

STATE OF NEW MEXICO  
JEMEZ SPRINGS DOMESTIC WATER  
ASSOCIATION

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FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
YEAR ENDED MARCH 31, 2010  
WITH  
INDEPENDENT AUDITORS' REPORT

 KEYSTONE ACCOUNTING, LLC  
CERTIFIED PUBLIC ACCOUNTANTS

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## INTRODUCTORY SECTION

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STATE OF NEW MEXICO  
JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION

OFFICIAL ROSTER  
MARCH 31, 2010

Board of Directors

Emmett Cart	President
John H. Garcia	Vice-President
Dennis Smith	Director
Melvin Maestas	Director
Bob Wilson	Sec-Treasurer

Administrative Employees

Yvonne Dickey	Office Manager
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Field Employees

John L. Kennedy	Systems Operator
Bob Lopez	Meter Reader

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**STATE OF NEW MEXICO  
JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION**

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Year Ended March 31, 2010**

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**FINANCIAL SECTION**

**FISCAL YEAR 2010**

**APRIL 1, 2009 THROUGH MARCH 31, 2010**

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**INDEPENDENT AUDITOR'S REPORT**

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# KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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Farmington, NM 87401

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Fax (505) 566-1911

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## INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas, State Auditor  
and the Board of Directors of Jemez Springs Domestic Water Association  
Jemez Springs, New Mexico

We have audited the accompanying financial statements of the business-type activities of Jemez Springs Domestic Water Association, as of and for the year ended March 31, 2010, which collectively comprise the Association's basic financial statements as listed in the table of contents. We have also audited the budget comparison presented as supplemental information in the financial statements as of and for the year ended March 31, 2010, as listed in the table of contents. These financial statements are the responsibility of Jemez Springs Domestic Water Association 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 the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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 Jemez Springs Domestic Water Association as of March 31, 2010, and the respective changes in financial position and cash flows of the Association for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement referred to above presents fairly, in all material respects, the budgetary comparison of the Association as of and for the year ended March 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated August 20, 2010, on our consideration of the Jemez Springs Domestic Water 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.

# KEYSTONE ACCOUNTING, LLC

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Hector H. Balderas, State Auditor, and  
The Board of Directors,  
Jemez Springs Domestic Water Association

The Association has not presented the Management's Discussion and Analysis required by GASB Statement No. 34 that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Jemez Springs Domestic Water Association, basic financial statements, and the budgetary comparison statements. The accompanying supplemental schedule of pledged collateral is presented for purposes of additional analysis and is not a required part of the basic financial statement. The Supplemental 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.

*Keystone Accounting, LLC*

August 20, 2010

## **BASIC FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION

PROPRIETARY FUND  
STATEMENT OF NET ASSETS  
March 31, 2010

ASSETS

Current assets:

Cash and cash equivalents	\$	66,027
Accounts receivable - net of doubtful accounts		21,027
Prepaid insurance		5,578
Total current assets		92,632

Noncurrent assets:

Customer deposits		1,300
Non depreciable capital assets		326,224
Depreciable capital assets - net		943,081
Total noncurrent assets		1,270,605
Total assets	\$	1,363,237

LIABILITIES

Current liabilities:

Accounts payable	\$	1,410
Accrued liabilities		5,252
Compensated absences		2,488
Accrued interest payable		424
Loans payable		22,494
Total current liabilities		32,068

Noncurrent liabilities:

Customer deposits payable		1,300
Loans payable (less current portion)		106,530
Total noncurrent liabilities		107,830
Total liabilities		139,898

NET ASSETS

Invested in capital assets, net of related debt		1,140,281
Unrestricted		83,058
Total net assets		1,223,339
Total liabilities and net assets	\$	1,363,237

The Notes to the Financial Statements are an Integral Part of This Statement.



