

**STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

Year Ended June 30, 2009

**STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION**

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**STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION**

OFFICIAL ROSTER

June 30, 2009

Board of Directors

Ilean Martinez	President
Philip Kilgour	Vice-President
Connie Medina	Treasurer
Shelley Winship	Secretary
Mark Trujillo	Director

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Greater Chimayo Mutual Domestic Water Consumers Association
and
Mr. Timothy M. Keller
New Mexico State Auditor
Santa Fe, New Mexico

I have audited the accompanying financial statements of the business-type activities of State of New Mexico Greater Chimayo Mutual Domestic Water Consumers Association ("Association") as of and for the year ended June 30, 2009, 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of State of New Mexico Greater Chimayo Mutual Domestic Water Consumers Association as of June 30, 2009, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 30, 2016 on my consideration of the Association's internal control over financial reporting and my tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 my audit.

Board of Directors
Greater Chimayo Mutual Domestic Water Consumers Association

The Association has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

My audit was conducted for the purpose of forming opinions on the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

James L. Hartogenesis, CPA LLC

Albuquerque, New Mexico
June 30, 2016

STATE OF NEW MEXICO
 GREATER CHIMAYO MUTUAL DOMESTIC
 WATER CONSUMERS ASSOCIATION
 STATEMENT OF NET ASSETS
 June 30, 2009

ASSETS

Current Assets

Cash	\$ 173,932
Grants receivable	101,280
Accounts receivable	<u>4,488</u>
Total current assets	<u>279,700</u>

Noncurrent Assets

Land	98,000
Construction in progress	2,795,289
Water system	4,761,728
Accumulated depreciation	<u>(189,675)</u>
Total noncurrent assets	<u>7,465,342</u>

Total assets	<u><u>\$ 7,745,042</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 101,280
Deferred hookups	67,330
Deferred grant revenue	<u>35,593</u>
Total liabilities	<u>204,203</u>

Net Assets

Invested in capital assets, net of related debt	7,465,342
Unrestricted	<u>75,497</u>
Total net assets	<u>7,540,839</u>
Total liabilities and net assets	<u><u>\$ 7,745,042</u></u>

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

STATE OF NEW MEXICO
 GREATER CHIMAYO MUTUAL DOMESTIC
 WATER CONSUMERS ASSOCIATION
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 Year Ended June 30, 2009

Operating Revenues	
Water sales	\$ 48,434
Membership dues	4,773
Hookup fees	<u>200</u>
Total operating revenues	<u>53,407</u>
Operating Expenses	
Contractual services	33,972
System operating expenses	13,523
Supplies	1,029
Postage	522
Telecommunication	1,571
Utilities	9,377
Taxes and licenses	1,705
Other expenses	172
Depreciation	<u>90,198</u>
Total operating expenses	<u>152,069</u>
Net operating income (loss)	<u>(98,662)</u>
Nonoperating Revenues (Expenses)	
Federal grants	583,614
State grants	1,292,756
Local government grants	503,637
Contributed capital	63,609
Interest income	<u>429</u>
Total nonoperating revenues (expenses)	<u>2,444,045</u>
Change in net assets	<u>2,345,383</u>
Net assets, beginning of the year, as previously stated	5,294,932
Restatement	<u>(99,476)</u>
Net assets, beginning of the year, restated	<u>5,195,456</u>
Net assets, end of the year	<u><u>\$ 7,540,839</u></u>

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

**STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
STATEMENT OF CASH FLOWS
Year Ended June 30, 2009**

Cash Flows From Operating Activities	
Cash received from members	\$ 82,104
Cash payments to suppliers for goods and services	39,410
Net cash provided by operating activities	<u>121,514</u>
Cash Flows From Capital and Related Financing Activities	
Capital contributions	63,609
Proceeds from grant agreements	2,152,230
Net cash provided by capital and related financing activities	<u>2,215,839</u>
Cash Flows From Investing Activities	
Interest received	429
Purchases of capital assets	(2,380,007)
Net cash used by financing activities	<u>(2,379,578)</u>
Net change in cash and cash equivalents	(42,225)
Cash and cash equivalents, beginning of year	<u>216,157</u>
Cash and cash equivalents, end of year	<u>\$ 173,932</u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (98,662)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	90,199
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(1,613)
Increase (decrease) in accounts payable	101,280
Increase (decrease) in deferred hookups	30,310
Total adjustments	<u>220,176</u>
Net cash provided by operating activities	<u>\$ 121,514</u>

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

STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 – ORGANIZATION

Greater Chimayo Mutual Domestic Water Consumers Association (Association) is a not-for-profit mutual domestic water association established for the purpose of constructing, maintaining and operating a water and wastewater system for citizens in the community of Chimayo, New Mexico. The Association was incorporated as a non-profit association under the Sanitary Projects Act (SPA) 3-29-1 NMSA 1978 on July 3, 2001.

