Domestic Water Consumer Association audit reports are due five months after the fiscal year end, or December 1, if the fiscal year ends on June 30. Since this was the first time that an audit of the Association which was to be submitted to the New Mexico State Auditor's Office, the due date for the fiscal years ending June 30, 2007 and June 30, 2006, was established by the State Auditor's Office as April 18, 2008.

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Schedule of Findings and Responses(Pertaining to Financial Statements)
Year Ended June 30, 2007 and 2006

II. CURRENT-YEAR FINDINGS PERTAINING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED (Cont'd)

Finding No. 2007-1 Late Audit Report (Cont'd)

Cause

Although the audits for fiscal years ended June 30, 2007 and June 30, 2006 had been completed and issued to the Association in January 2008, the revised financial statements which conform with the requirements of GASB Statement No. 34 and the requirements of NMAC 2.2.2 of the State Auditor's Office were not completed by the auditor's by the required due date.

Effect

The Association is not in compliance with the State Auditor's rule and the auditor is not in compliance with the audit contract.

Recommendation

We recommend that the Association comply with State Auditor's Rule NMAC 2.2.2 and insure that the auditor submits the annual audit report to the State Auditor's Office by the required due date.

Management Response

The Association will comply with the State Auditor's Rule NMAC 2.2.2 and insure that the annual audit is submitted by the required due date.

**GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
June 30, 2007 AND 2006**

Financial Statement Preparation

The financial statements were prepared by the Association with the assistance of the independent certified public accountant performing the audit. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are current and in balance. Management has reviewed and approved the financial statements.

* * * * *

Exit Conference

An exit conference was held on January 30, 2008, to discuss the audit. The following individuals were in attendance:

Greater Chimayo Mutual Domestic Water Consumers Association

Ilean Martinez, President
Barbara Deaux, North Central New Mexico Economic Development District
Fred Lopez, North Central New Mexico Economic Development District

Audit Firm (Robert J. Rivera, CPA, PC)

Robert J. Rivera, CPA

The exit conference meeting was not open to the public.