STATE OF NEW MEXICO  
JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION

PROPRIETARY FUND  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS  
Year ended March 31, 2010

Operating revenue:	
Water sales	\$ 179,983
Other	<u>3,568</u>
Total operating revenue	<u>183,551</u>
Operating expenses:	
Salaries and benefits	58,193
Employee benefits	16,239
Travel	1,244
Plant operations	16,581
Office expense	8,173
Repairs and maintenance	11,149
Insurance	3,844
Legal and professional	5,155
Miscellaneous	3,026
Depreciation	<u>39,746</u>
Total operating expenses	<u>163,350</u>
Operating income (loss)	<u>20,201</u>
Non-Operating income (expenses):	
Interest income	1,209
Grant income	59,662
Interest expense	<u>(1,918)</u>
Total nonoperating revenues (expenses)	<u>58,953</u>
Change in net assets	79,154
Net assets beginning of year	<u>1,144,185</u>
Net assets end of year	<u>\$ 1,223,339</u>

The Notes to the Financial Statements are an Integral Part of This Statement.

STATE OF NEW MEXICO  
JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION

PROPRIETARY FUND  
STATEMENT OF CASH FLOWS  
Year ended March 31, 2010

CASH FLOWS FROM OPERATING

ACTIVITIES

Cash received from customers	\$	181,175
Cash payments to employees		(79,782)
Cash payments for supplies and maintenance		<u>(50,048)</u>
Net cash provided by operating activities		<u>51,345</u>

CASH FLOWS FROM CAPITAL AND RELATED

FINANCING ACTIVITIES

Proceeds from capital grant		59,662
Purchases of capital assets		(99,228)
Principal paid on capital debt		(21,711)
Interest paid on capital debt		<u>(2,706)</u>
Net cash used in capital and related financing activities		<u>(63,983)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Deposits to restricted cash		43,556
Interest and dividends received		<u>1,209</u>
Net cash provided by investing activities		<u>44,765</u>

Net increase (decrease) in cash and cash equivalents 32,127

Cash and cash equivalents at beginning of year 33,900

Cash and cash equivalents at end of year \$ 66,027

RECONCILIATION OF OPERATING INCOME  
TO NET CASH PROVIDED (USED) BY  
OPERATING ACTIVITIES

Operating income	\$	<u>20,201</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense		39,746
(Increase) decrease in:		
Increase in customer receivables		(2,376)
Increase in prepaid expenses		(1,140)
Increase (decrease) in:		
Accounts payable		264
Accrued liabilities		(7,838)
Compensated absences		<u>2,488</u>
Total adjustments		<u>31,144</u>

Net cash provided by operating activities \$ 51,345

The Notes to the Financial Statements are an Integral Part of This Statement.

STATE OF NEW MEXICO  
JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Jemez Springs Domestic Water Association (Association) is a not-for-profit Mutual Domestic Association established for the purpose of constructing, maintaining, and operating a water system for members of the Association in rural Sandoval County. The Association was incorporated as a Cooperative Association under the provisions of the New Mexico Cooperative Corporation Act. The Board of Directors changed its form of organization from a not-for-profit cooperative to a not-for-profit Association under the Sanitary Projects Act, NMSA 3-29-1 through 3-29-20.

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

An Attorney General's (AG) opinion (90-30, dated December 27, 1990) concludes that entities created under the Sanitary Projects Act (SPA) are subject to the New Mexico Audit Act. Additionally, there is another AG opinion (06-02) that states Mutual Domestic Associations (MDAs) under the SPA are public bodies whose revenues are "public money" and must abide by the Open Meeting Act.

The Association's financial statements include all financial information over which the Board of Directors exercises oversight responsibility. Oversight responsibility includes such aspects as appointment of governing body members, designation of management, the ability to significantly influence operations, and accountability for fiscal matters. Based upon the application of these criteria, no component units were included in the financial statements.

The summary of significant accounting policies of the Association is presented to assist in the understanding of the Association's financial statements. The financial statements and notes are the representation of Jemez Springs Domestic Water Association's management who is responsible for their integrity and objectivity. The financial statements of the Association conform to Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

STATE OF NEW MEXICO  
JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The government uses a proprietary fund to record all of its transactions.

Private-sector standards of accounting and financial reporting issued on or before November 30, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Association enterprise fund is charges to customers for sales and services. Operating expense for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Assets, liabilities, and net assets or equity

1. *Deposits and investments*

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.