Under the SPA, the Association remains a non-profit organization owned and governed by its members. It is eligible to receive certain loans and grants from the State of New Mexico.

The Association is governed by a Board of Directors that consists of five (5) members who are responsible for legislative and fiscal control of the Association. The Board is also responsible for administrative control of the Association.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The financial statements of the Association have been prepared in accordance with general accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Association is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Association may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The Association has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected Association members are financially accountable. There are no other primary governments for which the Association Board Members are financially accountable. There are no other primary governments with which the Association has a significant relationship.

STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reporting Entity - continued

For financial reporting purposes, the Association is considered a special-purpose government engaged in business-type activities.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The accounts of the Association are organized on the basis of fund type, of which there is only one fund which is considered a proprietary fund.

Proprietary fund operating revenue, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenue, such as subsidies and investment earnings, results from non-exchange transactions or ancillary activities.

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

Assets, Liabilities, and Net Assets

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.

Accounts receivable: Accounts receivable are stated at their net realizable value, or the amount management expects to collect. For the year ended June 30, 2009, management expects to fully collect all outstanding receivables. Accordingly, no allowance for uncollectible accounts has been established.

Grants receivable. Management considers grants receivable to be fully collectible. Accordingly, no allowance has been provided for uncollectible accounts.

STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Assets - continued

Capital assets: Capital assets, which include property, plant, and equipment, are reported in the financial statements. Capital assets are defined by the New Mexico State Auditor as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information technology equipment, including software, is capitalized and included in office equipment in accordance with NMAC 2.20.1.9 C (5).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction. Property, plant, and equipment of the Association is depreciated using the straight line method over the following estimated useful lives:

Water lines, tanks and pumps	50 years
Buildings and improvements	50 years
Equipment	10 years
Office furniture, software and equipment	5 years
Vehicles	5 years

Water rights are not depreciated or amortized because the rights reflect renewable resources that do not deplete. The Association evaluates the water rights each reporting period to determine whether events or circumstances continue to support an indefinite useful life. Water rights are not recorded in the accompanying financial statements.

Net assets: Net assets are classified as follows:

Invested in capital assets represents the portion of the Association's net assets invested in capital assets. As of June 30, 2009, there is no debt associated with those assets. As of June 30, 2009, net assets invested in capital assets amounted to \$7,465,342.

Restricted net assets represents net assets which have third-party (statutory enabling legislation or granting agency) limitation on their use, and which are legally enforceable as to their use. There were no restricted net assets as of June 30, 2009.

Unrestricted net assets represents net assets that are neither restricted nor invested in capital assets, net of related debt. As of June 30, 2009, the Association had \$75,497 of unrestricted net assets.

STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Assets - continued

Budgetary data: The Association's budget is prepared on the non-GAAP cash basis of accounting. For budgetary purposes, revenues are recognized when the cash is received and expenses are recognized when the liability is paid. The legal level of budgetary control is at the fund level. For the year ended June 30, 2009, the Association did not adopt a legal budget, therefore budgetary data is not included in these financial statements.

Estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 – CASH AND CASH EQUIVALENTS

The Association is required by New Mexico Statute (6-10-17 NMSA 1978) to collateralize 50% of any bank deposits in excess of FDIC insurance limits. The Association had no uninsured bank deposits as of June 30, 2009, however, during the year cash balances exceeded FDIC insurance for 10 out of 12 months. The Association has not adopted an investment policy to address credit risk or custodial credit risk. Cash and cash equivalents consisted of the following as of June 30, 2009:

<u>Name of Depository</u>	<u>Name of Account</u>	<u>Type of Account</u>	<u>Balance per Bank</u>	<u>Outstanding Items</u>	<u>Reconciled Balance</u>
Century Bank	Business Checking	Checking	\$ 59,008	\$ -	\$ 59,008
Century Bank	Business Savings	Savings	79,311	-	79,311
Century Bank	Checking BOR II	Checking	35,593	-	35,593
Century Bank	NMFA Account	Checking	20	-	20
	Total balance		<u>173,932</u>		
	Less FDIC coverage		<u>(173,932)</u>	<u>\$ -</u>	<u>\$ 173,932</u>
	Uninsured amount		-		
	Pledged securities		<u>-</u>		
	Over (under) collateralized		<u>\$ -</u>		

STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2009

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008 <u>(Restated)</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2009
Capital assets not depreciated:				
Construction in progress	\$ 918,919	\$ 1,876,370	\$ -	\$ 2,795,289
Land	98,000	-	-	98,000
Total nondepreciable assets	<u>1,016,919</u>	<u>1,876,370</u>	-	2,893,289
Capital assets being depreciated:				
Water lines, tanks and pumps	4,258,091	503,637	-	4,761,728
Total capital assets	<u>5,275,010</u>	<u>2,380,007</u>	-	7,655,017
Less accumulated depreciation:	<u>(99,476)</u>	<u>(90,199)</u>	-	<u>(189,675)</u>
Capital assets, net	<u>\$ 5,175,534</u>	<u>\$ 2,289,808</u>	<u>\$ -</u>	<u>\$ 7,465,342</u>

Beginning capital assets and accumulated depreciation were restated as of June 30, 2008. See Note 7 to the financial statements for details.

Depreciation expense for the year ended June 30, 2009 was \$90,199.

NOTE 5 – CONTINGENCIES

Grants – The Association receives financial assistance from various federal, state and local government agencies in the form of grants and loans. The disbursement of these funds is subject to compliance requirements specified in grant agreements, promissory notes, and legislation. The Association believes that disallowed expenditures, if any, will not be significant.

Risk Management – The Association has not purchased insurance coverage to minimize the Association’s exposure to losses related to the water distribution system. The Association did not experience any losses during the years ended June 30, 2009, 2008 or 2007.

STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2009

NOTE 6 – COMMITMENTS

The Association has entered into reimbursement grant agreements with the State of New Mexico Environment Department and the New Mexico Finance Authority to plan, design and construct improvements to the existing water system. Under these agreements, the Association had the following commitments as of June 30, 2009:

<u>Granting Agency</u>	<u>Grant Number</u>	<u>Grant/Loan Amount</u>	<u>Expended</u>	<u>Balance</u>	<u>Termination Date</u>
State of New Mexico	07-4511	\$ 200,000	\$ 88,858	\$ 111,142	6/30/2011
State of New Mexico	07-6304	46,000	-	46,000	6/30/2011
State of New Mexico	08-3122	120,000	-	120,000	6/30/2012
State of New Mexico	08-3886	30,000	-	30,000	6/30/2012
State of New Mexico	WTB-060	500,000	489,625	10,375	Upon Project Completion
State of New Mexico	WTB-112	1,425,000	717,666	707,334	Upon Project Completion
State of New Mexico	WTB-153	1,500,000	-	1,500,000	Upon Project Completion
U.S. Bureau of Reclamation	06-FC-40-2535	1,625,000	1,242,911	382,089	12/31/2011
		<u>\$ 5,446,000</u>	<u>\$ 2,539,060</u>	<u>\$ 2,906,940</u>	

NOTE 7 – CORRECTION OF PRIOR PERIOD ERRORS

Net assets as of July 1, 2008 have been restated in the amount of (\$99,476), for depreciation that should have been recorded in prior year financial statements. In addition, \$4,258,091 of Construction in Progress has been transferred to depreciable capital assets as of July 1, 2008. The effect on change in net assets for the year ended June 30, 2008 would have been a decrease of \$70,279 as a result of these corrections.

NOTE 8 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued or available to be issued. The Association recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the balance sheet date, including estimates inherent in the process of preparing the financial statements. The financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the balance sheet date.

The Association has evaluated subsequent events through June 30, 2016, the date the financial statements are available to be issued.

STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2009

NOTE 8 – SUBSEQUENT EVENTS – CONTINUED

Events subsequent to June 30, 2009 include the following:

All construction projects that were in progress at June 30, 2009 were completed. This included Phase 1-A, which provided water to approximately 35 homes, Phase 1-C, which provided water to approximately 100 homes, and the NM 76 Regional Water Line Project, which provided water to approximately 45 homes. State and local grants were received which funded additional infrastructure, wells, storage tanks and equipment.

Rio Arriba County donated office space to the Association starting in 2009, in the La Arboleda Community Center located in Chimayo, New Mexico.

The Association merged with Llano Chimayo Mutual Domestic Water Association.

As part of the funding agreement with Santa Fe County, the County was granted part ownership in the assets of the Association in 2010.

The current Board of Directors assumed governance of the Association in 2014. Since then, the Board has accomplished the following:

The Board settled a lawsuit with the Santa Cruz Irrigation District which had blocked its transfer of water rights to its new wells at the base of the dam. The respective Boards then entered into an agreement to lease water rights (SCID lessor, GCMDWCA lessee) in order to become compliant with the requirements of the Office of the State Engineer (OSE). Once compliant, GCMDWCA will regain eligibility for funding from the State of New Mexico Water Trust Board.

