

STATE OF NEW MEXICO  
CUATRO VILLAS MUTUAL DOMESTIC WATER USERS ASSOCIATION  
INDEPENDENT AUDITOR'S REPORT  
AND ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2015

## INTRODUCTORY SECTION

**STATE OF NEW MEXICO**  
**CUATRO VILLAS MUTUAL DOMESTIC WATER USERS ASSOCIATION**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
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**STATE OF NEW MEXICO**  
CUATRO VILLAS MUTUAL DOMESTIC WATER UTILITY ASSOCIATION  
OFFICIAL ROSTER  
JUNE 30, 2015

MEMBERS

Mukhtiar Singh Khalsa	President
James Smart	Vice-President
Frank Lopez	Secretary
Manny Chavez	Treasurer
Lupe Garcia	Member
Matthew Martinez	Member

**FINANCIAL SECTION**



# Griego Professional Services, LLC

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Mr. Tim Keller, New Mexico State Auditor and  
Cuatro Villas Mutual Domestic Water Users Association  
Espanola, New Mexico

### Report on Financial Statements

We have audited the accompanying basic financial statements of the business-type activities, and the aggregate remaining fund information of the State of Cuatro Villas Mutual Domestic Water Users Association (Cuatro Villas), as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the Cuatro Villas's basic financial statements as listed in the table of contents. We have also audited the financial statement of each of the Cuatro Villas's budgetary comparisons for the proprietary fund, presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying individual fund financial statements as of and for the year ended June 30, 2015, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and Cuatro Villas presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditor's Responsibility

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 misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

P.O. Box 37379 • Albuquerque, NM 87176-7379  
8500 Menaul Blvd. NE, Ste. B295 • Albuquerque, NM 87112  
Phone (505) 856-2741 - Fax (505) 856-7510

## 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, and aggregate remaining fund information of the Cuatro Villas, as of June 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budgetary comparison for the proprietary fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the Cuatro Villas' financial statements, the individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of federal awards as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, introductory, and the other schedules required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of federal awards and other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of federal awards and other schedules required by 2.2.2 NMAC are fairly stated in all material respects, in relation to the financial statements taken as a whole.

The Schedule of Vendors over \$60,000 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016, on our consideration of the Association' 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* in considering the Association' internal control over financial reporting and compliance.



Albuquerque, New Mexico  
December 14, 2016

**STATE OF NEW MEXICO**  
CUATRO VILLAS MUTUAL DOMESTIC WATER UTILITY ASSOCIATION  
STATEMENT OF NET POSITION  
JUNE 30, 2015

Exhibit A-1

**ASSETS**

Cash and cash equivalents	\$ 1,938
Restricted cash and cash equivalents	87,641
Accounts and other receivables (net of allowance of \$0)	51,504
Capital assets, net (Note 4)	3,272,422
<i>Total assets</i>	<u>\$ 3,413,505</u>

**LIABILITIES**

Accrued interest payable	\$ 182
Current portion of loans payable	43,929
Non-current portion of loans payable	1,364,151
	-
<i>Total liabilities</i>	<u>\$ 1,408,262</u>

**NET POSITION**

Net investment in capital assets	\$ 1,864,342
Unrestricted (deficit)	(1,354,820)
<i>Total net position</i>	<u>\$ 2,005,243</u>

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



**STATE OF NEW MEXICO**  
**CUATRO VILLAS MUTUAL DOMESTIC WATER UTILITY ASSOCIATION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Exhibit A-2

<i>Operating revenues:</i>	
Charges for service	\$ 72,513
Other	-
<i>Total operating revenues</i>	<u>\$ 72,513</u>
 <i>Operating expenses:</i>	
Other professional services	\$ 262,010
Depreciation and amortization expense	69,622
Utilities	14,839
System repairs and maintenance	42,449
Advertising	457
Other	5,308
Supplies	1,218
Insurance	3,905
<i>Total operating expenses</i>	<u>\$ 399,808</u>
 <i>Operating loss</i>	 <u>\$ (327,295)</u>
 <i>Non-operating revenue (expenses):</i>	
Grant revenue	\$ 413,480
Interest income	24,554
Interest expense	(14,440)
<i>Non-operating revenue</i>	<u>\$ 423,594</u>
 <i>Change in net position</i>	 \$ 96,299
 <i>Net position, beginning of year</i>	 \$ 2,185,008
Prior period adjustment	276,064
<i>Net position, beginning of year adjusted</i>	<u>\$ 1,908,944</u>
 <i>Net position, end of year</i>	 <u>\$ 2,005,243</u>

