

**STATE OF NEW MEXICO
TRES PIEDRAS MUTUAL DOMESTIC WATER
CONSUMERS ASSOCIATION**

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009
WITH
INDEPENDENT AUDITORS' REPORT**

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
TRES PIEDRAS MUTUAL DOMESTIC WATER
CONSUMERS ASSOCIATION**

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**TRES PIEDRAS MUTUAL DOMESTIC WATER
CONSUMERS ASSOCIATION
List of Principal Officials
June 30, 2009**

<u>Name</u>	<u>Title</u>
Rick Wyse	President
Cecil Coffman	Vice- President
William Anderson	Board Member
Duke Cozart	Board Member/Water Operator
James Howe	Board Member
Mary Wyse	Secretary/Treasurer

FINANCIAL SECTION

Garcia and Associates, CPA, LLC
Certified Public Accountant and Business Consultants

Raymond J. Garcia, CPA
Partner

Paul Lucero, MBA
Partner

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INDEPENDENT AUDITOR'S REPORT

Mr. Hector H. Balderas, State Auditor and
The Board Members
Tres Piedras Mutual Domestic Water
Consumers Association
Tres Piedras, New Mexico

We have audited the accompanying financial statements of the business-type activities of Tres Piedras Mutual Domestic Water Consumers Association (the "Association") as of and for the year ended June 30, 2009, which collectively comprise the Association's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Association's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted the audit in accordance with auditing standards generally accepted in the United States of America and with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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.

The Tres Piedras Mutual Domestic Water Association, over the years, has not maintained adequate detailed records of the Capital Assets. Accounting principles generally accepted in the United States of America require that adequate detailed records of the Capital Assets be maintained to provide for the verification and valuation of individual capital assets and to determine the adequacy of the related depreciation. The valuation of the Capital Assets and the related depreciation would effect the determination of assets, net assets and expenses of the Association. The amount by which this would affect the assets, net assets and expenses is not reasonably determinable.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the Capital Assets and related depreciation as described in the third paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the

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Association as of June 30, 2009, the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 24, 2009 on our consideration of Tres Piedras Mutual Domestic Water Consumers 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* and should be considered in assessing the results of our audit.

Garcia and Associates, CPA, LLC

Garcia and Associates, CPA, LLC
Los Lunas, New Mexico
November 24, 2009

**STATE OF NEW MEXICO
TRES PIEDRAS MUTUAL DOMESTIC WATER
CONSUMERS ASSOCIATION**

Statement of Net Assets - Proprietary Fund

June 30, 2009

ASSETS

Current assets:

Cash and cash equivalents	\$	59,889
Accounts receivable		1,617
Accrued interest receivable		593
Intergovernmental receivable		5,868
Inventory		7,355
Total current assets		75,322

Noncurrent assets:

Land		2,000
Plant and water system		487,696
Equipment		7,868
Accumulated depreciation		(278,328)
Total noncurrent assets		219,236

Total assets	\$	294,558
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LIABILITIES

Current liabilities:

Accounts payable	\$	6,096
Taxes payable		215
Current maturities, long-term debt		0
Total current liabilities		6,311

Noncurrent liabilities:

Longterm debt, less current maturities		0
Total non-current liabilities		0
Total liabilities		6,311

NET ASSETS

Invested in capital assets, net of related debt		219,236
Unrestricted		69,011
Total net assets		288,247
	\$	294,558

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

**STATE OF NEW MEXICO
TRES PIEDRAS MUTUAL DOMESTIC WATER
CONSUMERS ASSOCIATION**

Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund
For the Year Ended June 30, 2009

Operating revenues:	
Charges for services	\$ 35,820
Other revenues	<u>-</u>
Total operating revenues	<u>35,820</u>
Operating expenses:	
Operating expenses	29,083
Depreciation	<u>22,978</u>
Total operating expenses	<u>52,061</u>
Total operating income (loss)	<u>(16,241)</u>
Nonoperating revenues (expenses):	
Interest income	2,980
Grant income	16,724
Grant expense	<u>(4,816)</u>
Total nonoperating revenues (expenses)	<u>14,888</u>
Changes in net assets	(1,353)
Total net assets - beginning of year	<u>289,600</u>
Total net assets - end of year	<u><u>\$ 288,247</u></u>