State statutes authorize the investment of the Association's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The Association is also allowed to invest in United States Government obligations. All funds for the Association must follow the above investment policies.

STATE OF NEW MEXICO  
JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
March 31, 2010

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, liabilities, and net assets or equity (continued)

1. *Deposits and investments (continued)*

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Association. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest on non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States Treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

Investments for the Association are reported at fair value.

2. *Accounts Receivable*

The accounts receivable reported in the Statement of Net Assets are not considered fully collectible; and are reported net of allowance for doubtful accounts, which has been recorded. Receivables are recognized when services are rendered and revenue has been earned.

3. *Capital assets*

The Association's policy is to capitalize all disbursements for equipment in excess of \$5,000. Property and equipment are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expenses as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of activities. The Association's assets have the following estimated useful lives:

	<u>Years</u>
Buildings	40
Furniture and fixtures	5-15
Improvements	15-40
Machinery and equipment	5-20

STATE OF NEW MEXICO  
JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, liabilities, and net assets or equity (continued)

Water rights of \$155,000 are not depreciated or amortized because water rights reflect renewable resources that do not deplete through use or deterioration. The Association evaluates the water rights each reporting period to determine whether events or circumstances continue to support an indefinite useful life.

4. *Compensated absences*

It is the Association's policy to permit employees to accumulate earned but unused vacation benefits. Employees that work at least 20 hours a week are entitled to 5 days vacation after the first year of employment and 10 days vacation after the second year. Vacation days may not accrue from one year to the next without the prior approval with a maximum of 20 days and is accrued when incurred. The cost of earned but unpaid vacation leave is normally recognized in proprietary funds when the benefit vests to the employee and becomes a legal liability to the Association. The Association allows employees to take their leave prior to the end of the calendar year following the year in which leave is earned.

5. *Use of Estimates*

The preparation of the 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

6. *Income Taxes*

Jemez Springs Domestic Water Association is exempt from Federal Income Taxes under the provisions of section 501(a) of the Internal Revenue Code as an entity described in section 501(c)(12). Therefore, no provision for income taxes has been made.

7. *Capitalized Interest*

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Association during the current fiscal year was \$4,361. Of this amount, \$2,443 was included as part of the cost of capital assets under construction in connection with building projects.

STATE OF NEW MEXICO  
JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

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II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

A budget is prepared by management and approved by the Board of Directors.

This budget is prepared on the accrual basis, excluding encumbrances, and secures appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. The budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year.

The Association follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In March, the management submits to the Board of Directors a proposed operating budget of the fiscal year commencing the following April. The operating budget includes proposed expenditures and the means of financing them.
2. In April, the budget is approved by the Board of Directors.
3. The board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called for.
4. Formal budgetary integration is employed as a management control device during the year.
5. The budget is adopted on a basis is consistent with generally accepted accounting principles (GAAP).

The Board of Directors may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending balances. The appropriated budget for the year ended March 31, 2010 was properly amended by the Board through the year. These amendments resulted in the following changes:

	Original <u>Budget</u>	Final <u>Budget</u>
Proprietary Fund	\$ <u>174,823</u>	\$ <u>174,823</u>

B. Excess of Expenditure Over Appropriations

For the year ended June 30, 2010 expenditures exceeded appropriations.

STATE OF NEW MEXICO  
JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
March 31, 2010

II. DETAILED NOTES ON ALL FUNDS

A. Cash and Temporary Investments

At March 31, 2010, the carrying amount of the Association's deposits was \$67,127 and the bank balance was \$65,874. Of this balance \$65,874 was covered by federal depository insurance. Reconciling items in the amount of \$1,252 consist of outstanding deposit and checks.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Association's deposits may not be returned to it. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution. The statement listed below will meet the State of New Mexico Office of the State Auditor's requirement in reporting the uninsured portion of the deposits. As of March 31, 2010, the Association's did not have any bank balances exposed to custodial risk as follows:

	First Community <u>Bank</u>	Jemez Valley <u>Credit Union</u>	Cash on <u>Hand</u>
Cash on deposit	\$ 9,137	\$ 13,181	
Certificates of deposit	43,556	-	
Cash on hand			\$ 200
FDIC coverage	<u>(52,693)</u>	<u>(13,181)</u>	<u>-</u>
Total uninsured public funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200</u>

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, Association or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the Association. Time deposits, savings deposits and interest bearing "Now" accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the investments will change due to changes in the rate of interest applied to those investments. The Association's fair values of investments are not affected by changes in interest rates.