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

**STATE OF NEW MEXICO**  
**CUATRO VILLAS MUTUAL DOMESTIC WATER UTILITY ASSOCIATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Exhibit A-3

<i>Cash flows from operating activities:</i>	
Cash received from customers	\$ 77,364
Cash payments to suppliers of goods and services	(231,114)
Cash payments to employees for services	-
<i>Net cash provided (used) by operating activities</i>	<u>\$ (153,750)</u>
 <i>Cash flows from capital and related financing activities:</i>	
Purchase of property and equipment	\$ (889,299)
Principal payments on revenue bonds	669,506
Proceeds from grants	413,480
Interest paid on bonds and capital leases	(14,449)
<i>Net cash provided by (used for) capital and related financing activities</i>	<u>\$ 179,238</u>
 <i>Cash flows from investing activities:</i>	
Interest earned	<u>24,554</u>
<i>Net cash provided by investing activities</i>	<u>24,554</u>
 <i>Net increase (decrease) in cash and cash equivalents</i>	 \$ 50,042
 <i>Cash and cash equivalents, beginning of year</i>	 <u>39,537</u>
 <i>Cash and cash equivalents, end of year</i>	 <u><u>\$ 89,579</u></u>
 <i>Reconciliation of operating loss to net cash provided by operating activities:</i>	
Operating loss	\$ (327,295)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization expense	69,622
Changes in assets and liabilities:	
Increase in accounts and other receivables	4,851
Decrease in other assets	99,072
 <i>Net cash provided by operating activities</i>	 <u><u>\$ (153,750)</u></u>

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

**STATE OF NEW MEXICO**  
**CUATRO VILLAS DOMESTIC MUTUAL WATER USERS ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1. Summary of Significant Accounting Policies**

This summary of significant accounting policies of the Cuatro Villas Mutual Domestic Water Users Association ("Cuatro Villas"), is presented to assist in understanding Cuatro Villas' financial statements. The financial statements and notes are representation of Cuatro Villas' management, who is responsible for their integrity and objectivity.

Cuatro Villas was created in 2005 under the authority of the Water and Sanitation District Act of New Mexico, NMSA 1978, Sections 73-21-1 through 73-21-5. Cuatro Villas operates under a Board of Directors consisting of five elected members. The purpose of the District is to provide water, wastewater, and other services in the subdivisions of Cuatro Villas and adjacent areas of Santa Fe County, New Mexico.

**A. Reporting Entity**

In evaluating how to define the Cuatro Villas for financial reporting purposes, management has considered all potential component units by applying GASB Statement No. 14 and No. 61, The Financial Reporting Entity. The decision to include a potential component unit in the reporting entity was made by applying the criteria for including a potential component unit within the reporting entity. The first criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operation, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits Cuatro Villas, or whether the activity is conducted within the geographic boundaries of Cuatro Villas. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether Cuatro Villas is able to exercise oversight responsibilities. Based upon the application of these criteria, included within the reporting entity are all funds and functions under the Cuatro Villas' control and responsibility, which are included in the Cuatro Villas's reports to the New Mexico Department of Finance and Administration. Based on the application of the above criteria, no other activities meet the criteria for inclusion in the reporting entity; therefore, there are no component units included in these financial statements.

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

The proprietary financial statements are reported using the economic resources measurement focus and uses the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Nonexchange transactions, in which Cuatro Villas gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donation. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The net position of Cuatro Villas is segregated in to invested in capital assets, restricted and unrestricted components. The statements of revenues, expenses and changes in net position present increases (e.g., revenues) and decrease (e.g., expenses) in total net position. When both restricted and unrestricted resources are available for use, it is Cuatro Villas' policy to use restricted resources first, and then unrestricted resources as needed.

Program revenues include fees, fines, and charges paid by the recipients of good and services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as non-operating revenues (expenses).