The Board has now transferred an additional 26 acre feet of water rights into its well system in order to become compliant with OSE regulations.

This Board acquired liability and loss insurance for all its operations, buildings and infrastructure for the very first time in the history of the system. Before obtaining the insurance coverage, the water system operated without having insurance for any of its operations.

The Board has worked diligently with the County of Santa Fe in order to obtain its share of bond proceeds which were allocated to GCMDWCA through a Joint Powers Agreement in 2009.

The Board has made significant steps to get compliant with the NM Audit Rule, and is expected to be fully compliant and up-to-date by July 31, 2016.

OTHER SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
 GREATER CHIMAYO MUTUAL DOMESTIC
 WATER CONSUMERS ASSOCIATION
 SCHEDULE OF CAPITAL PROJECTS
 Year Ended June 30, 2009

Project Number	Project Name	Amount Awarded	Amount Received	Amount Expended	Remaining Balance	Legislation/ Effective Dates
07-4511-GF	Greater Chimayo MDWCA Community Water System	\$ 200,000	\$ 88,858	\$ 88,858	\$ 111,142	Laws of 2007, Ch. 42/Sec. 59 7/1/2007 - 6/30/2011
07-6304-GF	Greater Chimayo MDWCA Water System	46,000	-	-	46,000	Laws of 2007, Ch. 341/Sec. 207B 7/1/2007 - 6/30/2011
08-3886-GF	Greater Chimayo MDWCA Water System	30,000	-	-	30,000	Laws of 2008, Ch. 92/Sec. 48 7/1/2008 - 6/30/2012
08-3122-STB	Greater Chimayo MDWCA Purchase Land/Water Facilities	120,000	-	-	120,000	Laws of 2008, Ch. 92/Sec. 15 7/1/2008 - 6/30/2012

**STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCHEDULE OF JOINT POWERS AGREEMENT
Year Ended June 30, 2009**

Participants:

Greater Chimayo Mutual Domestic Water Consumers Association
Santa Fe County

Party Responsible for Operations:

Greater Chimayo Mutual Domestic Water Consumers Association

Description: Santa Fe County purchased an undivided share of the regional water transmission line and associated components

Beginning and Ending Dates: From April 29, 2008 until terminated by either party

Total Estimated Amount of Project: \$500,000

Portion Applicable to Agency: \$0

Amount Agency Contributed in Current Fiscal Year: \$0

Audit Responsibility: Greater Chimayo Mutual Domestic Water Consumers Association

Government Agency Where Revenues and Expenditures Are Reported: Greater Chimayo Mutual Domestic Water Consumers Association

SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

<u>Federal Agency and Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantor Number</u>	<u>Federal Expenditures</u>
U.S. Department of the Interior- Bureau of Reclamation			
P.L. 108-354 Chimayo Water Supply System	15.517	06-FC-40-2535	<u>\$ 583,614</u>
Total expenditures of federal awards			<u><u>\$ 583,614</u></u>

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Greater Chimayo Mutual Domestic Water Consumers Association and is presented on the accrual basis of accounting.

**INDEPENDENT AUDITOR'S 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
Greater Chimayo Mutual Domestic Water Consumers Association
and
Mr. Timothy M. Keller
New Mexico State Auditor
Santa Fe, New Mexico

I have audited the accompanying financial statements of the business-type activities of State of New Mexico Greater Chimayo Mutual Domestic Water Consumers Association ("Association") as of and for the year ended June 30, 2009, and have issued my report thereon dated June 30, 2016. I conducted my 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 my audit, I considered the Association's internal control over financial reporting as a basis for designing audit procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the agency's internal control. I consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2009-001, 2009-002, 2009-003, 2009-004, 2009-007, and 2009-010 to be significant deficiencies in internal control over financial reporting.

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 agency's internal control.

My 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However of the significant deficiencies described above, I consider items 2009-001 and 2009-007 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2009-002, 2009-003, and 2009-004.

I noted certain other matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as items 2009-005 and 2009-006.

The agency's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit the agency's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the agency, the State Auditor, the New Mexico Department of Finance & Administration, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

James L. Hartogensis, CPA LLC

Albuquerque, New Mexico
June 30, 2016

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Greater Chimayo Mutual Domestic Water Consumers Association
and
Mr. Timothy M. Keller
New Mexico State Auditor
Santa Fe, New Mexico

Compliance

I have audited State of New Mexico Greater Chimayo Mutual Domestic Water Consumers Association's ("Association") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Association's major federal program for the year ended June 30, 2009. The Association's major federal program is 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 its major federal program is the responsibility of the Association's management. My responsibility is to express an opinion on the Association's compliance based on my audit.