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

STATE OF NEW MEXICO
TRES PIEDRAS MUTUAL DOMESTIC WATER
CONSUMERS ASSOCIATION
Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2009

Cash flows from operating activities:	
Cash received from customers	\$ 35,435
Cash payments to suppliers for goods and services	<u>(29,141)</u>
Net cash provided (used) by operating activities	<u>6,294</u>
Cash flows from capital and related financing activities:	
Proceeds from state grant	<u>16,724</u>
Net cash used in capital and related financing activities	<u>16,724</u>
Cash flows from investing activities:	
Interest income	2,387
Distribution system	<u>(16,724)</u>
Net cash provided by investing Activities	<u>(14,337)</u>
Net increase (decrease) in cash and cash equivalents	8,681
Cash and cash equivalents, beginning of year	<u>51,208</u>
Cash and cash equivalents, end of year	<u><u>\$ 59,889</u></u>
Reconciliation of Operating Income to Net Cash	
Operating income	\$ (16,241)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	22,978
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable - utilities	(388)
(Increase) decrease in intergovernmental receivable	(5,868)
Increase (decrease) in accounts payable - operations	5,784
Increase (decrease) in accrued liabilities	<u>29</u>
Total adjustments	<u>22,535</u>
Net cash provided by (used for) operating activities	<u><u>\$ 6,294</u></u>

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

STATE OF NEW MEXICO
TRES PIEDRAS MUTUAL DOMESTIC WATER
CONSUMERS ASSOCIATION
Notes to the Financial Statements
June 30, 2009

NOTE 1 – CREATION OF ENTITY AND BASIS OF PRESENTATION

Organization

Tres Piedras Mutual Domestic Water Consumers Association (Association) is a not-for-profit Mutual Domestic Association established for the purpose of constructing, maintaining and operating a water system for the members of the Association in the Tres Piedras community in Taos County New Mexico. The Association was incorporated as a non-profit association under the Sanitary Projects Act (SPA) of the Laws of 1957 of the State of New Mexico July 19, 1951.

Under the SPA, 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 (68-38) that states Mutual Domestic Associations (MDAs) under the SPA are created for "one purpose only, and that is to establish and maintain a water system." Also, it concluded MDAs are not "other municipal corporations" and are, thus, subject to ad valorem taxes. Finally, the Attorney General Opinion 06-02 has determined that MDAs created pursuant to the SPA 1) political subdivisions; 2) whose revenues are "public money"; and 3) they have statutory responsibilities to abide by the Open Meetings Act, the Inspection of Public Records Act, the Procurement Code, and the Per Diem and Mileage Act. Due to the fact that MDAs have been determined to be governmental nonprofit organizations, their financial statements must follow the government format (GASB 34). The Association had no blended or discrete component units during the year.

The Board of Directors consists of five members elected by the membership. The Board shall appoint qualified personnel to guide and direct the operations of the Association, and to approve all major contracts, capital outlay, etc. involving the Association.

Basis of Accounting

For financial reporting purposes, the Association is considered a special-purpose government engaged in business-type activities. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred. All significant intra-entity transactions have been eliminated.

The Association has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Association has elected not to apply FASB pronouncements issued after the applicable date.

**STATE OF NEW MEXICO
TRES PIEDRAS MUTUAL DOMESTIC WATER
CONSUMERS ASSOCIATION**
Notes to the Financial Statements
June 30, 2009

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposit accounts (\$8,938) and certificates of deposits (\$50,951). For purposes of the statement of cash flows, the Association considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. The Association only has deposits in banks (demand and time deposits) as of June 30, 2009.

Collateral is required for at least 50% (102% for overnight deposits) of all balances not insured by the FDIC. Obligations that may be pledged as collateral are obligations of the U.S. Government, its agencies and state and local governments.

Accounts Receivable

Trade accounts receivable are stated at the amount management expects to collect all outstanding balances. Management has not provided for any bad debt allowance. Write offs in the past have not been material to the financial statements.