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essential equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

**STATE OF NEW MEXICO**  
**CUATRO VILLAS DOMESTIC MUTUAL WATER USERS ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

Cuatro Villas reports the following major enterprise fund:

Water, Wastewater and Solid Waste Fund- The fund accounts for the activities of Cuatro Villas' water, wastewater and solid waste utilities, which provide service to the residents of the subdivisions of Cuatro Villas and adjacent areas of Santa Fe County, New Mexico.

The financial statements of Cuatro Villas have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government 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 Cuatro Villas' accounting policies are described below.

The government-wide financial statements (i.e., the statement of net position and the statement of revenues, expenses and changes in net position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of revenues, expenses and changes in net position demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

The accounting policies of Cuatro Villas, an enterprise fund of the State of New Mexico, as reflected in the accompanying financial statements, conform to GAAP accounting principles for enterprise funds. Enterprise fund accounting is used to account for activities similar to those found in the private sector. Here, the determination of net income is necessary or useful to sound financial administration. Funds are accounted for using the economic resources measurement focus. The measurement focus is on the determination of net income, financial position, and cash flows.

GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB No. 65, *Items Previously Reported as Assets and Liabilities*, amend GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*, to incorporate deferred outflows of resources and deferred inflows of resources in the financial reporting model.

***Deferred outflows of resources*** – a consumption of net assets by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

**STATE OF NEW MEXICO**  
**CUATRO VILLAS DOMESTIC MUTUAL WATER USERS ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

*Deferred inflows of resources* – an acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

*Net position* – the residual of the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

The accompanying government-wide financial statements are prepared on the accrual basis. Transactions not included as operating activities for the statement of cash flows are classified as non-operating revenues and expenses in the statement of revenues, expenses and changes in net assets. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Revenues received and direct expenses incurred relating to the annual state fair occurring in the next fiscal year are unearned.

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

C. Budgetary Process

The budget is prepared on a budgetary basis and submitted annually for approval to the New Mexico Department of Finance and Administration (DFA). Line item expenditures within budget appropriation units may legally exceed amounts budgeted; however, the budget appropriation unit expenditures may not legally exceed the approved budget amount. Monthly reports of receipts and expenditures are required to be submitted to the DFA Budget Division. Budget amendments must be approved by DFA. The budget is adopted on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

D. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, Cuatro Villas has defined cash and cash equivalents to include demand deposits with repurchase agreements, money market accounts, and cash retained in cash drawers and petty cash funds. Money market accounts are mutual funds that invest in short-term obligations of the U.S. government or its agencies or other governmental short-term investments, and are carried at the lower of cost or market.

State statutes also require that 50% of the uninsured balance is secured by pledges of qualifying securities held by the depository. Demand accounts are insured up to \$250,000 per depositor, per insured bank, for each account ownership category.

E. Restricted Cash

Restricted cash is used to account for the bond sinking fund, escrow, unearned revenues and unused proceeds from the Series 2004 Revenue Bonds. The Series 2004 Revenue Bonds no longer exist as of June 30, 2015.

**STATE OF NEW MEXICO**  
**CUATRO VILLAS DOMESTIC MUTUAL WATER USERS ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

F. Capital Assets

Property and equipment are stated at cost. Cuatro Villas's capitalization policy is below the \$5,000 threshold, as stated in Section 12-6-10 NMSA 1978. Property and equipment under capital leases are stated at the present value of minimum lease payments at the inception of the lease. Assets contributed by other entities are recorded at the estimated fair market value at the time of receipt. Certain infrastructure assets (for example, site drainage improvement) are included in the category "Other improvements". Software is included in the category "Data processing and equipment". Cuatro Villas reviewed the infrastructure that had been recorded in previous years and determined that GASB 34 did not impact its financial statements. Depreciation is provided using the straight-line method over the useful lives of the assets, as follows:

Buildings	20-40 years
Other improvements	15-40 years
Tools, equipment, furniture and fixtures	5-10 years
Data processing and equipment	3 years

For purposes of operation, Cuatro Villas capitalizes all capital asset purchases, governmental and business-type activities, within the Proprietary Fund.

G. Net Investment in Capital Assets

This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvements of these assets reduce the balance in this category.

H. Net Position

Net position is reported as restricted when external or legal constraints are placed on their use. Unrestricted net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets". Net position is categorized as:

1. Restricted for Debt Service: Funds used to account for the accumulation of resources for and the payment of long-term obligation principal payments.
2. Restricted for Capital Projects: Funds used for capital outlay expenses.
3. Unrestricted: Funds not restricted for any project or any other purpose.

I. Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Cuatro Villas's policy is to first apply the expense towards restricted resources and then to unrestricted resources.

J. Operating Revenue

The Cuatro Villas received proceeds from the operation of the water system, consisting primarily of proceeds from domestic water usage from residents of the Association. Any other proceeds received during the year are classified as non-operating revenue.

**STATE OF NEW MEXICO**  
**CUATRO VILLAS DOMESTIC MUTUAL WATER USERS ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

K. Non-operating Revenue

The Cuatro Villas received a federal USDA grant in fiscal year 2015; this along with interest related to cash balances are the items recognized as non-operating revenues.

L. Advertising

Non-direct advertising costs are expensed as incurred. Total advertising costs for the year ended June 30, 2015, were \$457.

M. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

N. Subsequent Events

Subsequent events have been evaluated through September 20, 2016, which is the date the financial statements were available to be issued. As of this date, the Cuatro Villas had no significant subsequent events.

**NOTE 2. Cash and Cash Equivalents**

Cash funds, other than cash drawers and petty cash, are deposited with financial institutions. Money market mutual funds and repurchase agreements are also classified as cash equivalents. The reconciled balances at June 30, 2015, consisted of the following:

Unrestricted:	
Deposit account	\$ <u>1,938</u>
Total Unrestricted	<u>1,938</u>
Restricted:	
Deposit account (Grant funds)	87,523
USDA	<u>118</u>
Total Restricted	<u>87,641</u>
Total Cash and Cash Equivalents	<u>\$ <u>89,579</u></u>

*Custodial credit risk* is defined as the risk that the Cuatro Villas would not be able to recover the value of its collateral securities that are in the possession of an outside party in the event of the failure of the counterparty. Mutual funds, external investment pools and securities underlying reverse repurchase agreements are not exposed to custodial credit risk. None of the balance was subject to custodial credit risk at June 30, 2015. This amount is collateralized by securities held in the name of the bank. For further information, please see Schedule II and Schedule III under Supplementary Information in the Table of Contents.

There is no credit risk, concentration of credit risk, interest rate risk or foreign currency risk associated with the cash and cash equivalents.

**STATE OF NEW MEXICO**  
**CUATRO VILLAS DOMESTIC MUTUAL WATER USERS ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 3. Accounts Receivable, Due From Other Agencies and Interfund Transfers**

Accounts receivable balances consist of the following at June 30, 2015:

Various customers receivables	\$ 20,043
NMFA	<u>31,461</u>
Total Accounts Receivable	<u>\$ 51,504</u>

**NOTE 4. Capital Assets**

A summary of capital asset changes for the year ended June 30, 2015 follow. Land and construction in progress are not subject to depreciation.

	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustment</u>	<u>Balance June 30, 2015</u>
<i>Capital assets used in business activities</i>					
Land	\$ 86,000	\$ 0	\$ 0	\$ 0	\$ 86,000
Total non-depreciable assets	<u>86,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>86,000</u>
Water system improvements	2,750,000	889,299	0	0	3,639,299
Office furniture and fixtures	<u>2,617</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,617</u>
Total depreciable assets	<u>2,752,617</u>	<u>889,299</u>	<u>0</u>	<u>0</u>	<u>3,641,916</u>
Total capital assets	<u>2,838,617</u>	<u>889,299</u>	<u>0</u>	<u>0</u>	<u>3,727,916</u>
<i>Accumulated depreciation</i>					
Water system improvements	110,000	69,622	0	275,872	455,494
Office furniture and fixtures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total accumulated depreciation	<u>110,000</u>	<u>69,622</u>	<u>0</u>	<u>275,872</u>	<u>455,494</u>
Net capital assets	<u>\$ 2,728,617</u>	<u>\$ 819,677</u>	<u>\$ 0</u>	<u>\$ 275,872</u>	<u>\$ 3,272,422</u>

Depreciation expense for the year ended June 30, 2015, was \$69,622.

