

**GREATER CHIMAYO MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION**

**Chimayo, New Mexico**

**Financial Statements  
June 30, 2008**

## **INTRODUCTORY SECTION**

**GREATER CHIMAYO MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
June 30, 2008**

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**GREATER CHIMAYO MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
June 30, 2008**

**Board of Directors**

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

## FINANCIAL SECTION

# ROBERT J. RIVERA, CPA, PC

CERTIFIED PUBLIC ACCOUNTANTS  
6 CALLE MEDICO, SUITE 4  
SANTA FE, NEW MEXICO 87505-4761

(505) 983-6002

FAX (505) 983-6474

## INDEPENDENT AUDITORS' REPORT

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

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 year ended June 30, 2008, 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 audit.

We conducted our audit 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 audit 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, 2008, and the respective changes in financial position and cash flows of the Association for the year 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 May 25, 2012, 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 audit.



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

*Robert J. Rivera, CPA, PC*

Robert J. Rivera, CPA, PC  
Santa Fe, New Mexico  
May 25, 2012

## **FINANCIAL STATEMENTS**



**GREATER CHIMAYO MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION**  
Statement of Net Assets - Proprietary Funds  
June 30, 2008

	<u>Business-type Activities Water System</u>
<b><u>Assets</u></b>	
Cash and cash equivalents	\$ 216,157
Due from others	2,875
Funds held in trust by others - deposits	-
	219,032
Capital assets:	
Land	98,000
Construction in progress - infrastructure	5,177,010
Less accumulated depreciation	-
	5,275,010
Total assets	\$ 5,494,042
<b><u>Liabilities</u></b>	
Deferred grant revenue - BOR #2	162,090
Deferred contracts-hook ups	37,020
	199,110
Total liabilities	199,110
<b><u>Net Assets</u></b>	
Investment in capital assets	5,275,010
Restricted	-
Unrestricted	19,922
	5,294,932
Total Net assets	5,294,932
Total liabilities and net assets	\$ 5,494,042

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 Year Ended June 30, 2008

	<b>Business-type Activities Water System</b>
<b>Operating revenues:</b>	
Membership dues	\$ 450
Refunds and reimbursements	54
Water hookup fees	18,000
Water sales revenue	14,006
	32,510
<b>Operating expenses:</b>	
<b>Water services:</b>	
Contractual services	12,626
Other contractual services - NCNMEDD	25,476
Accounting fees	2,843
Operating expenses	34
Supplies	343
Postage	313
Legal fees	-
Bank fees	209
Surety bond	100
Telephone and communications	890
Utilities	9,551
Gross receipts Tax-State of NM	308
Property taxes	255
Filing and recording fees	-
Other business expenses	-
	52,948
Total program expenses	52,948
Operating income (loss)	(20,438)
<b>Non-operating income (expense):</b>	
Federal grants	320,431
State grants	899,605
Local government grants	14,057
Interest income	627
	1,234,720
Total non-operating income (expense)	1,234,720
Change in net assets	1,214,282
<b>Net assets, beginning</b>	4,080,650
<b>Net assets, ending</b>	\$ 5,294,932

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 Year Ended June 30, 2008

	<u>Business-Type Activities Water System</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from membership dues	\$ 450
Cash received from refunds and reimbursements	54
Cash received from water sales to customers	11,131
Cash paid to suppliers	(52,948)
Receipts from customers for hook-ups	3,500
Due from others	2,890
	(34,923)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of construction in progress	(1,208,617)
Cash received from federal grants	260,408
Cash received from state grants	899,605
Cash received from local government grants	14,057
	(34,547)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Cash received from interest on savings	627
	(68,843)
<b>Cash and cash equivalents, beginning of year</b>	<b>285,000</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 216,157</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
(Decrease) in operating income	\$ (20,438)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
(Increase) decrease in:	
Due from others	15
Increase (decrease) in:	
Deferred contracts-hook-ups	(14,500)
	(14,500)
<b>Net cash provided by operating activities</b>	<b>\$ (34,923)</b>

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

**GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**  
**Notes to Financial Statements**  
**June 30, 2008**

**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 MDA's 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, 2008**

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

**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 of GASB 34 beginning with the fiscal year ending June 30, 2007.

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 not 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

**GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**  
**Notes to Financial Statements**  
**June 30, 2008**

**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)**

Opinions, and Accounting Research Bulletins. Governments are given the option whether or not to 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 statement 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, 2008.