Inventory

Inventory is valued at cost using the first-in first-out method.

Capital Assets

Capital assets are recorded at original cost, or fair value if donated. The Association's capitalization policy for moveable equipment includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. The Association includes software purchased with a piece of equipment in the cost of capitalization. This total cost is depreciated over the useful life of the equipment. In compliance with AICPA SOP 98-1, software purchased for internal use is capitalized and depreciated. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized.

Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally 10 years for equipment, 20 years for water system assets, and 40 years for buildings.

Compensated Absences

The Association does not pay for unused vacation and sick leave upon termination; therefore, amounts are not accrued.

STATE OF NEW MEXICO
TRES PIEDRAS MUTUAL DOMESTIC WATER
CONSUMERS ASSOCIATION
Notes to the Financial Statements
June 30, 2009

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Net assets

Net assets are classified as follows:

Invested in capital assets, net of related debt represent the Association's total investment in capital assets, net of outstanding debt related to those capital assets.

Restricted net assets represent those operating funds on which external restrictions have been imposed that limit the purposes for which such funds can be used. Restricted *expendable* net assets are resources that the Association is legally or contractually obligated to spend in accordance with imposed restrictions by third parties. Restricted *non-expendable* net assets consist of endowment and similar funds in which third parties have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income. There are no restricted non- expendable net assets as of June 30, 2009.

Unrestricted net assets consist of those operating funds over which the governing board retains full control to use in achieving any of its authorized purposes.

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

Revenues

Revenues are classified as operating or non-operating according to the following criteria:

Operating revenue include activities that have the characteristics of an exchange transaction, such as charges for services and fees, net of allowance for uncollectible allowance.

Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as a) capital grants; and b) investment income. Grant revenue is recognized when the eligibility requirements are met.

Expenses

Expenses are classified as operating or non-operating according to the following criteria:

Operating expenses include activities that have the characteristics of an exchange transaction, such as a) employee salaries, benefits, and related expense; b) maintenance, operations and contractual services; c) material and supplies; d) office expenses; and e) depreciation expenses related to Association capital assets.

STATE OF NEW MEXICO
TRES PIEDRAS MUTUAL DOMESTIC WATER
CONSUMERS ASSOCIATION
Notes to the Financial Statements
June 30, 2009

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Non-operating expenses include activities that have the characteristics of non-exchange transactions, such as interest on capital asset-related debt and bond expenses that are defined as non-operating expenses by GASB Statement No. 9- *Reporting Cash Flows of Proprietary and non-expendable Trust Funds and Governmental Entries That Use Proprietary Fund Accounting*, and GASB Statement No. 34.

Tax Status

The Association operates as not-for-profit association and has received exempt status under Code Section 501 (c) (12) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Budgetary Data

The Association does not adopt a legal budget. Therefore, no comparison is made between the budget and actual expenditures.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3-CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Peoples Bank Checking #10153765	\$ 8,938
Peoples Bank Certificate of Deposit #372106283	<u>50,951</u>
Total	<u><u>\$ 59,889</u></u>

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Association's deposits may not be returned to it. State statute requires that the bank deposits in excess of FDIC insurance be 50% collateralized. As of June 30, 2009, the Association was in compliance with state statute. The carrying amount of the Association's deposits was \$59,889 and the bank balance was \$61,715 as of June 30, 2009. Of the bank balance, \$61,715 was covered by federal depository insurance. The custodial credit risk is \$0.

**STATE OF NEW MEXICO
TRES PIEDRAS MUTUAL DOMESTIC WATER
CONSUMERS ASSOCIATION**
Notes to the Financial Statements
June 30, 2009

NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in capital assets during the fiscal year:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Capital Assets, Not Being Depreciated:				
Land	\$ 2,000	\$ -	\$ -	\$ 2,000
Capital Assets, Being Depreciated:				
Plant and water system	481,656	6,040	0	487,696
Equipment	2,000	5,868	-	7,868
Total Capital Assets, Being Depreciated:	483,656	11,908	-	495,564
Less Accumulated Depreciation				
Plant and water system	(254,953)	(22,531)	-	(277,484)
Equipment	(398)	(447)	-	(845)
Total accumulated depreciation	(255,351)	(22,978)	-	(278,329)
	<u>\$ 230,305</u>	<u>\$ (11,070)</u>	<u>\$ -</u>	<u>\$ 219,235</u>

Depreciation expense for the year ended June 30, 2009 was \$22,978

NOTE 5- LONG-TERM DEBT

The Association does not have any long-term debt.