**NOTE 5. Long-term Debt**

A summary of changes in long-term debt for the year ended June 30, 2015 follows:

	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>	<u>Due within one year</u>
NMFA Notes Payable	694,788	0	0	694,788	43,929
USDA Note Payable	<u>0</u>	<u>713,292</u>	<u>0</u>	<u>713,292</u>	<u>0</u>
Total depreciable assets	<u>694,788</u>	<u>713,292</u>	<u>0</u>	<u>1,408,080</u>	<u>43,929</u>
Total capital assets	<u>694,788</u>	<u>713,292</u>	<u>0</u>	<u>1,408,080</u>	<u>43,929</u>



**STATE OF NEW MEXICO**  
**CUATRO VILLAS DOMESTIC MUTUAL WATER USERS ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 5. Long-term Debt (continued)**

New Mexico Finance Authority Loans – The Association entered into \$694,788 in drinking water loan agreements with the New Mexico Finance Authority to assist in the financing of the purchase of water and wastewater utility and other capital improvements. As of June 30, 2015, \$694,788 has been borrowed under the agreements. The loans bear interest at 2% and is payable in forty semi-annual installments beginning November 1, 2015 and ending May 1, 2035. The loan is secured by the revenues of the utility system. The balance at June 30, 2015 was \$694,788.

USDA Loan – On April 4, 2014, the Association entered into a \$715,000 drinking water loan agreement with the United States Department of Agriculture to assist in the financing of the purchase of water and wastewater utility capital improvements. As of June 30, 2015, \$713,292 had been borrowed under the agreement. The loan bears interest at 2.75% and is payable in monthly interest payments beginning April 1, 2015 until the principal is due and payable in 40 years. The loan is secured by the revenues of the utility system. The balance at June 30, 2015 was \$713,292.

The annual requirements to amortize the Notes Payable as of June 30, 2015, including interest payments are as follows. The interest rates range for 2-2.75% with maturity dates until March 1, 2055.

Fiscal Year Ending June 30.	Principal	Interest	Total Debt Service
2016	\$ 43,929	\$ 44,060	\$ 87,989
2017	43,929	43,151	87,080
2018	43,929	42,303	86,232
2019	43,929	41,424	85,353
2020	43,929	40,546	84,475
2021-2025	219,645	189,550	409,195
2026-2031	219,645	167,585	387,230
Thereafter	749,145	721,079	1,470,224
Totals	<u>\$ 1,408,080</u>	<u>\$ 1,289,698</u>	<u>\$ 2,697,778</u>

**NOTE 6. Accounts Payable**

The Association is extremely small and pays invoices promptly. As such, the Association did not maintain an accounts payable balance at June 30, 2015.

**NOTE 7. Grant Revenue**

The following amounts were recorded as grant revenues for the year ended June 30, 2015:

Federal grant revenue of \$413,480 is recorded as other financing source within the Proprietary Fund.

**NOTE 8. Risk Management**

The Cuatro Villas is subject to various legal proceedings claims and liabilities which arise in the ordinary course of the Cuatro Villas' operations. It is defined as a State Agency in the New Mexico Tort Claims Act and is insured through the independent insurance. Annual premiums are paid by CVMDWUA for coverage.

At June 30, 2015, the Cuatro Villas had no claims which CVMDWUA has returned as not covered that would become the responsibility of the Cuatro Villas.

**STATE OF NEW MEXICO**  
**CUATRO VILLAS DOMESTIC MUTUAL WATER USERS ASSOCIATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 9. Restatement**

Cuatro Villas net position has been adjusted for capital assets and accrued interest as of June 30, 2014. The Association had not previously capitalized and depreciated assets totaling \$275,872. In addition, accrued interest of \$192 was not previously recognized. Total prior period restatements were \$276,064.

**NOTE 10. Joint Powers Agreements**

The Association and City of Espanola are in agreement to provide a water transmission line on Highway 106 to provide wheel water to the Association and City customers. The responsible party is the Association. The agreement effective date was October 26, 2010 and is in effect until terminated either by the Association or the City. The total fees to the City are contingent on the amount of services provided during the year.

The Association and County of Santa Fe are in agreement to provide a safe water system serving the community of La Puebla within the County. The responsible party is the Association. The agreement effective date was October 15, 2009 and is in effect until terminated either by the Association or the County. Fees to operate the water system are charged by the Association to County users.