STATE OF NEW MEXICO  
JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
March 31, 2010

III. DETAILED NOTES ON ALL FUNDS (continued)

B. Receivables

Receivables as of year-end for the Association are as follows:

Accounts receivable	\$ 21,527
Allowance for doubtful accounts	<u>(500)</u>
	<u>\$ 21,027</u>

C. Capital Assets

Capital assets activity for the year ended March 31, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Business type activities:					
Capital assets, not being depreciated:					
Water rights	\$ 155,000	\$ -	\$ -	\$ -	\$ 155,000
Land	-	15,157	-	23,180	38,337
Construction in progress	<u>56,632</u>	<u>76,255</u>	-	-	<u>132,887</u>
Total capital assets, not being depreciated	<u>211,632</u>	<u>91,412</u>	-	<u>23,180</u>	<u>326,224</u>
Capital assets, being depreciated:					
Land improvements	35,870	-	-	(23,180)	12,690
Buildings and improvements	39,023	-	-	-	39,023
Equipment	<u>1,424,134</u>	<u>7,816</u>	-	-	<u>1,431,950</u>
Total capital assets being depreciated	<u>1,499,027</u>	<u>7,816</u>	-	<u>(23,180)</u>	<u>1,483,663</u>
Less accumulated depreciation for:					
Land improvements	(9,042)	(1,269)	-	-	(10,311)
Buildings and improvements	(22,894)	(1,403)	-	-	(24,297)
Equipment	<u>(468,900)</u>	<u>(37,074)</u>	-	-	<u>(505,974)</u>
Total accumulated depreciation	<u>(500,836)</u>	<u>(39,746)</u>	-	-	<u>(540,582)</u>
Total capital assets being depreciated, net	<u>998,191</u>	<u>(31,930)</u>	-	<u>(23,180)</u>	<u>943,081</u>
Business type activities capital assets, net	<u>\$ 1,209,823</u>	<u>\$ 59,482</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,269,305</u>

Construction commitments

The Association is involved in a long-term construction project as part of their master plan for upgrading the plant operations. Commitments as of March 31, 2010 were \$147,699.

STATE OF NEW MEXICO  
JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
March 31, 2010

III. DETAILED NOTES ON ALL FUNDS (continued)

D. Long-term Liabilities

Loans Payable

The Association has acquired loans to provide funds for the acquisition and construction of major capital facilities. The loans will be paid from operating income. The details of the loans as of March 31, 2010 are as follows:

<u>Loans payable</u>	<u>Original Amount</u>	<u>Interest Rates</u>	<u>Balance March 31, 2010</u>	<u>Amount Due Within One Year</u>
RD 91-03	\$ 72,800	5.00%	\$ 29,978	\$ 2,825
RIP 89-15R	40,238	3.00%	5,017	5,017
RIP 94-08	<u>197,821</u>	3.00%	<u>94,029</u>	<u>14,652</u>
Total	<u>\$ 310,859</u>		<u>\$ 129,024</u>	<u>\$ 22,494</u>

Annual debt service requirements to maturity for loans payable are as follows:

<u>Loans Payable</u>			
<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2011	\$ 22,494	\$ 4,405	\$ 26,899
2012	18,061	3,669	21,730
2013	18,666	3,064	21,730
2014	19,291	2,438	21,729
2015	19,291	1,815	21,106
2016 - 2020	<u>31,221</u>	<u>1,736</u>	<u>32,957</u>
Total	<u>\$ 129,024</u>	<u>\$ 17,127</u>	<u>\$ 146,151</u>