I conducted my 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 I 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 I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Association's compliance with those requirements.

As described in items 2009-007, 2009-008, 2009-009 and 2009-010 in the accompanying schedule of findings and questioned costs, the Association did not comply with requirements regarding activities allowed/disallowed, allowable costs, cash management, procurement, and reporting that are applicable to its Chimayo Water Supply Program. Compliance with such requirements is necessary, in my opinion, for the Association to comply with the requirements applicable to that program.

Internal Control Over Compliance

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Association's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Association's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 discussed below, I identified certain deficiencies in internal control over compliance that I consider to be material weaknesses and other deficiencies that I consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-007 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-010 to be a significant deficiency.

The Association's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit the Association's response, and accordingly, I express no opinion on them.

Board of Directors
Greater Chimayo Mutual Domestic Water Consumers Association

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

James L. Hartogensis, CPA LLC

Albuquerque, New Mexico
June 30, 2016

**STATE OF NEW MEXICO
 GREATER CHIMAYO MUTUAL DOMESTIC
 WATER CONSUMERS ASSOCIATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2009**

A. SUMMARY OF AUDITOR RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency identified not considered to be a material weakness? Yes

Noncompliance material to financial statements noted? Yes

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified? Yes
- Significant deficiencies identified? Yes

Type of auditor's report issued on compliance for each major program Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes

Identification of major program

<u>CFDA Number</u>	<u>Name of Federal Program</u>
15.517	P.L. 108-354 Chimayo Water Supply Program

Dollar threshold used to distinguish between Type A and Type B programs \$ 300,000

Auditee qualified as a low risk auditee? No

STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
June 30, 2009

B. FINANCIAL STATEMENT FINDINGS

2009-001 (2008-02) – Misstated Account Balances/Financial Statements (Material Weakness)

Condition: The Association did not have the necessary internal controls and expertise in place to prepare financial statements in accordance with generally accepted accounting principles. There were many accounts which required significant audit adjustments. Capital outlay projects were not recorded in the Association's books.

Criteria: Proper internal controls over financial reporting should include preparation of accurate, complete and timely financial reports. Management is responsible for the fair presentation of financial and non-financial information reported in the financial statements.

Cause: Management has not instituted policies and procedures to prepare and review accurate financial information. Capital projects funded by outside entities are not recorded in the accounting records. Capital assets are not reflected or depreciated in the accounting records.

Effect: Association management and members do not get the entire financial picture when accurate, complete financial statements are not available. Financial decisions may be reached without complete knowledge of the financial status of the organization.

Recommendation: Management should institute policies and procedures for accurate and complete financial reporting. The Association should consider obtaining financial training that will enhance understanding of governmental financial statements and the necessary elements that are required to be included.

Management's Response: GCMDWCA was first organized under the Sanitary Projects Act in 2001 in response to declared emergencies by the NM Department of Health and both Santa Fe and Rio Arriba Counties. Several neighborhoods in Chimayo did not have potable water for many of its residents, many of who resorted to drawing water from the open acequias for household use. During the first 8 years of its operation, the GCMDWCA Board worked to secure federal and state funding so that the threats to the health and safety of Chimayo residents could be abated with new wells, tanks, water lines and other related infrastructure. The federal funding was funneled through the U.S. Bureau of Reclamation and was handled directly by NCNMEDD staff and director, Barbara Deaux for the benefit of GCMDWCA. The State funding was handled by the Department of Environment.

STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
June 30, 2009

B. FINANCIAL STATEMENT FINDINGS - CONTINUED

2009-001 (2008-02) – Misstated Account Balances/Financial Statements (Material Weakness) - continued

Management's Response, continued:

During the first 8 years of its formation, Greater Chimayo had constant support from, among other state and federal agencies, the staff of North Central New Mexico Economic Development District, (NCNMEDD), Barbara Deaux, Director; the U.S.D.A. Rural Community Assistance Corporation (RCAC), Blanca Surgeon, Director and the NM Environment Department, Richard Rose, Bureau Chief, for oversight. This assistance included workshops and training for the Board of Directors on the requirements of the Sanitary Projects Act, which at that time did not require the keeping of budgets since no revenue from the sales of water was taking place. The construction budgets were handled by the Engineers under contract.

Needless to say, the Board of Directors were all volunteers with limited background on the requirements involved in implementing a new water system in accordance with the requirements of the Sanitary Projects Act. The GCMDWCA did not have an Office nor a paid staff member until it hired a part-time manager in 2009, who lasted less than one year. At that time, and through the present, all budgetary matters were handled by NCNMEDD's Fred Lopez, our current accountant.

