

**Desert Sands Mutual  
Domestic Water Consumers Association**

**Basic Financial Statements and  
Supplementary Information  
for the Year Ended December 31, 2009  
and Independent Auditors' Report.**

**STATE OF NEW MEXICO  
DESERT SANDS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

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**STATE OF NEW MEXICO  
DESERT SANDS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**DIRECTORY OF OFFICIALS  
DECEMBER 31, 2009**

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**Board of Directors**

Rosaura Pargas	President
Cresencio Salgado	Vice President
Beatriz Calvillo	Secretary/Treasurer
Miguel Guillen, Jr.	Director
Manuel Garcia, Jr.	Director

**Officials**

Karen Nichols	Business Manager
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## INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor  
and the Board of Directors of the  
Desert Sands Mutual Domestic Water Consumers Association  
Mesquite, New Mexico

We have audited the accompanying financial statements of the business-type activities of the Desert Sands Mutual Domestic Water Consumers Association, New Mexico (the Association), as of and for the year ended December 31, 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. Our responsibility is to express opinions 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 with 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 the Desert Sands Mutual Domestic Water Consumers Association, as of December 31, 2009, and the respective changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparison for the major enterprise fund, for the year ended December 31, 2009, 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 August 15, 2011, on our consideration of the 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 Association has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements and the supplemental information.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Desert Sands Mutual Domestic Water Consumers Association taken as a whole. The accompanying schedule of

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

A handwritten signature in blue ink that reads "White + Samaniego + Campbell, LLP". The signature is written in a cursive, flowing style.

El Paso, Texas  
August 15, 2011

## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
DESERT SANDS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2009**

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**ASSETS:**

Current assets:

Cash and cash equivalents	\$ 91,733
Accounts receivables, net	52,453
Other assets	<u>25,646</u>

Total current assets 169,832

Noncurrent assets:

Restricted cash	24,298
Capital assets	<u>2,384,466</u>

Total assets \$ 2,578,596

**LIABILITIES:**

Current liabilities:

Accounts payable	\$ 7,080
Accrued liabilities and other expenses	5,719
Current portion of long-term debt	5,149
Other current liabilities	<u>17,245</u>

Total current liabilities 35,193

Non-current liabilities:

Non-current portion of long-term debt	<u>110,759</u>
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Total noncurrent liabilities 110,759

Total liabilities 145,952

**NET ASSETS:**

Investment in capital assets, net of related debt	2,268,558
Unrestricted	139,788
Restricted	<u>24,298</u>

Total net assets 2,432,644

Total liabilities and net assets \$ 2,578,596

See accompanying notes to financial statements and independent auditor's report.

**STATE OF NEW MEXICO  
DESERT SANDS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

Operating revenues	
Membership dues	\$ 15
Activation, connection and installation fees	268,500
Late fees	7,830
Other income	<u>37</u>
Total operating revenues	276,382
Operating expenses	
Auto expenses	16,185
Bank charges	323
Materials, supplies, tools and chemicals	7,395
Depreciation	121,323
Dues and subscriptions	2,545
Office expense	17,515
Miscellaneous	3,383
Taxes and license - other	13,184
Postage	1,689
Telephone	3,415
Insurance	23,564
Maintenance and repairs	2,449
Payroll expense	98,952
Professional fees	13,174
Travel and entertainment	2,116
Utilities	<u>26,429</u>
Total operating expenses	353,641
Operating loss	<u>(77,259)</u>
Nonoperating revenues (expenses)	
Grant revenue	682,021
Interest income	504
Other income	10,834
Interest expense	<u>(9,586)</u>
Total nonoperating revenues (expenses)	683,773
Change in net assets	606,514
Net assets, beginning of year	<u>1,826,130</u>
Net assets, end of year	<u>\$ 2,432,644</u>

See accompanying notes to financial statements and independent auditor's report.



