

JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION

Financial Statements, Supplementary Information
and
Independent Auditor's Report

March 31, 2019

JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION

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JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION

List of Principal Officials

March 31, 2019

Board of Directors

John Garcia	President
Joe Bowen	Vice President
Robert M. Wilson	Secretary/Treasurer
David Ryan	Director
John Merhege	Director

Administrative and Operational Employees

Christina Holder	Office Manager
John M. Kennedy	Systems Operator

INDEPENDENT AUDITOR'S REPORT

Mr. Brian Colón, New Mexico State Auditor and
Mr. Robert M. Wilson, Secretary/Treasurer and
the Board of Directors
Jemez Springs Domestic Water Association

We have audited the accompanying financial statements of the business-type activities, of Jemez Springs Domestic Water Association (Association), as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair 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 misstatement, 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 from 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 misstatement 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 circumstances, 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.

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 the budgetary comparison for the operating fund of Jemez Springs Domestic Water Association, as of March 31, 2019 and the respective 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.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis. Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such 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 financial statements that collectively comprise the Association's basic financial statements. And the budgetary comparison information. The schedule required by Section 2.2.2 NMAC, as listed in the Supplementary Information – Supporting Schedule section of the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 31, 2019 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Association's internal control over financial reporting and compliance.

Baldwin Accounting & Consulting, LLC

Baldwin Accounting & Consulting, LLC

Albuquerque, New Mexico

July 31, 2019

JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION
STATEMENT OF NET POSITION
March 31, 2019

ASSETS

Current Assets:

Cash and cash equivalents	\$ 230,387
Accounts receivable, net	28,139
Receivable, other	-
Prepaid expenses	5,686
Total current assets	<u>264,212</u>

Noncurrent Assets:

Cash and cash equivalents, restricted to customer deposits	1,302
Capital assets, not depreciated	253,334
Capital assets, net of accumulated depreciation	1,165,197
Total non current assets	<u>1,419,833</u>
Total assets	<u>\$ 1,684,045</u>

LIABILITIES AND NET POSITION

LIABILITIES

Current Liabilities

Accounts payable	\$ 12,517
Accrued compensation, related taxes, and benefits	7,570
Gross receipts tax payable	3,531
Interest payable	5,523
Meter deposits payable	1,302
Escheatment payable	297
Compensated absences - current	6,290
Loans payable - current	13,784
Total current liabilities	<u>50,814</u>

Noncurrent Liabilities

Loans payable	274,654
Total liabilities	<u>325,468</u>

NET POSITION

Net investment in capital assets	1,130,093
Unrestricted	228,484
Total net position	<u>1,358,577</u>
Total liabilities and net position	<u>\$ 1,684,045</u>

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

JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended March 31, 2019

Operating Revenues:	
Water sales	\$ 283,420
Other	4,951
Total operating revenues	288,371
Operating Expenses:	
Wages, salaries, and related taxes	95,254
Depreciation	78,092
Repairs and maintenance	8,259
Office	16,575
Employee benefits	6,727
Plant operations	21,627
Professional services	7,366
Arsenic treatment	6,902
Insurance	3,721
Travel	3,452
Miscellaneous	35
Total operating expenses	248,010
Operating income	40,361
Nonoperating revenues (expenses)	
Interest income	624
Grant revenue	-
Bad debt	(7,972)
Interest expense	(7,420)
Total non operating revenues (expenses)	(14,768)
Change in net position	25,593
Net position, beginning of year	1,332,984
Net position, end of year	\$ 1,358,577

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

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION
STATEMENT OF CASH FLOWS
Year Ended March 31, 2019**