STATE OF NEW MEXICO  
JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
March 31, 2010

III. DETAILED NOTES ON ALL FUNDS (continued)

D. Long-term Liabilities (continued)

Changes in Long-Term Debt

During the year ended March 31, 2010 the following changes occurred in liabilities reported in the Statement of Net Assets:

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>Ending</u>	<u>Amount Due</u> <u>Within One Year</u>
Compensated absences:					
Compensated vacation	\$ -	\$ 2,488	\$ -	\$ 2,488	\$ 2,488
Loans payable	<u>150,735</u>	<u>-</u>	<u>21,711</u>	<u>129,024</u>	<u>22,494</u>
	<u>\$ 150,735</u>	<u>\$ 2,488</u>	<u>\$ 21,711</u>	<u>\$ 131,512</u>	<u>\$ 24,982</u>

The liability of compensated absences is liquidated with resources from the unrestricted net assets.

III. ACCRUED LIABILITIES

Salaries	\$ 1,919
Tax withholdings	526
Payroll taxes payable	689
Other payroll withholdings	172
Gross receipts tax	<u>1,946</u>
	<u>\$ 5,252</u>

IV. RETAINED RISKS OF LOSS

The Association is exposed to various risks of loss related to torts, theft to, damage to, and destruction of assets, error and omissions, injuries to employees, and natural disasters. The Association carries commercial insurance for all risks. Settlement of claims resulting from these risks have not exceeded commercial insurance coverage in the past three years.

STATE OF NEW MEXICO  
JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

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V. JOINT POWERS AGREEMENT

Participants:	Jemez Springs Domestic Water Association, Village of Jemez Springs
Responsible Parties:	Both parties
Description:	Jemez Springs Domestic Water Association agrees to provide technician to disconnect and/or remove water meters as requested by the Village of Jemez Springs.
Period:	November 5, 2002 until cancelled
Project Cost:	Village of Jemez Springs agrees to compensate Jemez Springs Domestic Water Association for servicing the disconnection, removal, and/or reconnection of water meters at the rate for such services stated in the Village Ordinance 17-2-9. Due to the indefinite date of cancellation of the project, and the infrequency of disconnections, removal, and/or reconnections of water meters, the total cost of the project is undeterminable and as such the cost applicable to the association is undeterminable.
Association Contributions:	Undeterminable
Audit Responsibility:	Village of Jemez Springs
Fiscal Responsibility:	Both parties
Revenues and Expenditures Reported:	Fees assessed to residents for the disconnection, removal, and/or reconnection of water meters is received and recorded by the Village. The Village records expenditures for the reimbursements paid to the Association. The Association records expenditures for the cost of each disconnection, removal, and/or reconnection of water meters and then records a revenue for the reimbursement received from the Village.

STATE OF NEW MEXICO  
JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

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VI. SPECIAL OR SPECIFIC STATE APPROPRIATIONS

The office of the State Auditor requires the following information on special and specific appropriation. Revenue from special or specific state appropriations is recognized during the period in which the funds are expended.

Project Number	Appropriation Period	Original Appropriation	Expenditures To Date	Unencumbered Balance
06-0207-STB	4/1/09-3/31/10	\$ 50,000	\$ 50,000	\$ -
09-3812-STB	4/1/09-3/31/11	150,000	2,301	147,699

VII. SUBSEQUENT EVENTS

Water from one of the Association's sources is not in compliance with the New Mexico State Environment Department's maximum contaminant level for arsenic. The Association discloses this matter to its members on a regular basis. The Association sought to drill a well to replace this water. The water well the Association is now pursuing arsenic removal treatment.