**SUPPLEMENTARY INFORMATION**

## CUATRO VILLAS MDWUA

## STATEMENT OF REVENUES AND EXPENSES - BUDGET (NON-GAAP BUDGETARY BASIS)

## AND ACTUAL - PROPRIETARY FUND

## FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget		
<i>Revenues:</i>				
Water services	\$ -	72,513	\$ 72,513	\$ -
Other	-	-	-	-
<i>Total revenues</i>	<u>\$ -</u>	<u>\$ 72,513</u>	<u>\$ 72,513</u>	<u>\$ -</u>
<i>Expenses:</i>				
Operating	\$ -	1,219,484	399,808	\$ 819,676
Contractual services	-	-	-	-
Other costs (including debt payments)	-	-	-	-
<i>Total expenses</i>	<u>\$ -</u>	<u>\$ 1,219,484</u>	<u>\$ 399,808</u>	<u>\$ 819,676</u>
<i>Non-operating revenue (expenses):</i>				
Grant revenue	\$ -	413,480	\$ 413,480	\$ -
Transfer	-	-	-	-
Interest income	-	24,554	24,554	-
Gain on sale of capital assets	-	-	-	-
Interest expense	-	(14,449)	(14,440)	9
<i>Non-operating revenue</i>	<u>\$ -</u>	<u>\$ 423,585</u>	<u>\$ 423,594</u>	<u>\$ 9</u>
<i>Excess (deficiency) of revenues over expenses - budgetary basis</i>			\$ 96,299	
<i>Adjustments to conform to Generally</i>				
Debt principal payments recorded as a budgetary expense			-	
Depreciation and amortization expenses			-	
Plus in-kind contributions treated as revenue			-	
Less in-kind contributions treated as expenses			-	
Interest expense			-	
Other contributed capital revenue			-	
<i>Change in net assets as reported on Statement of Revenues, Expenses and</i>			<u>\$ 96,299</u>	

**STATE OF NEW MEXICO**  
**CUATRO VILLAS MUTUAL DOMESTIC WATER UTILITY ASSOCIATION**  
**SCHEDULE OF DEPOSIT ACCOUNTS**  
**JUNE 30, 2015**

Schedule II

<u>Depository/Account Name</u>	<u>Account Type</u>	<u>Cash per Bank June 30, 2015</u>	<u>Deposits in Transit</u>	<u>Outstanding Checks</u>	<u>Adjusted Cash June 30, 2015</u>
<i>Century Bank:</i>					
Checking account	Checking	\$ 2,637	\$ 128	\$ (827)	\$ 1,938
SFJPA account	Checking	87,523	-	-	87,523
USDA account	Checking	118	-	-	118
Total cash accounts		<u>90,278</u>	<u>128</u>	<u>(827)</u>	<u>89,579</u>
Total cash and cash equivalents		<u>\$ 90,278</u>	<u>\$ 128</u>	<u>\$ (827)</u>	<u>\$ 89,579</u>

CUATRO VILLA MUTUAL DOMESTIC WATERS USERS ASSOCIATION  
 INFORMATION for Purchases Exceeding \$60,000 (excluding GRT)  
 For the Year Ended June 30, 2015

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>
N/A	RFP	FILE CONSTRUCTION, LLC	PURCHASE ORDERS. PAID FY15 \$886,101.96	N/A
N/A	RFP	SOUDE MILLER AND ASSOCIATES	PURCHASE ORDERS. PAID FY15 \$274,162.73	N/A

CUATRO VILLA MUTUAL DOMESTIC WATERS USERS ASSOCIATION  
 INFORMATION for Purchases Exceeding \$60,000 (excluding GRT)  
 For the Year Ended June 30, 2015

<b>Name and Physical Address per the procurement documentation, of <u>ALL</u> Vendor(s) that responded</b>	<b><i>in-state/ Out-of- State Vendor (Y or N) (Based on Statutory Definition)</i></b>	<b><i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i></b>	<b><i>Brief Description of the Scope of Work</i></b>
116 Industrial Ave. NE, Albuquerque, NM 87107	N	N	Water System
2904 Rodeo Park Drive East 100, Santa Fe, NM 87505	N	N	Architect/Engineering Services

**COMPLIANCE SECTION**





# Griego Professional Services, LLC

Certified Public Accountants

## 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*

### INDEPENDENT AUDITOR'S REPORT

Mr. Tim Keller, New Mexico State Auditor and  
State of Cuatro Villas Mutual Domestic Water Users Association  
Espanola, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund, the aggregate remaining fund information, of the State of Cuatro Villas Mutual Domestic Water Users Association (Cuatro Villas) as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Cuatro Villas' basic financial statements, and individual funds and related budgetary comparisons of the Cuatro Villas, presented as supplemental information, and have issued our report thereon dated December 14, 2016.