NOTE 6- CONTINGENCIES

Grants

The Association receives financial assistance from federal and state sources in the form of grants and entitlements. The disbursements of the funds received are generally limited to specific compliance requirements as specified in the grant agreement. The Association believes that liabilities resulting from disallowed claims, if any, will not have a material effect on the Association's financial position at year end.

Risk Management

The Association has purchased commercial insurance that transfers risks of loss to an unrelated party. This coverage minimizes the Association's retained risks of loss up to the policy limits.

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TRES PIEDRAS MUTUAL DOMESTIC WATER
CONSUMERS ASSOCIATION**
Notes to the Financial Statements
June 30, 2009

NOTE 7- COMMITMENTS

The Association has entered into reimbursement grant agreements with the New Mexico Environment Department to plan, design and construct improvements to the existing water system. The following is a list of those agreements:

<u>Project Number</u>	<u>Grant Amount</u>	<u>Expended</u>	<u>Balance</u>	<u>Termination Date</u>
07-4510-GF	\$ 30,000	\$ 30,000	\$ -	June 30, 2011
08-3123-STB	<u>50,000</u>	<u>5,868</u>	<u>44,132</u>	June 30, 2012
Totals	<u>\$ 80,000</u>	<u>\$ 35,868</u>	<u>\$ 44,132</u>	

NOTE 8 – SUBSEQUENT EVENTS

The Association has no significant commitments or contingencies.

COMPLIANCE SECTION

Garcia and Associates, CPA, LLC
Certified Public Accountant and Business Consultants

Raymond J. Garcia, CPA
Partner

Paul Lucero, MBA
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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***

Mr. Hector H. Balderas, State Auditor and
The Board Members
Tres Piedras Mutual Domestic Water
Consumers Association
Tres Piedras, New Mexico

We have audited the financial statements of the business-type activities of Tres Piedras Mutual Domestic Water Consumers Association (the Association) as of and for the date ended June 30, 2009, and have issued our report thereon dated November 24, 2009 which was qualified because the Association's capital asset records were inadequate and could not be relied upon to support the capital asset and related depreciation amounts disclosed in the financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Association's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted

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accounting principles, such that there is more than a remote likelihood that a misstatement of the Association's financial statements that there is more than inconsequential will not be prevented or detected by the Association's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting (2009-1, 2009-2 and 2009-3).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Association's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2009-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under the *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Responses as items 2009-1, 2009-2 and 2009-3.

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

This report is intended solely for the information and use of the Association Board of Directors, the Association's Management, the New Mexico Legislature, federal and state grantors, and the Office of the State Auditor and is not intended to and should not be used by anyone other than these specified parties.



Garcia and Associates, CPA, LLC
Los Lunas, New Mexico
November 24, 2009

**STATE OF NEW MEXICO
TRES PIEDRAS MUTUAL DOMESTIC WATER
CONSUMERS ASSOCIATION
Schedule of Findings and Responses
For the Year Ended June 30, 2009**

Current Year Audit Findings

2009-1 Capital Assets Inventory

Statement of Condition:

Detailed records of capital assets of the Association have not been maintained in prior years. A property inventory control listing for the last few years' additions has been prepared by the Association. The inventory listing, however, does not include all the land and building and the older infrastructure and therefore has not been reconciled with the accounting records to assure that the listing includes all property of the Village, valued at historical costs, and that property no longer held by the Association has been excluded from the accounting records.

Criteria:

An effective system on internal control provides for the proper safeguarding of the entity's assets. Such control is established through the inventory listing and the reconciliation with control accounts along with an annual physical inventory inspection.