**STATE OF NEW MEXICO  
DESERT SANDS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 271,681
Cash payments to suppliers and employees	<u>(237,912)</u>
Net cash provided by operating activities	<u>33,769</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>	
Other income	<u>505</u>
Net cash provided by non-operating activities	<u>505</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Proceeds from long-term debt	14,000
Principal payments	(205,977)
Grants	682,021
Interest payments	<u>(9,586)</u>
Net cash provided by financing activities	<u>480,458</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest received	10,834
Purchase of property and equipment	<u>(459,924)</u>
Net cash used in investing activities	<u>(449,090)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>65,642</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>50,389</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 116,031</u>
<b>RECONCILIATION TO CASH AND CASH EQUIVALENTS AS REPORTED ON THE STATEMENT OF NET ASSETS</b>	
Cash and cash equivalents	\$ 91,733
Restricted cash	<u>24,298</u>
	<u>\$ 116,031</u>

(Continued)

See accompanying notes to financial statements and independent auditor's report.

**STATE OF NEW MEXICO  
DESERT SANDS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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RECONCILIATION OF OPERATING LOSS TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES:

Operating loss	\$ (77,259)
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	121,323
Change in:	
Accounts receivable	(4,701)
Other assets	(3,301)
Accounts payable	(3,765)
Accrued payable	1,415
Other liabilities	<u>57</u>
Total adjustments	<u>111,028</u>
Net cash provided by operating activities	<u>\$ 33,769</u>

(Concluded)

See accompanying notes to financial statements and independent auditor's report.

**STATE OF NEW MEXICO  
DESERT SANDS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Desert Sands Mutual Domestic Water Consumers Association (Association) was established August 23, 1977 as a nonprofit corporation. The Association is a member-owned water utility company incorporated under the Sanitary Projects Act, Chapter 3, Article 29, NMSA 1978, and is a political subdivision of the State of New Mexico. The Association serves the property owners within the community of Anthony, New Mexico. The Association has no component units.

The Association has 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.

In September 2008, the Board of Directors of Desert Sands Mutual Domestic Water Consumers Association, according to the Sanitary Project Act, Section 3-29-20-1, NMSA 1978, approved a plan of merger with (1) Berino Mutual Domestic Water Consumer and Mutual Sewage Works Association, (2) Mesquite Mutual Domestic Water Consumer and Mutual Sewage Works Association, (3) La Mesa Mutual Domestic Water Consumers Association, (4) Vado Mutual Domestic Water Consumers Association and (5) Lower Rio Grande Mutual Domestic Water Association all serving unincorporated communities within Dona Ana County, New Mexico. After the approval and creation of the Lower Rio Grande Public Works Authority, merging association, by the Legislature, the Associations merged into the Authority during 2011.

**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 with which the Association Board Members are financially accountable. There are no other primary governments with which the Association has a significant relationship.

The accounts of the Association are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The funds of the Association are classified as a proprietary fund type. The fund classification and a description of the fund type follows below:

**Basis of Presentation**

***Government-Wide Financial Statements (GWFS)*** - The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Association. Fiduciary funds are not included in the GWFS. Fiduciary Funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level. The Association has no Fiduciary Funds.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include: 1) Charges for services is the term used for a broad category of program revenues that arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services. Revenues in this category include fees charged for specific services, such as water use. Some grants and contributions consist of capital assets or resources that are restricted for capital purposes to purchase, construct, or renovate capital assets associated with a specific program. These should be reported separately from grants and contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the reporting government. These categories of program revenue are specifically attributable to a program and reduce the net expense of that program to the reporting government.

**Measurement Focus and Basis of Accounting**

The proprietary fund financial statements are reported using the economic resources measurement focus.

The proprietary fund is accounted for using the accrual basis of accounting. The revenues are recognized when they are earned and the expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. The principal operating revenues of the Association are charges to customers for sales and services. The Association also recognizes as connection, membership and delinquency fees as revenue. Operating expenses for proprietary funds 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 nonoperating revenues and expenses.

**Analysis of Impairment**

Management review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is determined based upon comparison of future cash flows to the recorded value of the assets. Impairment losses are measured based upon the fair value of the impaired assets. No such impairment losses were recorded during the year ended December 31, 2009.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Association considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Restricted Cash**

Restricted cash consists of the following:

Customer deposits	\$ 17,245
Construction account	<u>7,053</u>
Total restricted cash	<u>\$ 24,298</u>

Restricted cash consist of non-mandatory reserves set aside within the operating account for outstanding customer deposits. These reserves are not required but are separated by management and a separate Construction Account that has been established as required by the Government into which the proceeds of the loan and grant proceeds from the USDA-RUS are deposited. Withdrawals from the Construction Account were and shall be made only on checks signed by the manager of the Association as authorized by the Board from time to time, and with prior concurrence of the Government. When all construction costs have been paid in full, any balance remaining in the Construction Account may be applied on the loan or used for other authorized purposes that have been approved by the Government and the Construction Account shall be closed. The end of year balance is \$7,053.