**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 has an 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, 2008**

**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, 2008**

**2. CASH AND EQUIVALENTS**

The total cash and equivalents of the Association consist of the following at June 30, 2008.

	<u>2008</u>
Cash:	
Bank accounts (book balance)	\$ 216,157
Cash on hand	-
Total cash and equivalents	<u>\$ 216,157</u>
Bank balances	\$ 216,157
Less: Outstanding checks	-
Book balances	<u>\$ 216,157</u>

Bank deposits at June 30, 2008, are as follows:

	<u>Century Bank</u>
	<u>2008</u>
Cash on deposit (checking & savings)	\$216,157
Certificates of deposit	-
FDIC coverage	<u>(250,000)</u>
Total excess insured by FDIC	<u>\$(33,843)</u>

At June 30, 2008, the carrying amounts of the Association's deposits was \$216,157 and the bank balance was \$216,157. The balance as of June 30, 2008, that were covered by the Federal Deposit Insurance Corporation (FDIC) was \$216,157. As of June 30, 2008, the balance of \$216,217 on deposit with Century Bank was fully 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, 2008, the Association's bank balances totaled \$216,157 were fully insured by FDIC not exposed to custodial risk.



**GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**  
**Notes to Financial Statements**  
**June 30, 2008**

**3. CAPITAL ASSETS**

**Business-Type Activities**

	<u>Adjusted June 30, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2008</u>
<b>Capital assets not being depreciated:</b>				
Land	\$ 97,000	\$ 1,000	\$ -	\$ 98,000
Water rights	-	-	-	-
Construction in progress	<u>3,968,393</u>	<u>1,208,617</u>	<u>-</u>	<u>5,177,010</u>
 Total capital assets not being depreciated	 <u>\$ 4,065,393</u>	 <u>\$ 1,209,617</u>	 <u>\$ -</u>	 <u>\$ 5,275,010</u>
 Total capital assets, net	 <u>\$ 4,065,393</u>	 <u>\$ 1,209,617</u>	 <u>\$ -</u>	 <u>\$ 5,275,010</u>

**4. LONG-TERM DEBT**

The Association does not have any long-term debt at June 30, 2008.

**5. GRANTS and FUNDING**

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

**Federal**

<b>Agency:</b>	<b>U.S. Environment Protection Agency</b>
Grant Award Amount:	\$173,500
Recipient Share:	\$141,955
CFDA #:	66.606 Surveys, Studies, Inventory and Special Purpose
Agreement No.:	XP-976606-01
Grant Period:	12/01/2003 to 6/30/2005
Drawdowns through 6/30/2008:	\$173,500
Drawdowns through 6/30/2007:	\$70,243
Drawdowns through 6/30/2006:	\$70,243

**GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**  
**Notes to Financial Statements**  
**June 30, 2008**

**5. GRANTS and FUNDING (Cont'd)**

<b>Agency:</b>	<b>U.S. Department of Interior-Bureau of Reclamation</b>
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 6/30/2008:	\$158,548
Drawdowns through 6/30/2007:	\$158,548
Drawdowns through 6/30/2006:	\$34,948

<b>Agency:</b>	<b>U.S. Department of Interior-Bureau of Reclamation</b>
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 6/30/2008:	\$898,843
Drawdowns through 6/30/2007:	\$741,692
Drawdowns through 6/30/2006:	\$741,692

**State of New Mexico**

<b>Agency:</b>	<b>State of New Mexico-Dept. of Finance &amp; Admin. - Local Government Division</b>
Grant Award Type:	Tax Relief Funds
Grant Award Amount:	\$1,400,000
Agreement No.:	03-T-007
Grant Period:	Open
Drawdowns through 6/30/2008:	\$1,400,000
Drawdowns through 6/30/2007:	\$1,400,000
Drawdowns through 6/30/2006:	\$255,784

<b>Agency:</b>	<b>State of New Mexico-Economic Department</b>
Grant Award Amount:	\$1,000,000
Agreement No.:	NMED 04-0204
Grant Period:	7/01/2004 to 6/30/2005
Drawdowns through 6/30/2008:	\$1,000,000
Drawdowns through 6/30/2007:	\$1,000,000
Drawdowns through 6/30/2006:	\$221,403

**GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**  
**Notes to Financial Statements**  
**June 30, 2008**

**5. GRANTS and FUNDING (Cont'd)**

<b>Agency:</b>	<b>State of New Mexico-Economic Development</b>
Grant Award Amount:	\$600,000
Agreement No.:	NMED 06-1247 GF B
Grant Period:	7/01/2006 to 6/30/2007
Drawdowns through 6/30/2008:	\$599,993
Drawdowns through 6/30/2007:	\$161,854
Drawdowns through 6/30/2006:	\$ -

<b>Agency:</b>	<b>State of New Mexico-Economic Development</b>
Grant Award Type:	SAP-General
Grant Award Amount:	\$46,000
Agreement No.:	SAP-07-6304GF
Grant Period:	Open
Drawdowns through 6/30/2008:	\$ -
Drawdowns through 6/30/2007:	\$ -
Drawdowns through 6/30/2006:	\$ -

<b>Agency:</b>	<b>NM Water Trust Board/NM Finance Authority</b>
Grant Award Type:	Water Trust Board Grant/Loan
Grant Award Amount:	\$450,000 Grant/\$50,000 loan (must be used first)
Agreement No.:	60-WTB
Grant Period:	Open
Drawdowns through 6/30/2008:	\$ -
Drawdowns through 6/30/2007:	\$ -
Drawdowns through 6/30/2006:	\$ -

<b>Agency:</b>	<b>State of New Mexico-Dept. of Finance &amp; Admin. - Local Government Division</b>
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 6/30/2008:	\$25,000
Drawdowns through 6/30/2007:	\$25,000

<b>Agency:</b>	<b>NM Finance Authority</b>
Grant Award Type:	
Grant Award Amount:	\$400,000
Agreement No.:	NMFA 1014-WW
Grant Period:	Open
Drawdowns through 4/30/2008:	\$400,000
Drawdowns through 4/30/2007:	\$400,000
Drawdowns through 6/30/2006:	\$319,513

**GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**  
**Notes to Financial Statements**  
**June 30, 2008**

**5. GRANTS and FUNDING (Cont'd)**

<b>Agency:</b>	<b>NM Finance Authority</b>
Grant Award Type:	
Grant Award Amount:	\$400,000
Agreement No.:	NMFA 1184-WW
Grant Period:	Open
Drawdowns through 4/30/2008:	\$400,750
Drawdowns through 4/30/2007:	\$350,505
Drawdowns through 6/30/2006:	\$168,913

<b>Agency:</b>	<b>State of New Mexico-Dept. of Finance &amp; Admin.</b>
Grant Award Type:	SAP-General Fund
Grant Award Amount:	\$300,000
Agreement No.:	06-1160 GF
Grant Period:	Open
Drawdowns through 6/30/2008:	\$300,000
Drawdowns through 6/30/2007:	\$33,024
Drawdowns through 6/30/2006:	\$33,024

<b>Agency:</b>	<b>State of New Mexico-Economic Development</b>
Grant Award Type:	SAP-General Fund
Grant Award Amount:	\$200,000
Agreement No.:	SAP-07-4511GF
Grant Period:	Open
Drawdowns through 6/30/2008:	\$ 83,555
Drawdowns through 6/30/2007:	\$ -
Drawdowns through 6/30/2006:	\$ -

<b>Agency:</b>	<b>State of New Mexico-Dept. of Finance &amp; Admin.</b>
Grant Award Type:	State Grant
Grant Award Amount:	\$60,684
Agreement No.:	
Grant Period:	
Drawdowns through 6/30/2008:	\$ 60,684
Drawdowns through 6/30/2007:	\$ -
Drawdowns through 6/30/2006:	\$ -

**Local Government**

<b>Agency:</b>	<b>State of New Mexico-Local Government</b>
Grant Award Type:	
Grant Award Amount:	\$ 14,057
Agreement No.:	
Grant Period:	
Drawdowns through 6/30/2008:	\$ 14,057
Drawdowns through 6/30/2007:	\$ -
Drawdowns through 6/30/2006:	\$ -

**GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**  
**Notes to Financial Statements**  
**June 30, 2008**

**6. COMMITMENTS**

The Association has the following commitments confirmed as of June 30, 2008.

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. 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.

**GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**  
**Notes to Financial Statements**  
**June 30, 2008**

**8. 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 2008.

**SUPPLEMENTAL SECTION**

# ROBERT J. RIVERA, CPA, PC

CERTIFIED PUBLIC ACCOUNTANTS  
6 CALLE MEDICO, SUITE 4  
SANTA FE, NEW MEXICO 87505-4761

(505) 983-6002

FAX (505) 983-6474

## 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  
New Mexico 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 year ended June 30, 2008, and have issued our report thereon dated May 25, 2012. We conducted our audit 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 audit, 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses. 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.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2008-02 through 2008-03 to be material weaknesses.





