STATE OF NEW MEXICO
JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
YEAR ENDED MARCH 31, 2011
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, 2011

<u>Board of Directors</u>

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

<u>Administrative Employees</u>

Yvonne Dickey	Office Manager

<u>Field Employees</u>

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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FINANCIAL SECTION

FISCAL YEAR 2011

APRIL 1, 2010 THROUGH MARCH 31, 2011

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INDEPENDENT AUDITOR'S REPORT

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CERTIFIED PUBLIC ACCOUNTANTS

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Telephone (505) 566-1900
Fax (505) 566-1911

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, 2011, 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, 2011, 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, 2011, 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, 2011 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 October 21, 2011, 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.

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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

October 21, 2011

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION

PROPRIETARY FUND
STATEMENT OF NET ASSETS
March 31, 2011

ASSETS		
Current assets:		
Cash and cash equivalents	$	88,688
Accounts receivable - net of doubtful accounts		20,994
Prepaid insurance		5,551
Total current assets		115,233
Noncurrent assets:		
Customer deposits		1,300
Capital assets:		
Non depreciable capital assets		383,821
Depreciable capital assets - net		903,286
Total noncurrent assets		1,288,407
Total assets	$	1,403,640
LIABILITIES		
Current liabilities:		
Accounts payable	$	1,947
Accrued liabilities		4,256
Compensated absences		4,186
Accrued interest payable		354
Loans payable		15,114
Total current liabilities		25,857
Noncurrent liabilities:		
Customer deposits payable		1,300
Loans payable (less current portion)		91,386
Total noncurrent liabilities		92,686
Total liabilities		118,543
NET ASSETS		
Invested in capital assets, net of related debt		1,180,607
Unrestricted		104,490
Total net assets		1,285,097
Total liabilities and net assets	$	1,403,640

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, 2011

Operating revenue:	
Water sales	$ 193,019
Other	4,327
Total operating revenue	197,346
Operating expenses:	
Salaries and benefits	75,939
Employee benefits	19,074
Travel	1,407
Plant operations	10,749
Office expense	9,187
Repairs and maintenance	9,991
Insurance	5,315
Legal and professional	9,504
Miscellaneous	5,200
Depreciation	39,795
Total operating expenses	186,161
Operating income (loss)	11,185
Non-Operating income (expenses):	
Interest income	855
Grant income	54,046
Interest expense	(4,328)
Total nonoperating revenues (expenses)	50,573
Change in net assets	61,758
Net assets beginning of year	1,223,339
Net assets end of year	$ 1,285,097

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, 2011

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$	197,379
Cash payments to employees		(94,311)
Cash payments for supplies and maintenance		(50,789)
Net cash provided by operating activities		52,279
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital grant		54,046
Purchases of capital assets		(57,597)
Principal paid on capital debt		(22,524)
Interest paid on capital debt		(4,398)
Net cash used in capital and related financing activities		(30,473)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received		855
Net increase (decrease) in cash and cash equivalents		22,661
Cash and cash equivalents at beginning of year		66,027
Cash and cash equivalents at end of year	$	88,688
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income	$	11,185
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense		39,795
(Increase) decrease in:		
Increase in customer receivables		33
Increase in prepaid expenses		27
Increase (decrease) in:		
Accounts payable		537
Accrued liabilities		(996)
Compensated absences		1,698
Total adjustments		41,094
Net cash provided by operating activities	$	52,279
Supplemental disclosure of non cash investing and financing activities:		
Interest on notes payable accrued	$	354
Accrued compensated absences	$	4,186

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

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.

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.

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:

	Years
Buildings	40
Furniture and fixtures	5-15
Improvements	15-40
Machinery and equipment	5-20

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 $4,328. Of this amount, none was included as part of the cost of capital assets under construction in connection with building projects.

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, 2011 was properly amended by the Board through the year. These amendments resulted in the following changes:

	Original Budget	Final Budget
Proprietary Fund	$ 179,726	$ 191,934

B. Excess of Expenditure Over Appropriations

For the year ended June 30, 2011 expenditures exceeded appropriations.