Cash Flows from Operating Activities	
Cash received from customers	\$ 301,818
Cash payments to vendors and employees	<u>(156,331)</u>
Net cash provided by operating activities	<u>145,487</u>
Cash Flows From Capital and Related Financing Activities	
Receivable from construction vendor	(7,972)
Purchase of capital assets	(45,929)
Proceeds from loans	-
Principal payments on loans	(14,133)
Interest payments on loans	<u>(7,402)</u>
Net cash used by capital and related financing activities	<u>(75,436)</u>
Cash Flows from Noncapital and Related Financing Activities	
Grant revenue	<u>-</u>
Cash Flows from Investing Activities	
Interest received	<u>624</u>
Net change in cash and cash equivalents	
Cash and cash equivalents, beginning of year	161,014
Cash and cash equivalents, end of year	<u>\$ 231,689</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 40,361</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	78,092
Bad debt	7,972
Loss on disposal of assets	-
Changes in assets and liabilities:	
Accounts receivable	641
Receivables, other	5,734
Prepaid insurance	177
Accounts payable	5,689
Accrued compensation, related taxes, and benefits	3,140
Gross receipts tax payable	368
Meter deposits payable	(900)
Compensated absences	<u>4,213</u>
Total adjustments	<u>105,126</u>
Net cash provided by operating activities	<u>\$ 145,487</u>

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

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity. The Jemez Springs Domestic Water Association (Association) is a nonprofit 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 the Associations form of organization from a nonprofit cooperative to a nonprofit Association under the Sanitary Projects Act, NMSA 3-29-1 through 3-29-20. Under the Sanitary Projects Act, the Association remains a nonprofit organization owned and governed by its members.

Per Attorney General Opinion 90-30, entities created under the Sanitary Projects Act are subject to the New Mexico Audit Act. In Attorney General Opinion 06-02, the Attorney General of the State of New Mexico ruled that mutual domestic water associations are local public bodies considered governmental nonprofit organizations and, as such, are subject to certain state statutes and should present financial statements in a government format. The Association has a responsibility to abide by the following:

- Open Meeting Act
- Inspection of Public Records Act
- New Mexico Procurement Code
- Per Diem and Mileage Act
- Section 6-6 NMSA 1978

A. Financial Reporting Entity

The financial statements of the Association have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities.

As required by GAAP, financial statements are presented for the primary government and its component units. A legally separate organization that does not qualify as a primary government is a potential component unit. The normal criterion for deciding whether a potential component unit is, in fact, a component unit is financial accountability. Financial accountability is determined by analyzing fiscal dependency, board appointments, financial benefit or burden relationships, or the ability of the primary government to impose its will on the potential component unit. Based on these criteria, the Association has no component units.

JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

The Association is considered a special purpose government engaged in a single business-type activity and presents only financial statements required for enterprise funds. These financial statements and corresponding required supplementary information consist of:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows
- Notes to Financial Statements
- Management's Discussion and Analysis
- Information Required by the State Auditor's Rule

The accompanying financial statements have been prepared on the accrual basis of accounting. The economic resource measurement focus is used for all assets (both financial and capital), liabilities, revenues, expenses, gains and losses. Revenues are recorded when earned and expenses are recorded when incurred regardless of the timing of the related cash flows. The proprietary fund consists of one enterprise fund and as such does not employ any internal service funds.

The Association distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principle ongoing operations. The principal operating revenues of the Associations are members' assessments and hookup fees. Operating expenses include expenses required to operate the water system, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Association's policy to use restricted resources first, then unrestricted resources as they are recorded.

JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Cash and Cash Equivalents, and Investments

Cash and cash equivalents include amounts in demand deposits, savings accounts, and certificates of deposit. Cash and cash equivalents are reported at carrying amount, which reasonably estimates fair value.

All investments are stated at fair value that is determined by using selected basis. Interest income realized gains and losses on investment transactions, and amortization of premiums and discounts on investment purchases are included for financial statement purposes as investment income. The Association did not have any investments at year- end.

The Association does not have an investment policy. New Mexico State Statute 6-10-36 allows for the following investments:

1. United States Treasury Securities (Bills, Notes and Bonds) and other securities issued by the United States government or its agencies or instrumentalities that are either direct obligations of the United States of America, the Federal Home Loan Mortgage Corp., the Federal National Mortgage Association, the Federal Farm Credit Bank, or the Student Loan Marketing Association, or are backed by the full faith and credit of the United States government.
2. Insured and/or collateralized (with U.S. Government Securities and/or New Mexico Bonds) certificates of deposit of banks, savings and loan associations, and credit unions, pursuant to State Board of Finance Collateral Policies.
3. Money market funds whose portfolios consist entirely of United States Government Securities or agencies sponsored by the United States government.
4. Investments in the New Mexico State Treasurer external investment pool (Local Government Investment Pool).