**Budget and Budgetary Accounting**

Actual amounts on the budgetary basis are prepared on the accrual basis of accounting which recognizes revenues when earned and expenditures when incurred. The annual budget, and any amendments thereto, are required to be approved by resolution of the Board of Directors and the New Mexico Department of Finance and Administration's Local Government Division. Formal budgetary integration is employed as a management control device during the year for the business-type fund, and budgetary control is performed at the Associations fund level.

**Use of Restricted Funds**

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.

**Revenue**

The policy for defining the proprietary fund's operating revenues and expenses is how individual transactions would be categorized for purposes of preparing a statement of cash flows. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities normally are not reported as components of operating income.

**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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Allowance for Doubtful Accounts**

Management considers the majority of the accounts receivable as collectible. Any accounts receivable considered uncollectable are not considered material. Accordingly, no allowance for doubtful accounts has been recorded.

### **Capital Assets**

Capital assets are recorded at historical costs. Purchase property and equipment in excess of \$5,000 is capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Such assets, including infrastructure assets, have higher limits that must be met before they are capitalized. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Water system and housing	7-40 yrs.
Municipal waterworks	7 yrs.
Machinery and equipment	3-20 yrs.
Office furniture and fixtures	3-7 yrs.
Vehicles	5 yrs.

### **Compensated Absences**

Vested or accumulated vacation leave for proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. There were no compensated absences balances at year-end.

### **Income Tax Status**

The Organization is a non-profit organization exempt from federal income tax under Internal Revenue Code Section 501(c)(12). There was no unrelated business income for the year ended December 31, 2009.

### **Net Assets**

Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted net assets. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net assets consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net assets consist of all other net assets not included in the above categories.

### **New Governmental Accounting Standards**

In June 2008, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 53 Accounting and Financial Reporting for Derivative Instruments, which is effective for all periods beginning after June 15, 2009. This Statement is intended to improve how governments report information about derivative instruments. The Association incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In February 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for financial statements for periods beginning after June 15, 2010, and earlier application is encouraged. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The Association is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In March 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 55 The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which was effective upon issuance. The objective of this Statement is to incorporate the hierarchy of generally

accepted accounting principles for state and local governments into the Governmental Accounting Standards Board's authoritative literature. The Association incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In March 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 56 Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards, which was effective upon issuance. The objective of this Statement is to incorporate into the Governmental Accounting Standards Board's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. The Association incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In December 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, which is effective upon issuance for certain provisions of the statement and for periods beginning after June 15, 2011 for other provisions. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit plans. The Association is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

## 2. CASH AND DEPOSITS

Cash and investments - The Association is required by New Mexico State Statute (Section 6-10-17) to be 50 percent collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

<b>First Federal Bank</b>			
<u>Name of Account</u>	<b>Balance Per Bank 12/31/09</b>	<b>Reconciled Balance</b>	<b>Type</b>
Operating	\$ 12,807	\$ 9,835	Checking
Reserve	75,323	75,334	Checking
Debt Service	21,727	21,724	Checking
Total Deposited	109,857	<u>\$ 106,893</u>	
Less: FDIC Coverage	(109,857)		
Uninsured amount	-		
50% collateral requirement	-		
Pledged securities	-		
Over (under) requirement	<u>\$ -</u>		
<b>Citizens Bank of Las Cruces</b>			
<u>Name of Account</u>	<b>Balance Per Bank 12/31/09</b>	<b>Reconciled Balance</b>	<b>Type</b>
RUS Reserve	\$ 2,019	\$ 2,019	Savings
Phase II-III Construction	7,758	7,053	Checking
Total Deposited	9,777	<u>\$ 9,072</u>	
Less: FDIC Coverage	(9,777)		
Uninsured amount	-		
50% collateral requirement	-		
Pledged securities	-		
Over (under) requirement	<u>\$ -</u>		

In addition to the above bank balances, the Association has \$65 in petty cash at December 31, 2009.