### 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**, and which is described in the accompanying Schedule of Findings and Responses as item 2008-1.

We also noted certain other matters that are required to be reported pursuant to Government Auditing Standards paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying Schedule of Findings and Responses as finding 2008-01 through 2008-03.

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  
May 25, 2012

**GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**  
**Schedule of Findings and Responses**  
**June 30, 2008**

**I. PRIOR-YEAR AUDIT FINDINGS**

Finding No. 2007-01 - Late Audit Report - Repeated and Modified

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

**Finding No. 2008-01 Late Audit Report (Repeated from 2007)**

**Condition**

The June 30, 2008, audit report was not submitted to the New Mexico State Auditor's Office by the due date established by the audit contract of November 30, 2008. Accounting records and supporting information was not available in order to complete the audit by November 30, 2008.

**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.

**Effect**

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

**Cause**

Accounting records and supporting information was not available in order to complete the audit by November 30, 2008.

**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.

**Response**

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

**GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**  
**Schedule of Findings and Responses**  
**June 30, 2008**

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

**Finding No. 2008-02 Financial Statements — Material Weakness**

**Condition**

During the year under audit, the Association did not have proper controls in place to adequately record all financial transactions and prepare financial statements and footnotes that are materially correct in accordance with generally accepted accounting principles. The auditors prepared the financial statements. Additionally, a formal budget was not adopted by the Board.

**Criteria**

Statement on Auditing Standards No. 115 requires the auditor to evaluate whether the Board that governs the Association has proper controls over the preparation of the financial statements and footnote disclosures, which would prevent or detect a misstatement on those financial statements

**Effect**

When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, the association's ability to prevent or detect a misstatement in its financial statements is limited.

**Cause**

The Association did have sufficient expertise to prepare financial statements in accordance with generally accepted accounting principles, however, the records were not adequately maintained during the year. There were expenditures which were paid directly to contractors by the funding sources which was not recorded in the accounting records since the information was not provided to the Association's contract accountant.

**Recommendation**

We recommend that all financial transactions be recorded in the accounting records and that the Association prepare an annual budget each year which is approved by the Board and documented in the minutes of the Board. We also recommend that financial statements be completed using accepted accounting principles and that they be presented and reviewed by the board on a regular basis.

**Response**

The Greater Chimayo Mutual Domestic Water Consumers Association will present and approve an annual budget each year during the last meeting of the fiscal year. All financial statements will be presented to the Board by the vice-president at every meeting using accepted accounting principles.

**GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**  
**Schedule of Findings and Responses**  
**June 30, 2008**

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

**Finding 2008-03 Record Retention and Maintenance — Material Weakness**

**Condition**

The underlying invoices, statements and bills to support amounts expended for expansion of the water system during 2008 were not adequately maintained by the Association and provided to the auditor in a timely fashion during the course of the audit. These documents were later obtained and provided to the auditors by the current vice-president of the Board.

**Criteria**

The Association is responsible for maintaining complete files and records to support expenditures. All transactions of the Association should be supported by documentation that show the validity and business purpose of the transaction.

**Effect**

If the supporting documentation is not adequately filed and available for audit, this can cause delays in the completion of the audit.

**Cause**

During the audit period, the previous contract accountant did not maintain adequate accounting records. Many of the construction project expenditures were paid directly to the contractors by the federal and state funding sources. However, the expenditures were not properly recorded in the accounting records.

**Recommendation**

We recommend that the organization implement a procedure for the accumulation, retention and storage of documentation in a secure and accessible location.

**Response**

The Greater Chimayo Mutual Domestic Water Consumers Association will provide safe and secure storage of all association documents, financial information, board minutes and will be kept at the Association's office. Any information that can be stored electronically will be stored and a hard copy backup will be provided and stored in the file cabinet.

**GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**  
**Financial Statement Preparation and Exit Conference**  
**June 30, 2008**

**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 November 28, 2012, to discuss the audit. The following individuals were in attendance:

**Greater Chimayo Mutual Domestic Water Consumers Association**

Shelley Winship, Vice-President  
Fred Lopez, Contract Auditor

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

Robert J. Rivera, CPA

The exit conference meeting was not open to the public.