II. DETAILED NOTES ON ALL FUNDS

A. Cash and Temporary Investments

At March 31, 2011, the carrying amount of the Association's deposits was $88,688 and the bank balance was $94,822. Of this balance $94,822 was covered by federal depository insurance. Reconciling items in the amount of $5,034 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, 2011, the Association's did not have any bank balances exposed to custodial risk as follows:

	First Community Bank	Jemez Valley Credit Union	Cash on Hand
Cash on deposit	$ 9,807	$ 41,459	
Certificates of deposit	43,556	-	
Cash on hand			$ 200
FDIC coverage	(53,363)	(41,459)	-
Total uninsured public funds	$ -	$ -	$ 200

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.

III. DETAILED NOTES ON ALL FUNDS (continued)

B. Receivables

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

Accounts receivable	$ 21,494
Allowance for doubtful accounts	(500)
	$ 20,994

C. Capital Assets

Capital assets activity for the year ended March 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Business type activities:					
Capital assets, not being depreciated:					
Water rights	$ 155,000	$ -	$ -	$ -	$ 155,000
Land	38,337	-	-	-	38,337
Construction in progress	132,887	57,597	-	-	190,484
Total capital assets, not being depreciated	326,224	57,597	-	-	383,821
Capital assets, being depreciated:					
Land improvements	12,690	-	-	-	12,690
Buildings and improvements	39,023	-	-	-	39,023
Equipment	1,431,950	-	-	-	1,431,950
Total capital assets being depreciated	1,483,663	-	-	-	1,483,663
Less accumulated depreciation for:					
Land improvements	(10,311)	(1,269)	-	-	(11,580)
Buildings and improvements	(24,297)	(1,403)	-	-	(25,700)
Equipment	(505,974)	(37,123)	-	-	(543,097)
Total accumulated depreciation	(540,582)	(39,795)	-	-	(580,377)
Total capital assets being depreciated, net	943,081	(39,795)	-	-	903,286
Business type activities capital assets, net	$ 1,269,305	$ 17,802	$ -	$ -	$ 1,287,107

<u>Construction commitments</u>

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, 2011 were $93,653.

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, 2011 are as follows:

Loans payable	Original Amount	Interest Rates	Balance March 31, 2010	Amount Due Within One Year
RD 91-03	$ 72,800	5.00%	$ 27,152	$ 2,825
RIP 94-08	197,821	3.00%	79,348	14,652
Total	$ 310,859		$ 106,500	$ 17,477

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

Loans Payable			
Year Ending March 31,	Principal	Interest	Total Requirements
2011	$ 18,084	$ 3,671	$ 21,755
2012	18,689	3,065	21,754
2013	19,316	2,439	21,755
2014	19,965	1,790	21,755
2015	19,742	1,118	20,860
2016 - 2020	10,704	759	11,463
Total	$ 106,500	$ 12,842	$ 119,342

III. DETAILED NOTES ON ALL FUNDS (continued)

D. Long-term Liabilities (continued)

Changes in Long-Term Debt

During the year ended March 31, 2011 the following changes occurred in liabilities reported in the Statement of Net Assets:

	Balance Beginning	Additions	Retirements	Balance Ending	Amount Due Within One Year
Compensated absences:					
Compensated vacation	$ 2,488	$ 2,488	$ 790	$ 4,186	$ 4,186
Loans payable	129,024	-	22,524	106,500	15,114
	$ 131,512	$ 2,488	$ 23,314	$ 110,686	$ 19,300

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

III. ACCRUED LIABILITIES

Salaries	$ 174
Tax withholdings	996
Payroll taxes payable	1,015
Other payroll withholdings	171
Gross reciepts tax	1,900
	$ 4,256

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.

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.