### **Custodial Credit Risk-Deposits**

Custodial credit risk is the risk that in the event of a failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of December 31, 2009, \$0 of the Association's bank balance of \$119,634, was exposed to custodial credit risk.

### **3. CAPITAL ASSETS**

The cost basis of capital assets are stated as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 53,333	\$ 5,430	\$ -	\$ 58,763
Construction in progress	445,527	454,494	-	900,021
<b>Total capital assets not being depreciated</b>	<u>498,860</u>	<u>459,924</u>	<u>-</u>	<u>958,784</u>
Capital Assets, being depreciated				
Buildings	-	-	-	-
Structure improvements	-	-	-	-
Water systems	2,634,574	-	-	2,634,574
Furniture, fixtures and equipment	20,935	-	(6,566)	14,369
Machinery and equipment	62,723	-	(48)	62,675
Municipal water works	15,971	-	-	15,971
Transportation equipment	23,724	-	-	23,724
<b>Total capital assets, being depreciated</b>	<u>2,757,927</u>	<u>-</u>	<u>(6,614)</u>	<u>2,751,313</u>
<b>Total capital assets</b>	<u>3,256,787</u>	<u>459,924</u>	<u>(6,614)</u>	<u>3,710,097</u>
Less accumulated depreciation for:				
Buildings	-	-	-	-
Structure improvements	-	-	-	-
Water systems	1,092,706	118,345	-	1,211,051
Furniture, fixtures and equipment	19,089	618	(6,566)	13,141
Machinery and equipment	62,411	79	(48)	62,442
Municipal water works	12,992	2,281	-	15,273
Transportation equipment	23,724	-	-	23,724
<b>Total accumulated depreciation</b>	<u>1,210,922</u>	<u>121,323</u>	<u>(6,614)</u>	<u>1,325,631</u>
<b>Total other capital assets, net</b>	<u>\$ 2,045,865</u>	<u>\$ 338,601</u>	<u>\$ -</u>	<u>\$ 2,384,466</u>

Depreciation expense was \$121,323 for the year ended June 30, 2009.



4. **ACCOUNTS RECEIVABLE**

Accounts receivable represents billings for water. It is management's policy to cut off water for non-payment. A lien is placed on the properties which have outstanding water bills. Because the Association has the authority to place liens, and customers will eventually pay delinquent bills if they want water provided, management does not believe an allowance for doubtful accounts is necessary. Accounts receivable from credit customers was \$52,453 at December 31, 2009.

5. **OTHER ASSETS**

Other assets consist of parts and equipment needed on a regular basis for repair and maintenance of water lines, meters and miscellaneous repairs as needed. Inventory is taken at year end and items are valued based upon current invoices or information provided by suppliers. Operating inventory was \$25,646 at December 31, 2009.

6. **LONG TERM DEBT**

Changes in long-term debt during the year ended December 31, 2009 were as follows:

	<u>Balance</u> <u>12/31/08</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>12/31/09</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Capmark Financing	\$ 36,943	\$ -	\$ 3,194	\$ 33,749	\$ 3,357
NM Env. Dept/NMFA	21,332	-	1,058	20,274	1,090
RUS Loan	48,491	-	542	47,949	565
NM Env. Dept/RIP 2008-02	201,118	-	201,118	-	-
USDA Rural Development Phase II & III	-	14,000	64	13,936	137
	<u>\$ 307,884</u>	<u>\$ 14,000</u>	<u>\$ 205,976</u>	<u>\$ 115,908</u>	<u>\$ 5,149</u>

**Capmark Financial Group**

On May 11, 1978, the Association entered into a \$85,000 loan agreement with Capmark Financial Group. The proceeds of the loan were used for the purchase of property and the construction and improvements to the water system. The loan is payable in monthly installments of \$414, and matures May 11, 2018. Interest is at 5%. The loan is secured by real property, inventory, and chattels of the Association.

Loan principal and interest payments for each of the next years and thereafter are as follows:

<b>Year Ending</b> <b>June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 3,357	\$ 1,611	\$ 4,968
2011	3,528	1,440	4,968
2012	3,709	1,259	4,968
2013	3,899	1,069	4,968
2014	4,098	870	4,968
2015-2018	<u>15,158</u>	<u>1,322</u>	<u>16,480</u>
Totals	<u>\$ 33,749</u>	<u>\$ 7,571</u>	<u>\$ 41,320</u>

**New Mexico Environment Department Rural Infrastructure Program (RIP 2003-08)**

On May 14, 2003, the Association entered in to a \$25,000 loan agreement with the New Mexico Environment Department Rural Infrastructure Program. The proceeds of the loan were used for the construction and improvements to the water system. The loan is payable in monthly installments of \$1,680, and matures January 5, 2024. Interest is at 3%. The loan is secured by real state of the Association.