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**SUPPLEMENTAL INFORMATION**

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**STATE OF NEW MEXICO  
JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION**

**PROPRIETARY FUND  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -  
BUDGET AND ACTUAL  
Year ended March 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
Operating revenue:				
Water sales	\$ 166,021	\$ 166,021	\$ 179,983	\$ 13,962
Other	<u>4,976</u>	<u>4,976</u>	<u>3,568</u>	<u>(1,408)</u>
Total operating revenue	<u>170,997</u>	<u>170,997</u>	<u>183,551</u>	<u>12,554</u>
Operating expenses:				
Salaries and benefits	56,521	56,521	58,193	(1,672)
Employee benefits	28,107	28,107	16,239	11,868
Travel	1,014	1,014	1,244	(230)
Plant operations	11,436	11,436	16,581	(5,145)
Office expense	6,953	6,953	8,173	(1,220)
Repairs and maintenance	5,000	5,000	11,149	(6,149)
Insurance	11,301	11,301	3,844	7,457
Legal and professional	2,485	2,485	5,155	(2,670)
Miscellaneous	7,701	7,701	3,026	4,675
Depreciation	<u>38,371</u>	<u>38,371</u>	<u>39,746</u>	<u>(1,375)</u>
Total operating expenses	<u>168,889</u>	<u>168,889</u>	<u>163,350</u>	<u>5,539</u>
Income from operations	<u>2,108</u>	<u>2,108</u>	<u>20,201</u>	<u>18,093</u>
Non-Operating income (expenses)				
Interest income	2,549	2,549	1,209	(1,340)
Grant income	-	-	59,662	59,662
Interest expense	<u>(5,934)</u>	<u>(5,934)</u>	<u>(1,918)</u>	<u>4,016</u>
Total nonoperating revenues (expenses)	<u>(3,385)</u>	<u>(3,385)</u>	<u>58,953</u>	<u>62,338</u>
Net income (loss)	(1,277)	(1,277)	79,154	80,431
Net assets beginning of year	<u>1,144,185</u>	<u>1,144,185</u>	<u>1,144,185</u>	<u>-</u>
Net assets end of year	<u>\$ 1,142,908</u>	<u>\$ 1,142,908</u>	<u>\$ 1,223,339</u>	<u>\$ 80,431</u>

STATE OF NEW MEXICO  
JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION

SCHEDULE OF PLEDGED COLLATERAL  
March 31, 2010

	First Community Bank	Jemez Valley Credit Union
Cash on deposit	\$ 9,137	\$ 13,181
Certificates of deposit	43,556	-
Total deposits	52,693	13,181
Less FDIC Coverage	(52,693)	(13,181)
Total uninsured funds	\$ -	\$ -

Account Name	Account Type	Bank Name	Bank Amount
Operating	Checking	Jemez Springs Credit Union	\$ 7,030
Jemez Savings	Savings	Jemez Springs Credit Union	2,357
Tank Reserve	Savings	Jemez Springs Credit Union	612
Construction	Checking	Jemez Springs Credit Union	1,325
Regular Reserve	Checking	Jemez Springs Credit Union	1,857
Savings Business	Savings	First Community Bank	9,137
First State CD	Certificate of deposit	First Community Bank	43,556
Total			\$ 65,874
Adjustments to cash:			
		Bank Balance	\$ 65,874
		Cash on hand	200
		Customer deposits	(1,300)
		Reconciling items	1,253
		Total adjustment to cash	\$ 66,027

**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**

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## 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 Jemez Springs Domestic Water Association  
Jemez Springs, New Mexico

We have audited the financial statements of the business-type activities of the Jemez Springs Domestic Water Association, as of and for the year ended March 31, 2010, which collectively comprise the Jemez Springs Domestic Water Association's basic financial statements and have issued our report thereon dated August 20, 2010. We have also audited the budget comparison presented as supplemental information in the financial statements as of and for the year ended March 31, 2010, as listed in the table of contents. 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 Jemez Springs Domestic Water 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 Jemez Springs Domestic Water Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Jemez Springs Domestic Water 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 entity'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.

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Hector H. Balderas, State Auditor  
and the Board of Directors of Jemez Springs Domestic Water Association  
Jemez Springs, New Mexico

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jemez Springs Domestic Water 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 two instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, as finding number 2010 – 1 through 2010 – 2.