C. Accounts Receivable

Accounts receivables represent amounts due for member assessments, related charges, and taxes. Management has established an allowance for uncollectible accounts receivable. Management attempts to obtain a payment plan from members with past due assessments. An allowance is established for accounts for which the Association is not able to establish a payment plan.

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the year-end are recorded as prepaid items.

E. Capital Assets

Capital assets, which include buildings, water system, and equipment, are defined by the Association as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	10 years
Buildings and other improvements	5 - 30 years
Water system and equipment	3 - 40 years

The Audit Act, 12-6-10, NMSA 1978, requires all assets which cost more than \$5,000 and have a life greater than one year to be added to capital assets and a yearly inventory of those assets must be taken.

Interest incurred during the construction phase of capital assets 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 \$7,420. Of this amount, none was included as part of the cost of capital assets under construction in connection with building projects.

F. Intangible Assets

Under Statement of ASC 350, *Intangibles - Goodwill and Other*, intangible assets with indefinite lives are no longer amortized. Indefinite lived intangible assets, such as water rights, are tested for impairment on an annual basis.

JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Cash Flows

For purposes of the Statement of Cash Flows, the Association considers all demand deposit, savings, certificate of deposits, and highly liquid investments to be cash equivalents.

H. Accrued Employee Benefits

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 of vacation after the first year of employment and 10 days of 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 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.

I. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on asset use either through the enabling legislation adopted by the Association or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

J. Income Taxes

The 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. The Association files Form 990 yearly. The Association's open audit periods are 2015 through 2016. Starting with the March 31, 2017 year, the Association no longer needs to file Form 990.

The Association evaluates uncertain tax positions in accordance with ASC 740 whereby the effect of the uncertainties in tax positions would be recorded if the outcome was considered probable and reasonably estimable. The Association believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Budgetary Information

The Association's budget is prepared on the accrual basis. The Association is statutorily required to submit a budget to the Department of Finance and Administration for approval. The Association treats aggregate cash receipts and disbursements as one fund. The level of budgetary control is at the fund level.

The Association follows the following procedures for 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).

L. 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.

JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

NOTE 2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk. Custodial credit risk is, in the event of the failure of a depository financial institution, the Association will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Association does not have a deposit policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Association's name. As of March 31, 2019, the Association's bank balances total of \$237,957 was fully insured by FDIC insurance and was not exposed to custodial credit risk.

The total balance in any single financial institution may at times exceed the \$250,000 in FDIC coverage available to individual depositors. In accordance with Section 6-10-17, NMSA, 1978 Compilation, the Association is required to collateralize an amount equal to one-half of the public money in excess of FDIC insurance at each financial institution.

Credit Risk. The Association has no formal policy on managing credit risk. State law limits investments to United States Government obligations, commercial paper with A-1 or better ratings, corporate bonds with a BBB+ or better rating, asset backed obligations with an AAA or better rating, or repurchase agreements.

NOTE 3. ACCOUNTS RECEIVABLE – PROPRIETARY FUNDS AND OTHER

Accounts receivable represents billings for water, related fees, and taxes. It is management's policy to cut off water service for non-payment if a payment plan cannot be established with the customer.