Loan principal and interest payments for each of the next years and thereafter are as follows:

<b>Year Ending June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 1,090	\$ 608	\$ 1,698
2011	1,123	575	1,698
2012	1,156	542	1,698
2013	1,191	507	1,698
2014	1,227	471	1,698
2015-2019	6,709	1,783	8,492
2020-2024	<u>7,778</u>	<u>714</u>	<u>8,492</u>
Totals	<u>\$ 20,274</u>	<u>\$ 5,200</u>	<u>\$ 25,474</u>

**United State Department of Agriculture - Rural Development Loan**

On November 7, 2006, the Association entered into a \$50,000 loan agreement with the United States Department of Agriculture (USDA) Rural Development. The proceeds of the loan were used for the construction and improvements to the water system. The loan is payable in monthly installments of \$221, and matures October 7, 2045. Interest is at 4.375%. The loan is secured by real state of the Association.

Loan principal and interest payments for each of the next years and thereafter are as follows:

<b>Year Ending June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$ 565	\$ 2,087	\$ 2,652
2011	591	2,061	2,652
2012	617	2,035	2,652
2013	645	2,007	2,652
2014	673	1,979	2,652
2015-2019	3,846	9,417	13,263
2020-2024	4,784	8,476	13,260
2025-2029	5,951	7,309	13,260
2030-2034	7,404	5,856	13,260
2035-2039	9,210	4,050	13,260
2040-2044	11,458	1,802	13,260
2045	<u>2,205</u>	<u>45</u>	<u>2,250</u>
Totals	<u>\$ 47,949</u>	<u>\$ 47,124</u>	<u>\$ 95,073</u>

**United State Department of Agriculture - Rural Development Loan**

On October 1, 2009, the Association entered into a \$14,000 loan agreement with the United States Department of Agriculture (USDA) Rural Development. The proceeds of the loan were used for the construction and improvements to the water system. The loan is payable in monthly installments of \$65, and matures January 3, 2049. Interest is at 4.375%. The loan is secured by real state of the Association.

Loan principal and interest payments for each of the next years and thereafter are as follows:

Year Ending June 30:	Principal	Interest	Total
2010	\$ 137	\$ 607	\$ 744
2011	143	601	744
2012	150	594	744
2013	156	588	744
2014	163	581	744
2015-2019	932	2,788	3,720
2020-2024	1,159	2,561	3,720
2025-2029	1,442	2,278	3,720
2030-2034	1,794	1,926	3,720
2035-2039	2,232	1,488	3,720
2040-2044	2,777	944	3,721
2045-2049	2,851	275	3,126
Totals	<u>\$ 13,936</u>	<u>\$ 15,231</u>	<u>\$ 29,167</u>

## 7. RESERVE REQUIREMENTS

As part of the USDA RD Loan, the Association must establish and fund monthly a debt service reserve fund equal to 10% of the monthly payment each month over the life of the loan. This reserve is required to establish an emergency fund for maintenance and repairs and debt repayment should the need arise. Ten percent of the proposed loan installment would equal \$28.30 per month. The reserve requirement at December 31, 2009 was \$340. The Association had \$340 reserved at December 31, 2009, and thus has met reserve requirements. This amount is shown as net assets restricted for loan covenants on the statement of net assets.

In addition, the Association will establish a replacement reserve for short-lived assets. The Association shall deposit \$2,032 monthly into this account. The reserve requirement at December 31, 2009 was \$24,384. The Association had \$24,384 reserved at December 31, 2009, and thus has met reserve requirements. This amount is shown as net assets restricted for debt service on the statement of net assets.

As per the Association's Bylaws, a reserve account must be established for the purpose of meeting contingent and unforeseen expenses of the Association. The reserve requirement states that no less than ten percent of annual operating expenses shall be reserved. The reserve requirement at December 31, 2009 was \$35,364. The Association was overreserved by \$15,246 at December 31, 2009. Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Thus this reserve is not shown as a restricted net asset on the statement of net assets.