Cause:

Accounting records for the capital assets of the Association over the past years has reflected additions acquired. There previously had been no inventory of the capital assets to establish control after acquisitions. Accordingly, the financial records include the cumulative cost of capital assets acquired. The balance of the capital asset accounts does not necessarily reflect the appropriate cost of the Association's capital asset inventory. Therefore, the depreciation calculations based on the asset control amounts may not reflect the appropriate accumulated and current depreciation of the Associations capital assets.

Effect:

Historical records for the capital assets were not maintained, and procedures and policies for appropriate accounting of capital assets had not been in operation for many prior years.

Recommendation:

The detailed capital asset inventory listing should be completed and verified, then reconciled to the control accounts in the financial records. The detailed capital asset inventory should continue to be adjusted periodically to reflect the additions of new equipment, deletions of equipment and other changes. The land buildings and older equipment not currently on the detail property inventory should be identified and included at their historical cost.

Management's Response:

The Tres Piedras Mutual Domestic Water Association agree with the auditors' comment and will continue to update the detail capital asset inventory control listing for current additions and deletions. However, the Association does not have the historical information needed to include the buildings and older infrastructure in the inventory.

**STATE OF NEW MEXICO
TRES PIEDRAS MUTUAL DOMESTIC WATER
CONSUMERS ASSOCIATION
Schedule of Findings and Responses
For the Year Ended June 30, 2009**

Current Year Audit Findings

2009-2 Lack of segregation of accounting duties

Statement of Condition:

The association has one accounting personnel that performs all the accounting duties.

Criteria:

The association should establish written policies and procedures to separate the authorizing, processing and reconciliation of the accounting processes.

Cause:

The association is a small entity and has a limited accounting staff.

Effect:

Errors could occur and not be discovered on a timely manner.

Recommendation:

The association should establish written policies and procedures to separate the authorizing, processing and reconciliation of the accounting processes.

Management's Response:

The Association has established policies and procedures that provide for monthly financial reporting to the board, for reviewing and approving the previous month activity.

**STATE OF NEW MEXICO
TRES PIEDRAS MUTUAL DOMESTIC WATER
CONSUMERS ASSOCIATION
Schedule of Findings and Responses
For the Year Ended June 30, 2009**

Current Year Audit Findings

2009-3 Failure to submit an operating budget

Statement of Condition:

The Association did adopt an operating budget, but it was not submitted to the State of New Mexico Department of Finance and Administration-Local Government Division for approval.

Criteria:

The Association is subject to budgeting requirements by the State of New Mexico Department of Finance and Administration-Local Government Division.

Cause:

The Association was unaware of the requirement of submitting an annual operating budget to the Department of Finance and Administration-Local Government Division for approval.

Effect:

The Association is not in compliance with Section 6-6-3 NMSA 1978 requiring submittal of an annual operating budget to the Department of Finance Administration-Local Government Division for approval.

Recommendation:

We recommend that the Association submit an annual operating budget to the Department of Finance and Administration-Local Government Division for approval in compliance with Section 6-6-3 NMSA 1978.

Management's Response:

The Association will submit an annual operating budget to the Department of Finance and Administration-Local Government Division for approval.

**STATE OF NEW MEXICO
TRES PIEDRAS MUTUAL DOMESTIC WATER
CONSUMERS ASSOCIATION
Schedule of Findings and Responses
For the Year Ended June 30, 2009**

Exit Conference

This report was discussed with the following individuals at an exit conference held on November 24, 2009.

Tres Piedras Mutual Domestic Water Consumers Association

Rick Wyse, President
James Howe, Board Member
Mary Wyse, Secretary/Treasurer

Audit Firm

Raymond J. Garcia, CPA
Garcia and Associates, CPA, LLC

Financial Statement Audit

Preparation of the Financial Statements

The basic financial statements and notes to the financial statements for the year ended June 30, 2009, were substantially prepared by the independent certified public accountant performing the audit; however, maintaining the audited entity's books and records is the responsibility of its management. Accordingly, management is responsible for ensuring that these books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are current and in balance.