#### Internal Control over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the Cuatro Villas' internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cuatro Villas' internal control. Accordingly, we do not express an opinion on the effectiveness of the Cuatro Villas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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, detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations during our audit we did not identify any deficiencies in internal control that were considered to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies and are listed as item FS 2015-001.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State Fair'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 responses as item FS 2015-002.

**The Cuatro Villas' Responses to Findings**

The Cuatro Villas' responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Cuatro Villas's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Grigo Professional Services, LLC".

Albuquerque, New Mexico  
December 14, 2016



# Griego Professional Services, LLC

Certified Public Accountants

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

Mr. Tim Keller, New Mexico State Auditor and  
Cuatro Villas Mutual Domestic Water Users Association  
Española, New Mexico

### Report on Compliance for Each Major Federal Program

We have audited Cuatro Villas Mutual Domestic Water Users Association (the Association) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Association's major federal programs for the year ended June 30, 2015. 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.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Association's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Association's compliance.

### Opinion on Each Major Federal Program

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

P.O. Box 37379 • Albuquerque, NM 87176-7379  
8500 Menaul Blvd. NE, Ste. B295 • Albuquerque, NM 87112  
Phone (505) 856-2741 - Fax (505) 856-7510

## Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item FA 2015-001. Our opinion on each major federal award program is not modified with respect to this matter.

The Association's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Association's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

## Report on Internal Control over Compliance

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Grigo Professional Services, LLC*

Albuquerque, New Mexico  
December 14, 2016

**STATE OF NEW MEXICO**  
**CUATRO VILLAS MUTUAL DOMESTIC WATER UTILITY ASSOCIATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2015**

Federal Grantor or Pass-Through Grantor / Program Title	Passthrough Number	Federal CFDA	Federal Expenditures
<b>U.S. Department of Agriculture</b>			
Water and Waste Water Grant (1)	1780-12	10.864	\$ 715,000
Water and Waste Water Grant (1)	1780-12	10.864	673,057
<i>Total</i>			<u>1,388,057</u>
<b>Total U.S. Department of Agriculture</b>			<u>1,388,057</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,388,057</u>

(1) Denotes Major Federal Financial Assistance Program

**Notes to Schedule of Expenditures of Federal Awards**

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Association and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of OMB OMB A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the

2. Subrecipients

The Association did not provide any federal awards to subrecipients during the year

3. Non-Cash Federal Assistance

The Association did not receive non-cash federal assistance.

**CUATRO VILLAS MUTUAL DOMESTIC WATER USERS ASSOCIATION**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

**Section I – Summary of Audit Results**

*Financial Statements:*

- |  |            |
|--|------------|
| 1. Type of auditors' report issued                       | Unmodified |
| 2. Internal control over financial reporting:            |            |
| a. Material weaknesses identified?                       | No         |
| b. Significant deficiencies identified?                  | Yes        |
| c. Noncompliance material to financial statements noted? | No         |

*Federal Awards:*

- |   |     |
|---|-----|
| 1. Internal control over major programs:  |     |
| a. Material weaknesses identified?  | No  |
| b. Significant deficiency identified not considered to be material weaknesses?  | No  |
| c. Control deficiency identified not considered to be a significant deficiency? | Yes |

2. Type of auditors' report issued on compliance for major programs	Unmodified
---	------------

3. Any audit findings disclosed that are required to be reported in accordance with OMB A-133?	Yes
--	-----

4. Identification of major programs:

<u>CFDA</u> <u>Number</u>	<u>Federal Program</u>
10.864	Water and Waste Water Grant

5. Dollar threshold used to distinguish between type A and type B programs:	\$300,000
---	-----------

6. Auditee qualified as low-risk auditee?	No
---	----

**CUATRO VILLAS MUTUAL DOMESTIC WATER USERS ASSOCIATION**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2015

**Section II – Financial Statement Findings**

**FS 2015-001 — Prior Period Adjustment Capital Assets (Significant Deficiency)**

*Condition:* During testwork, we noted that the Association did not calculate or record depreciation expense or recorded previous accumulated depreciation relating to the organizations held assets. In addition, the Association did not properly capitalize capital expenses.