## 8. RISK MANAGEMENT

The Association covers its risk of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters through various insurance policy coverages. The coverage includes workers compensation, general and professional liability, property, and fidelity bonds coverage. The Association transfers these risks of loss to the insurance carrier except for deductible amounts. Premiums paid on policies for the year December 31, 2009 was \$3,415.

9. **RETIREMENT PLAN**

Effective January 1, 2007, the Association adopted a retirement savings plan for its employees. This plan allows participants to make contributions by salary reduction pursuant to a SIMPLE IRA plan under Section 408(p), of the Internal Revenue Code. Employer contributions are required. The Association matches contributions equal to the employee's salary reduction contributions up to a limit of three percent of the employee's compensation for the calendar year. The amount elected to be deferred by the employee cannot exceed the limitations prescribed by law. All contributions made under this SIMPLE IRA plan are fully vested and nonforfeitable. Employer's contributions to the plan in the year ending December 31, 2009 were \$2,632.

10. **CONTINGENCIES**

Grant Compliance. The Association receives significant financial assistance from the U.S. Government. Entitlement to the resources is generally based on compliance with terms and conditions of the grant and loan agreements and applicable state and federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantor. As of December 31, 2009, management estimates that no material liabilities will result from such audits.

11. **EXCESS EXPENDITURES OVER APPROPRIATIONS**

New Mexico State Statutes restricts all officials and governing authorities from approving claims in excess of the approved budget. The Association exceeded its authorized budget by \$11,737 as follows:

<b>Budget Expenses</b>	<b>Actual Expenses</b>	<b>Difference</b>
\$ 351,490	\$ 363,227	\$ 11,737

**STATE OF NEW MEXICO  
DESERT SANDS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH  
BALANCE - BUDGET AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
<b>Operating Income</b>				
Revenue - membership dues	\$ 50	\$ 50	\$ 15	\$ (35)
Revenue - water	235,147	235,147	262,500	27,353
Revenue - tap installation	3,750	3,750	6,000	2,250
Revenue - late payment penalties	9,850	9,850	7,830	2,020
Revenue - other fees	75	75	37	38
Total operating income	248,872	248,872	276,382	31,626
<b>Operating Expenses</b>				
Accounting	10,200	10,200	10,642	(442)
Advertising	180	180	-	180
Auto and truck expense	16,238	16,238	16,185	53
Bank charges	120	120	323	(203)
Business meals	736	736	854	(118)
Conservation fees	1,489	1,489	1,651	(162)
Depreciation	130,736	130,736	121,323	9,413
Dues and subscriptions	801	801	875	(74)
Education	400	400	250	150
Insurance-liability/contents	9,602	9,602	11,500	(1,898)
Insurance-liability medical	9,162	9,162	9,226	(64)
Insurance-workman's comp	3,000	3,000	2,839	161
Chemicals and water test	1,690	1,690	2,080	(390)
Legal fees	1,200	1,200	1,871	(671)
License and permits	30	30	20	10
Office expense	6,496	6,496	7,444	(948)
Parts and supplies	5,328	5,328	4,832	496
Postage	3,418	3,418	1,689	1,729
Professional services	-	-	660	(660)
Repairs and maintenance	2,777	2,777	2,449	328
Retirement march	2,954	2,954	2,632	322
Salaries-water operator	60,351	60,351	63,806	(3,455)
Salaries-billing and administration	24,300	24,300	24,835	(535)
Salaries-customer service clerk	13,824	13,824	10,311	3,513
Small tools	574	574	483	91
Taxes-payroll	8,013	8,013	7,873	140
Taxes-property	6,278	6,278	5,311	967
Taxes-other	69	69	-	69
Telephone	2,901	2,901	3,415	(514)
Travel	350	350	1,262	(912)
Utilities-other	802	802	506	296
Utilities-electricity	22,541	22,541	25,923	(3,382)
Office help-temp services	-	-	10,071	(10,071)
Miscellaneous	-	-	500	(500)
Total operating expenses	346,560	346,560	353,641	(7,081)
Excess (deficiency) of revenues over expenditures	(97,688)	(97,688)	(77,259)	38,707
<b>Nonoperating revenues</b>				
Agency loans/grants	1,445,678	1,445,678	682,021	(763,657)
Interest income	431	431	504	73
Other income	-	-	10,834	-
Interest expenses	(4,930)	(4,930)	(9,586)	(4,656)
Total nonoperating income	1,441,179	1,441,179	683,773	(768,240)
Revenue over expenses	\$ 1,343,491	\$ 1,343,491	\$ 606,514	\$ (729,533)

See accompanying notes to financial statements and independent auditor's report.