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
09-3812-STB	4/1/09-3/31/11	$ 150,000	$ 56,347	$ 93,653

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 failed, so 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, 2011

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Positive (Negative)
Operating revenue:				
Water sales	$ 183,583	$ 193,019	$ 193,019	$ -
Other	4,073	4,484	4,327	(157)
Total operating revenue	187,656	197,503	197,346	(157)
Operating expenses:				
Salaries and benefits	68,480	77,290	75,939	1,351
Employee benefits	19,242	19,209	19,074	135
Travel	1,100	1,407	1,407	-
Plant operations	15,450	9,061	10,749	(1,688)
Office expense	7,189	8,999	9,187	(188)
Repairs and maintenance	10,000	9,548	9,991	(443)
Insurance	4,700	5,333	5,315	18
Legal and professional	7,200	9,504	9,504	-
Miscellaneous	3,880	5,200	5,200	-
Depreciation	35,885	39,183	39,795	(612)
Total operating expenses	173,126	184,734	186,161	(1,427)
Income from operations	14,530	12,769	11,185	(1,584)
Non-Operating income (expenses)				
Interest income	900	855	855	-
Grant income	-	-	54,046	54,046
Interest expense	(6,600)	(7,200)	(4,328)	2,872
Total nonoperating revenues (expenses)	(5,700)	(6,345)	50,573	56,918
Net income (loss)	8,830	6,424	61,758	55,334
Net assets beginning of year	-	-	1,223,339	1,223,339
Net assets end of year	$ 8,830	$ 6,424	$ 1,285,097	$ 1,278,673

STATE OF NEW MEXICO
JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION

SCHEDULE OF PLEDGED COLLATERAL
March 31, 2011

	First Community Bank	Jemez Valley Credit Union
Cash on deposit	$ 9,807	$ 41,459
Certificates of deposit	43,556	-
Total deposits	53,363	41,459
Less FDIC Coverage	(53,363)	(41,459)
Total uninsured funds	$ -	$ -

Account Name	Account Type	Bank Name	Bank Amount
Operating	Checking	Jemez Springs Credit Union	$ 35,284
Jemez Savings	Savings	Jemez Springs Credit Union	2,357
Tank Reserve	Savings	Jemez Springs Credit Union	613
Construction	Checking	Jemez Springs Credit Union	1,329
Regular Reserve	Checking	Jemez Springs Credit Union	1,876
Savings Business	Savings	First Community Bank	9,807
First State CD	Certificate of deposit	First Community Bank	43,556
Total			$ 94,822

Adjustments to cash:	
Bank Balance	$ 94,822
Cash on hand	200
Cutomer deposits	(1,300)
Reconciling items	(5,034)
Total adjustment to cash	$ 88,688

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, 2011, which collectively comprise the Jemez Springs Domestic Water Association's basic financial statements and have issued our report thereon dated October 21, 2011. We have also audited the budget comparison presented as supplemental information in the financial statements as of and for the year ended March 31, 2011, 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

Management of Jemez Springs Domestic Water Association is responsible for establishing and maintaining effective 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting. Findings 2011 – 1 through 2011 – 2. 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.

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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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain other matters that are required to be reported pursuant to Government Auditing Standards paragraphs 5.14 and 5.16, and pursuant to Section 12-6- 5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as findings 2011 – 1 through 2011 – 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

October 21, 2011

AUDIT FINDINGS AND RESPONSES

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended March 31, 2011

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.

Current Status: Not resolved. Repeated in the current year as finding 2011 - 1.

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

Current Status: Not resolved. Repeated in the current year as finding 2011 - 2.

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended March 31, 2011

CURRENT YEAR AUDIT FINDINGS

2011 – 1 LATE AUDIT REPORT
(Original Finding Number 2009 – 1)

Significant Deficiency?	*Material Weakness?*
Yes	No

Internal Control?	*Compliance?*	*Other Matter?*
Yes	No	Yes

Condition: The New Mexico State Auditor required the audit to be completed and submitted to his office by August 31, 2011. 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 31th 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 State Auditor rejected the audit report in order to include the audit finding for the over expenditure of the budget, and some typographical errors, and reconciliations of cash.

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.

CURRENT YEAR AUDIT FINDINGS (continued)

2011 – 2 LACK OF TIMELY MONITORING OF BUDGET LINE ITEMS
(Original Finding Number 2010 – 2)

Significant Deficiency?	*Material Weakness?*
Yes	No

Internal Control?	*Compliance?*	*Other Matter?*
Yes	No	Yes

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

Plant operations	$ 1,688
Office expense	187
Repairs and maintenance	443
Depreciation	612

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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REQUIRED DISCLOSURES
Year Ended March 31, 2011

The independent public accountant prepared the financial statements.

The exit conference was held November 18, 2011. 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