In 2009 the GCMDWCA Board enlisted the services of the 2008 auditor to begin and complete the 2009 audit. Unfortunately, he never was able to to begin the audit process. The present Board took over for the previous Board a mere one and a half years ago. Since assuming responsibility for the operation of the system, the present Board has prioritized and implemented several corrections, as follows:

- 1) This Board released the 2008 auditor from the audit process and it went out on RFP for services of auditors who would do audits of small water systems. GCMDWCA was able to finally enlist the present CPA to complete the 2009 audit. Needless to say, a passage of six years occurred before an auditor could even be located. Apparently, very few CPAs are willing to do audits for the small, volunteer managed public water systems.
- 2) This Board acquired liability and loss insurance for all its operations, buildings and infrastructure for the very first time in the history of the system. Before obtaining the insurance coverage, the water system operated without having insurance for any of its operations.
- 3) All Board members have and continue to participate in training sessions on several topics to include finance management, water source and asset protection.

STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
June 30, 2009

B. FINANCIAL STATEMENT FINDINGS - CONTINUED

2009-001 (2008-02) – Misstated Account Balances/Financial Statements (Material Weakness) - continued

Management's Response, continued:

4) This Board settled the lawsuit with the Santa Cruz Irrigation District which had blocked its transfer of water rights to its new wells at the base of the dam. The respective Boards then entered into an agreement to lease water rights (SCID lessor, GCMDWCA lessee) in order to become compliant with the requirements of the OSE. Once compliant, GCMDWCA will regain eligibility for funding from the State of New Mexico Water Trust Board.

5) This Board has now transferred an additional 26 acre feet of water rights into its well system in order to become compliant with OSE regulations.

6) This Board changed Attorneys and realized a savings of \$150.00 for each hour worked by the replacement attorney. The Board then hired a retired Office of the State Engineer supervisor to assist with the water rights acquisition and transfer program, at even greater savings to the system.

7) This Board has worked diligently with the County of Santa Fe in order to obtain its share of bond proceeds which were allocated to GCMDWCA through a Joint Powers Agreement in 2009.

8) This Board has implemented a system whereas all expenditures will be reviewed by no less than two designated Board members and/or office manager to ensure accurate payouts.

2009-002 (2008-01) - Late Audit Report and Recommendation (Significant Deficiency, Noncompliance)

Condition: The Association did not submit their 2009 audit report to the Office of the State Auditor by November 30, 2009, the due date of the report. In addition, the auditor recommendation for 2009 was not submitted to the State Auditor until January 2016.

Criteria: 2.2.2 NMAC (State Audit Rule) requires submission of auditor recommendations at least 30 days prior to year-end, or by May 31, 2009. 2.2.2 NMAC also requires submission of audit reports within five months after year-end, or November 30, 2009.

Cause: The Association did not recommend and contract with an audit firm until January 2016.

STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
June 30, 2009

B. FINANCIAL STATEMENT FINDINGS - CONTINUED

2009-002 (2008-01) - Late Audit Report and Recommendation (Significant Deficiency, Noncompliance) - continued

Effect: The Association was not in compliance with the State Audit Rule, which could impact their ability to receive grants from federal and state sources.

Recommendation: The Association should prepare the annual auditor recommendation by May 31 of each year and submit it to the Office of the State Auditor. The Association should also institute policies and procedures that will enable it to complete their annual audit within five months after year-end.

Management's Response: As stated above, the 2008 auditor was engaged for the purpose of completing the 2009 audit but never began the process through the previous Board. The present Board elected to go with the new auditor.

2009-003 - Budget Compliance (Significant Deficiency, Noncompliance)

Condition: The Association did not prepare a 2009 operating budget.

Criteria: Section 6-6-2 NMSA 1978 requires all local public bodies to prepare and submit their operating budget annually to DFA Local Government Division for certification.

Cause: The Association was not aware of the need for an agency-wide budget.

Effect: The Association was unable to control expenses or provide proper stewardship of public monies that is required by statute.

Recommendation: I recommend the Association establish policies and procedures to ensure compliance with all budgetary requirements imposed by DFA and state statute.

Management's Response: GCMDWCA is a political subdivision of the State of NM; it is not an agency so it is uncertain as to the reference of "an agency-wide budget". Its budgets have been in writing and acted upon by the Board at its duly called meetings and including the annual membership meetings.

STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
June 30, 2009

B. FINANCIAL STATEMENT FINDINGS - CONTINUED

2009-004 - Capital Asset Inventory Not Completed (Significant Deficiency, Noncompliance)

Condition: The Association did not perform an inventory of capital assets for the year ended June 30, 2009.