**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***

Hector H. Balderas, State Auditor  
and the Board of Directors of the  
Desert Sands Mutual Domestic Water Consumers Association, New Mexico

We have audited the financial statements of the business-type activities of the Desert Sands Mutual Domestic Water Consumers Association (the "Association") as of and for the year ended December 31, 2009, and have issued our report thereon dated August 15, 2011. 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 Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

*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 Association's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. Item 09-03. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 are described in the accompanying schedule of findings and questioned costs as items 09-02 and 09-03.

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 is described in the accompanying schedule of findings and responses as finding 09-01.

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

This report is intended solely for the information and use of the Association's Board of Directors, the Association's management, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and 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.

*White + Samariaga + Campbell, LLP*

El Paso, Texas  
August 15, 2011

**INDEPENDENT AUDITOR'S 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**

Hector H. Balderas, State Auditor  
and the Board of Directors of the  
Desert Sands Mutual Domestic Water Consumers Association, New Mexico

Compliance

We have audited Desert Sands Mutual Domestic Water Consumers Association's compliance (the Association) with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Desert Sands Mutual Domestic Water Consumers Association's major federal programs for the year ended December 31, 2009. The Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Association's management. Our responsibility is to express an opinion on the Association's compliance based on our audit.

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

In our opinion, Association, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 09-02.

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 our audit, we considered the Association's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the



auditing procedures for the purpose of expressing our opinion on compliance and to test and report in internal control over compliance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

*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.

Our 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Association's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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 the Association's Board of Directors, the Association's management, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and 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.

*White + Samariega + Campbell, LLP*

El Paso, Texas  
August 15, 2011

**STATE OF NEW MEXICO  
DESERT SANDS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2009**

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**SECTION I - SUMMARY OF AUDITOR'S REPORT**

***FINANCIAL STATEMENTS***

Type of Auditor's Report Issued	<u>Unqualified</u>	
Significant Deficiencies Identified?	<u>  X  </u> Yes	<u>      </u> No
Significant Deficiencies Identified that Are Considered to Be Material Weakness(es)?	<u>      </u> Yes	<u>  X  </u> No
Noncompliance Material to Financial Statements	<u>N/A</u>	

***FEDERAL AWARDS***

Type of Auditor's Report Issued on compliance for Major Programs	<u>Unqualified</u>	
Internal Control Over Major Programs:		
Significant Deficiencies Identified?	<u>  X  </u> Yes	<u>      </u> No
Significant Deficiency(ies) Identified that Are Considered to Be Material Weakness(es)?	<u>      </u> Yes	<u>  X  </u> No
Any Audit Findings Disclosed that are Required to be Reported in accordance with Section 501(a) of Circular A-133?	<u>      </u> Yes	<u>  X  </u> No

**Identification of Major Programs:**

CFDA	10.760	Water and Waste Disposal Systems for Rural Communities
CFDA	10.760	Water and Waste Disposal Systems for Rural Communities - Loan

Dollar Threshold Used to Distinguish Between Type A and Type B Programs	<u>\$300,000</u>	
Auditee Qualifies as Low-Risk Auditee	<u>      </u> Yes	<u>  X  </u> No

**STATE OF NEW MEXICO  
DESERT SANDS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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**Late Audit Report (09-01)**

<b>CONDITION</b>	The audit report was submitted to the State Auditor in August 2011, which is, after the required deadline.
<b>CRITERIA</b>	Special districts audits are required to be submitted to the State Auditor by December 1. This is a requirement of the State Auditors Office Rule 2.2.2.9A(1)( C)
<b>EFFECT</b>	State Auditor regulations have not been adhered to. Also, the users of the financial statements such as legislators, creditors, bondholders, State and Federal grantors, etc., do not have timely audit reports and financial statements for their review. Late audit reports could have an effect on State and Federal Funding.
<b>CAUSE</b>	The Association was not aware of audit requirements.
<b>RECOMMENDATION</b>	The Association is working diligently to become current with all of their audit reports.
<b>RESPONSE</b>	The Association is diligently working to ensure that all audits are submitted and deadlines are adhered to.