The Jemez Springs Domestic Water Association's response to the finding identified in our audit is described in the accompanying *schedule of findings and responses*. We did not audit Jemez Springs Domestic Water Association's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, Department of Finance and Administration – Local Government Division, and the New Mexico State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

*Keystone Accounting, LLC*

August 20, 2010

## **AUDIT FINDINGS AND RESPONSES**

STATE OF NEW MEXICO  
JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
Year Ended March 31, 2010

PRIOR YEAR AUDIT FINDINGS

2009 – 1 LATE AUDIT REPORT

*Condition:* The New Mexico State Auditor required the audit to be completed and submitted to his office by August 31, 2009. The filing date of the completed annual audit is subsequent to the required due date.

*Recommendation:* The audit should be completed by the required due date.

*Current Status:* Not resolved. Repeated in the current year as finding 2010 - 1.

2009 – 2 BUDGET OVER EXPENDITURES

*Condition:* Jemez Springs Domestic Water Association incurred expenditures in excess of the approved budget.

Fund	Approved Budget	Actual Expenditures	Amount over expended
Proprietary fund	\$ 167,392	\$ 170,231	\$ (2,839)

*Recommendation:* We recommend that Jemez Springs Domestic Water Association follow the budget.

*Current Status:* Resolved. Not repeated in the current year.



STATE OF NEW MEXICO  
JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended March 31, 2010

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CURRENT YEAR AUDIT FINDINGS

2010 – 1 LATE AUDIT REPORT  
(Original Finding Number 2009 – 1)

**Condition:** The New Mexico State Auditor required the audit to be completed and submitted to his office by August 31, 2010. The filing date of the completed annual audit is subsequent to the required due date.

**Criteria:** According to the State of New Mexico, Office of the State Auditor publication 2 NMAC 2.2 Requirements for Contracting and Conducting Audits of Agencies, Section 9.1, the filing date for audit reports for Association is August 31st following the end of the fiscal year.

**Effect of condition:** The Association is not in compliance with NMAC 2.2.2.9A(1), the effect is that the State is not getting timely information for budgeting information.

**Cause:** The audit report was mailed to the Client instead of the State Auditor, lost in the mail. The auditor reissued the report and all backup information and the second report was received after the due date and the first report was received 2 weeks later.

**Recommendation:** The audit should be completed by the required due date.

**Response:** Association will make a concerted effort to complete the audit in a timely manner.

STATE OF NEW MEXICO  
JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended March 31, 2010

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CURRENT YEAR AUDIT FINDINGS (continued)

2010 – 2 LACK OF TIMELY MONITORING OF BUDGET LINE ITEMS

Condition: There was an unfavorable variance between actual and budgeted line item expenditures at fiscal year end:

Salaries and benefits	\$ 1,672
Travel	230
Plant operations	5,145
Office expense	1,220
Repairs and maintenance	6,149
Legal and professional	2,670
Depreciation	1,375

Criteria: According to NMSA 1978 Section 22-8-11 B all fiscal agents of public monies have a responsibility to monitor spending to comply with established budget guidelines.

Effect of Condition: Violation of NMSA 1978 Section 22-8-11 B, over spending of public monies. Improper monitoring could lead to expenditures being paid in excess of total budgeted amounts.

Cause: Improper monitoring of line item expenditures by comparing budgeted amounts and actual amounts spent allowed unfavorable (negative) variances, overspending of line item budgets, to occur.

Recommendations: Management should implement immediate steps to provide adequate financial reports to allow for proper and timely monitoring of line item expenditures. Budget adjustment requests should be approved by the Board of Directors prior to being presented for audit.

Management Response: All expenditure balances will be reviewed and monitored by line item to maintain a current analysis of actual versus approved budgeted amounts.

**REQUIRED DISCLOSURE**

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**STATE OF NEW MEXICO  
JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION**

**REQUIRED DISCLOSURES  
Year Ended March 31, 2010**

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The independent public accountant prepared the financial statements.

The exit conference was held August 23, 2010. The exit conference was attended by the following individuals:

Representing:

Jemez Springs Domestic Water Association:

Bob Wilson                      Treasurer

Keystone Accounting, LLC:

Terry Ogle, CPA              Partner