*Criteria:* Accurate capital asset records provide vital information for Association officials, bonding agents and the general public. Good internal controls and sound business policies require that the Association safeguard its capital assets through a strong internal control system as well as accurate calculations of depreciation.

*Effect:* Internal controls over capital assets were weak. The Associations' capital assets and related depreciation expenses were not properly recorded. Errors in accounts could be missed due to not being investigated in a timely manner.

*Cause:* Official policies for performing timely, accurate capital asset listings and related depreciation did not exist as part of the Association's internal control. Discrepancies in capital asset balances had not been resolved.

*Auditors' Recommendations:* We recommend that the Association establish and implement policies requiring that capital asset inventories be performed timely and that all discrepancies be investigated. Large adjustments should not occur. Also, accumulated depreciation and related depreciation expense of capital assets must be recorded timely and accurately.

*Responsible Officials' Views:* The Association will work diligently to properly recognize depreciation expense and capitalization of assets.

*Corrective Action:* The Association has assigned the President and Office Manager the task of ensuring future reports are accurate in relation to capital assets. The corrective action is to take place immediately and implemented no later than June 30, 2017.

**FS 2015-002 Late Audit Report – Compliance and Other Matter**

*Criteria:* Audit reports not received on or before the due date December 15, are considered to be in non-compliance with requirements of Section 2.2.2.9.A of the State Audit Rule.

*Condition:* The Association's audit report for the year ended June 30, 2015 was not submitted by the required due date, December 15, 2015.

*Effect:* The submission of late audit reports may adversely affect funding, bond ratings and possibly effect compliance requirements.

*Cause:* The Association had not been required to complete an audit in the past years and was late in completing the contract submissions.

*Auditor's Recommendation:* The Association must prepare all necessary information and schedules to the auditor's timely. In addition, the Association must ensure audit procedures are scheduled in a manner which allows for a timely submission of the financial statements to the State Auditor's Office.

*Responsible Official's Views:* The Association has not been required to complete an audit in the past years and is not anticipating the necessity to complete audit reports in the future, We believe this was a one-time instance and we will ensure future reports are submitted timely.

*Corrective Action:* The Association has assigned the President and Office Manager the task of ensuring future reports are timely. The corrective action is to take place immediately and implemented no later than June 30, 2017.

**CUATRO VILLAS MUTUAL DOMESTIC WATER USERS ASSOCIATION**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

**Section II – Federal Award Findings**

**FA 2015-001 Data Collection Form – Reporting**

*Criteria:* Data Collection Form is due no later than nine months after fiscal year end. Forms submitted after March 31, 2016 for an agency with a June 30, 2015 fiscal year are considered to be in non-compliance.

*Condition:* The Association's data collection form for the year ended June 30, 2015 was not submitted by the required due date, March 31, 2016.

*Effect:* The submission of a late data collection form may adversely affect federal funding and possibly effect compliance requirements.

*Cause:* The Association had not been required to complete an audit or data collection form in the past years and was late in completing the contract submissions, securing an audit contract and beginning the process to complete the data collection form.

*Auditor's Recommendation:* The Association must ensure procedures are scheduled in a manner which allows for a timely submission of the data collection form to the Federal Clearing House.

*Responsible Official's Views:* The Association has not been required to complete a data collection form in the past years and is not anticipating the necessity to complete the form in the future, We believe this was a one-time instance and we will ensure future reports are submitted timely.

*Corrective Action:* The Association has assigned the President and Office Manager the task of ensuring future reports and forms are timely. The corrective action is to take place immediately and implemented no later than June 30, 2017.

**Section III – Prior Year Audit Findings**

None

**Section IV – Other Disclosures**

Auditor Prepared Financials

Griego Professional Services, LLC assisted in the preparation of the financial statements presented in this report. The Cuatro Villas's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.

Exit Conference

The contents of this report were discussed on December 13, 2016. The following individuals were in attendance.

Cuatro Villas Commission  
Mukhtiar Singh Khalsa, President  
Martha Quintana, Vice-President

Griego Professional Services, LLC  
J.J. Griego, CPA