**Data Collection Form Package Not Timely Filed (09-02) -  
CFDA 10.760 Water and Waste Disposal System for Rural Communities**

<b>CONDITION</b>	The Data Collection Form and the reporting package was not submitted to the federal clearing house within nine months after the fiscal year end.
<b>CRITERIA</b>	OMB Circular A-133.320 requires that the data collection form and the reporting package be submitted within nine months of the fiscal year end for all single audit reports.
<b>EFFECT</b>	Data used by the federal government to manage grants was not available, and Federal regulations have been violated.
<b>CAUSE</b>	The audit was not completed by the required deadline, as detailed in finding 09-01 above.
<b>RECOMMENDATION</b>	We recommend that the Data Collection form be filed timely, if required
<b>RESPONSE</b>	The recommendation will be adopted

### **Expenses in Excess of Budget (09-03)**

<b>CONDITION</b>	The Association's actual expenditures exceeded the approved budget by \$11,733 in total.
<b>CRITERIA</b>	Budgets for soil and water conservation districts are approved by DFA in accordance with Section 6-6-3 NMSA 1978. Association's expenditures cannot exceed the approved budget according to Section 6-6-6 NMSA 1978 which states: "When any budget for a local public body has been approved and received by a local public body, it is binding upon all officials and governing authorities, and no governing authority or official shall allow or approve claims in excess thereof, and no official shall pay any check or warrant in excess thereof, and the allowances or claims or checks or warrants so allowed or paid shall be a liability against the officials so allowing or paying those claims or checks or warrants, and recovery for the excess amounts so allowed or paid may be had against the bondsmen of those officials."
<b>EFFECT</b>	Association is not in compliance with state law.
<b>CAUSE</b>	The budget overages appear to be the result of inadequate budgetary controls in the Association accounting system.
<b>RECOMMENDATION</b>	Adopt budget adjustments in accordance with the Association's plans and operations. Obtain approval from DFA before any expenditures are incurred. Monitor accounts at least quarterly to ensure that actual expenditures do not exceed the approved budget or available fund balance at any time during the fiscal year.
<b>RESPONSE</b>	The Association will improve budget monitoring and review.

**STATE OF NEW MEXICO  
DESERT SANDS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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**STATUS OF PRIOR YEAR FINDINGS**

There were no prior year audit findings

**STATE OF NEW MEXICO  
DESERT SANDS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>Federal Grantor</b>	<b>Federal CFDA Number</b>	<b>Award Amount</b>	<b>Current Fiscal Year Expenditures</b>
<b><u>US Department of Agriculture</u></b>			
Water and Waste Disposal System for Rural Communities	10.760	\$ 1,293,904	\$ 612,021
Water and Waste Disposal System for Rural Communities - Loan	10.760	<u>14,000</u>	<u>14,000</u>
Total Department of Agriculture		1,307,904	626,021
Total Expenditures of Federal Awards		<u>\$ 1,307,904</u>	<u>\$ 626,021</u>

**Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Desert Sands Mutual Domestic Water Consumers Association and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and NonProfit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Desert Sands Mutual Domestic Water Consumers Association had \$14,000 loan balance outstanding at December 31, 2009. This loan balance is also included in the schedule of expenditures of federal awards.

See accompanying notes and independent auditors' report.

**STATE OF NEW MEXICO  
DESERT SANDS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**EXIT CONFERENCE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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An exit conference was conducted August 18, 2011 in a closed meeting of the Association pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Desert Sands Mutual Mutual Domestic Water Consumer Association

Rosaura Pargas	President
Karen Nichols	Business Manager
Martin Lopez	Lower Rio Grande PWWA
Kathi Jackson	Lower Rio Grande PWWA

White + Samaniego + Campbell, LLP

Luis Molina, CPA	Auditor
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**FINANCIAL STATEMENT PREPARATION**

The combined financial statements of the Association as of, and for the year ended, December 31, 2009 were prepared by White + Samaniego + Campbell, LLP, with the aid of responsible Association personnel. Official responsible personnel agree that the presentations are made with their knowledge and agreement.