Criteria: Section 12-6-10(A) NMSA 1978 requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory.

Cause: The Association was not aware of this statutory requirement.

Effect: Lack of an annual inventory of capital assets may prevent the Association from properly safeguarding their assets. Timely replacement of unusable or obsolete assets may be prevented, which could affect the overall operation of the water delivery system.

Recommendation: The Association should complete an inventory of their capital assets annually, on or near year-end. The inventory should include all intangible assets, equipment and infrastructure owned by the Association, and it should be certified by management in accordance with state statute.

Management's Response: GCMDWCA will correct this deficiency by completing and certifying an inventory of its capital assets.

2009-005 - Lack of Pledged Collateral for Uninsured Bank Balances (Noncompliance)

Condition: During the year ended June 30, 2009, the Association's bank balances exceeded insured amounts at the end of the month for 10 out of 12 months.

Criteria: Section 6-10-17 NMSA 1978 requires banks to pledge collateral equal to 50% of uninsured government bank balances. The Federal Deposit Insurance Corporation insured bank balances for \$100,000 until October 3, 2008, when it was raised to \$250,000.

Cause: The Association received advances from the federal government in 2008 that caused bank balances to be partially uninsured and uncollateralized until the funds were expended. The Association was unaware of statutory requirements related to uninsured bank balances.

Effect: The Association was exposed to increased risk as a result of deposits exceeding insured amounts.

STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
June 30, 2009

B. FINANCIAL STATEMENT FINDINGS – CONTINUED

2009-005 - Lack of Pledged Collateral for Uninsured Bank Balances (Noncompliance) - continued

Recommendation: I recommend the Association become knowledgeable about state law regarding public monies and adopt a banking policy as part of its overall risk management policies. The policy should include a requirement that financial institutions pledge collateral equal to at least 50% of any uninsured deposits.

Management's Response: GCMDWCA has no present knowledge of why pledged collateral was not secured from Century Bank. Henceforth, it will make its best efforts to comply with this requirement.

2009-006 – DFA Reporting (Noncompliance)

Condition: The Association did not submit a budget to the New Mexico Department of Finance & Administration (DFA) – Local Government Division for certification. As a local public body, the Association is also required to transmit operating results quarterly to DFA, which were not submitted.

Criteria: Section 6-6-2 NMSA 1978 requires all local public bodies to submit their operating budget annually to DFA Local Government Division for certification. DFA also requires quarterly reporting by all agencies on prescribed forms.

Cause: The Association was not aware of the reporting requirements imposed by statute and DFA.

Effect: DFA – Local Government Division lacked the necessary information to perform their oversight duties required by state statute.

Recommendation: I recommend the Association establish contact with their DFA budget analyst to determine what reports are required and whether retroactive reporting will be required. The Association should also institute policies to ensure compliance with all reporting requirements imposed by DFA and state statute.

Management's Response: GCMDWCA has no present knowledge of why it failed to submit quarterly reports to DFA-LGD in 2009. Henceforth, it will make its best efforts to comply with this requirement.

STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
June 30, 2009

B. FINANCIAL STATEMENT FINDINGS – CONTINUED

The following financial statement findings are detailed in Section C, Federal Award Findings, of the schedule of findings and questioned costs:

2009-007 – Lack of Internal Controls Over Compliance Requirements (Material Weakness)
2009-010 - Late Submission of Data Collection Form (Noncompliance, Significant Deficiency)

C. FEDERAL AWARD FINDINGS

2009-007 – Lack of Internal Controls Over Compliance Requirements (Material Weakness)

Condition: The Association did not adequately design or implement internal controls over compliance for federal award programs, including allowable costs, cash management, procurement and reporting. Exceptions noted:

- Invoice missing for a payment to a contractor in the amount of \$135,360
- Lack of controls to minimize time between receipt and disbursement of federal funds
- Lack of documentation of vetting vendors for possible debarment or suspension
- Missing procurement documentation for engineering and construction contracts
- Construction costs reported incorrectly on the G/L
- Required quarterly performance reports were not filed with grantor

Criteria: 43 CFR Part 12 and the grant agreement contains administrative and program requirements for Bureau of Reclamation grants, including standards for financial management systems. Per 43 CFR 12.60, "Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to—

- 1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- 2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes."

Cause: The Association, which is administered by a Board of Directors and volunteers, did not have someone within the organization with the expertise to understand the various federal compliance requirements.

Effect: By not implementing controls over compliance, the Association was exposed to increased risk of noncompliance and fraud. Funding of future projects may also be at risk.

STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
June 30, 2009

C. FEDERAL AWARD FINDINGS – CONTINUED

2009-007 – Lack of Internal Controls Over Compliance Requirements (Material Weakness) - continued

Questioned Costs: \$135,360

Recommendation: I recommend that the Association review all current and future grants to determine what compliance requirements are associated with each grant. The Association should design and implement internal controls to minimize the risk of noncompliance.

Management's Response: GCMDWCA through agency with NCNMEDD complied with U.S. Bureau of Reclamation requirements to the best of its information and knowledge.

GCMDWCA believes that documentation does exist for all the above deficiencies and will continue to research same, regardless of the time it may take.

2009-008 – Grant Reports Not Filed (Noncompliance)

Condition: The Association did not file quarterly progress reports with the Bureau of Reclamation (BOR) as required by the grant agreement.

Criteria: The grant agreement between the Association and BOR required quarterly and annual reports.

Cause: The Association, which is administered by a Board of Directors and volunteers, did not have someone within the organization with the expertise to understand the various federal compliance requirements. In 2011 (2 years after the current period), the Association became compliant by filing all of the required reports.

Effect: BOR was not able to monitor perform its monitoring responsibilities required by federal law. Future ability to receive funding may be impacted.

Recommendation: I recommend the Association carefully review each grant agreement, determine what types of compliance are required, designate someone within the organization to be responsible for compliance, and monitor compliance with grant agreements on an ongoing basis.

Management's Response: As stated above, NCNMEDD staff handled the filing of reports with U.S. BOR. GCMDWCA believes that there was in fact compliance with this item.

STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
June 30, 2009

C. FEDERAL AWARD FINDINGS – CONTINUED

2009-009 – Noncompliance With Cash Management Regulations (Noncompliance)

Condition: The Association received an advance from the Bureau of Reclamation on 11/4/08 in the amount of \$497,608. The funds were disbursed over 3 years, not within 3 days required by federal cash management regulations.

Criteria: 43 CFR Part 12.61(b) requires grantees to minimize the time elapsing between receipt and disbursement of funds. 31 CFR part 205 contains U.S. Treasury standards for cash management, which require a grantee to disburse funds within 3 days of receiving them.

Cause: BOR did not specifically notify the Association of cash management requirements at the time the funds were advanced. The Association was not aware of cash management regulations.

Effect: The Association may owe the federal government for interest earned on the advance funds.

Recommendation: I recommend the Association carefully review each grant agreement, determine what types of compliance are required, designate someone within the organization to be responsible for compliance, and monitor compliance with grant agreements on an ongoing basis.

Management's Response: This is the first that GCMDWCA hears that it did not comply with the 3 day required disbursement of a federal advance. GCMDWCA is not aware that U.S. BOR ever objected to the rate of disbursement of advanced funds.

2009-010 - Late Submission of Data Collection Form (Noncompliance, Significant Deficiency)

Condition: The federal Data Collection Form and reporting package for the year ended June 30, 2009 has not been filed.

Criteria: OMB Circular A-133 §320 requires submission of the Data Collection Form and reporting package by the earlier of 30 days after receipt of the audit report or nine months after year-end.

Cause: The Association was unable to complete the federal single audit within the prescribed timeframe.

Effect: Data related to federal funds expended by the Association was not available to the federal government. Noncompliance may affect future grant awards.

STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
June 30, 2009

C. FEDERAL AWARD FINDINGS - CONTINUED

2009-010 - Late Submission of Data Collection Form (Noncompliance, Significant Deficiency) - continued

Recommendation: The Association should file the Data Collection Form and reporting package as soon as the State Auditor releases the 2009 audit. Policies and procedures should be developed to ensure the annual audit and, if applicable, the Data Collection Form is completed within regulatory timeframes.

Management's Response: This was fully discussed above. Ultimately, GCMDWCA had no control over the delay in the audit under the previous auditor, Robert Rivera.

STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
STATUS OF PRIOR AUDIT FINDINGS
June 30, 2009

2008-01	Late audit report	Repeated and modified as item 2009-002
2008-02	Financial Statements	Repeated and modified as item 2009-001
2008-03	Record Retention and Maintenance	Resolved

STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
EXIT CONFERENCE
June 30, 2009

The financial statements have been prepared by James L. Hartogensis, CPA LLC, with the assistance of the Association. The content in this report is the responsibility of the Greater Chimayo Mutual Domestic Water Consumers Association.

* * * * *

An exit conference was held on June 28, 2016 and attended by the following:

For James L. Hartogensis, CPA LLC:

James Hartogensis, CPA, CGFM

Principal

For Greater Chimayo Mutual Domestic Water Consumers Association:

Paul Martinez

President

Charlie Vigil

Treasurer

Ted Trujillo

General Counsel