Accounts receivable is comprised of the following at March 31, 2019:

Accounts receivable	\$ 31,500
Allowance for uncollectible accounts	<u>(3,361)</u>
Accounts receivable, net	<u>\$ 28,139</u>

JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ending March 31, 2019 was as follows:

	Beginning Balance	Additions	Transfers & Disposals	Ending Balance
Capital assets, not depreciated				
Land	\$ 38,337	-	-	38,337
Water rights	173,523	-	-	173,523
Construction in process	41,474	45,929	(45,929)	41,474
Total, not depreciated	\$ 253,334	45,929	(45,929)	253,334
Capital assets, depreciated				
Land improvements	\$ 12,690	-	-	12,690
Buildings and improvements	39,058	-	-	39,058
Water system and equipment	2,084,894	45,929	(10,851)	2,119,972
Total, depreciated	2,136,642	45,929	(10,851)	2,171,720
Accumulated depreciation				
Land improvements	12,690	-	-	12,690
Buildings and improvements	34,430	967	-	35,397
Water system and equipment	892,162	77,125	(10,851)	958,436
Total accumulated depreciation	939,282	78,092	(10,851)	1,006,523
Total capital assets, depreciated, net	\$ 1,197,360	(32,163)	-	1,165,197
Total capital assets, net	\$ 1,450,694	13,766	(45,929)	1,418,531

JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

NOTE 5. LONG-TERM DEBT

During the year ended March 31, 2019, the following changes occurred:

	Beginning Balance	Additions (Payments)	Ending Balance	Due Within One Year
Loan USDA RD 91.03 in the amount of \$72,800; monthly payments of \$355; 5% interest rate per annum; matures December 2018.	\$ 2,881	(2,881)	-	-
Loan RIP 2012-05 in the amount of \$276,699; yearly payment of \$18,599; 3% interest rate per annum; matures June 30, 2034.	244,870	(11,252)	233,618	11,252
Loan Water Trust Board in the amount of \$54,820; yearly payment of \$2,821; 0.25% interest rate per annum; matures June 1, 2038	54,820	-	54,820	2,532
Compensated Absences	2,077	4,213	6,290	6,290
Total	\$ 304,648	(9,920)	294,728	20,074

JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2019

NOTE 5. LONG-TERM DEBT (CONTINUED)

The future requirements are as follows:

RIP 2012-05

Year Ending March 31	Principal	Interest	Total
2020	\$ 11,590	7,009	18,599
2021	11,938	6,660	18,598
2022	12,296	6,303	18,599
2023	12,665	5,933	18,598
2024	13,045	5,554	18,599
2025-2029	71,333	21,659	92,992
2030-2034	82,695	10,298	92,993
2035	18,056	541	18,597
	<u>\$ 233,618</u>	<u>63,957</u>	<u>297,575</u>

Water Trust Board

Year Ending March 31	Principal	Interest	Total
2020	\$ 2,532	289	2,821
2021	2,691	131	2,822
2022	2,697	124	2,821
2023	2,704	117	2,821
2024	2,711	111	2,822
2025-2029	16,408	521	16,929
2030-2034	13,863	244	14,107
2035-2038	11,214	70	11,284
	<u>\$ 54,820</u>	<u>1,607</u>	<u>56,427</u>

NOTE 6. RISK MANAGEMENT

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters for which the government carries commercial insurance. The Association has obtained insurance through a commercial carrier operating as a common risk management and insurance program. The Association pays an annual premium to a commercial carrier for its general coverage and all risk of loss is transferred. Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated.

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2019**

NOTE 7. JOINT POWERS AGREEMENTS

Participants:	Jemez Springs Domestic Water Association Village of Jemez Springs
Responsible Parties:	Both parties
Description:	Jemez Springs Domestic Water Association agrees to provide technicians to disconnect and/or remove water meters as requested by the Village of Jemez Springs (Village) for customers who do not pay their sewer bill to the Village.
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:	None
Audit Responsibility:	Village of Jemez Springs
Fiscal Responsibility:	Both parties
Revenues and Expenses Reported:	None

NOTE 8. TAX ABATEMENT DISCLOSURES

The Association is not aware of any tax abatements that existed as of March 31, 2019 that would require disclosure under GASB 77.

NOTE 9. SUBSEQUENT EVENTS

The Association has evaluated subsequent events through July 31, 2019 the date the financial statements were available to be issued and had not identified any material subsequent events.

JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
Year Ended March 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Water sales	\$ 282,000	282,000	283,420	1,420
Other income	1,500	1,500	4,951	3,451
Total revenues	283,500	283,500	288,371	4,871
Expenses				
Operating expenses	267,520	267,520	248,010	(19,510)
Operating income (loss)	15,980	15,980	40,361	24,381
Nonoperating revenues (expenses)				
Interest income	330	330	624	294
Loss on disposal of assets	-	-	-	-
Bad debt	-	-	(7,972)	(7,972)
Interest expense	(8,000)	(8,000)	(7,420)	580
Total nonoperating revenues (expenses)	(7,670)	(7,670)	(14,768)	(7,098)
Change in net position	8,310	8,310	25,593	17,283
Prior year fund balance appropriated	(8,310)	(8,310)		
\$	-	-		

JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION
SCHEDULE OF DEPOSIT ACCOUNTS
March 31, 2019

<u>Depository</u>	<u>Account Name</u>	<u>Interest Bearing</u>	<u>Type</u>	<u>Depository Balance</u>	<u>Reconciled Balance</u>
Jemez Valley Credit Union	Operating Account	Yes	Checking	\$ 177,833	\$ 171,365
Jemez Valley Credit Union	Savings	Yes	Savings	60,124	60,124
Cash and cash equivalents				237,957	231,489
Petty Cash	Petty Cash			-	150
Cash in Drawer	Cash in Drawer			-	50
Total cash and cash equivalents				\$ 237,957	\$ 231,689

JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION

SCHEDULE OF PLEDGED COLLATERAL

March 31, 2019

	<u>Jemez Valley Credit Union</u>
Deposits at March 31, 2019	\$ 237,957
Less: FDIC Coverage	<u>237,957</u>
Uninsured public funds	-
Pledged collateral held by the pledging bank's trust department or agent but not in the Association's name	-
Uninsured and uncollateralized	<u>\$ -</u>

**Independent Auditor's 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. Brian Colón, New Mexico State Auditor and
Mr. Robert M. Wilson, Secretary/Treasurer and
the Board of Directors
Jemez Springs Domestic Water Association

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 *Government Auditing Standards* issued by the Comptroller General of the United States, financial statements of the business-type activities, and the budgetary comparison of the operating fund of the Jemez Springs Domestic Water Association (Association) as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and the related budgetary comparison of the Association, presented as supplemental information, and have issued our report thereon dated July 31, 2019.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not identified. However, as described in the accompany Schedule of Findings and Responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. The results of our tests disclosed no instances to be material weaknesses that are required to be reported under *Government Auditing Standards*.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2018-004, and 2018-005 to be significant deficiencies.

Mr. Brian Colón, New Mexico State Auditor
and Mr. Robert M. Wilson, Secretary/Treasurer and
the Board of Directors
Jemez Springs Domestic Water Association

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. We consider the noncompliance described in the accompanying Schedule of Findings and Responses as items 2018-002 and 2019-001 to be other noncompliance matters.

The Association’s Response to Findings

The Association’s response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The Association’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 results of that testing, and not to provide an opinion on the effectiveness of the Association’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.

Baldwin Accounting & Consulting, LLC

Baldwin Accounting & Consulting, LLC
Albuquerque, New Mexico
July 31, 2019

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended March 31, 2019**

Findings from Year Ended March 31, 2018:

Current Status:

**2018-001 Insufficient Segregation of Duties
(Material Weakness)**

Resolved

**2018-002 Travel and Per Diem Policy Violation
(Significant Deficiency)**

Repeated & Modified

**2018-003 Internal Control over Accounts Receivable
(Material Weakness)**

Resolved

**2018-004 Compliance with Restrictive Covenants
(Significant Deficiency, Non- Compliance)**

Repeated

**2018-005 Lack of Internal Controls over Payroll
(Significant Deficiency)**

Repeated & Modified

**2018-006 Lack of Review over Old Outstanding Items
(Control Deficiency)**

Resolved

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended March 31, 2019**

2018-002 Travel and Per Diem Policy Violation (Other Non-Compliance)

Condition: The Association has been paying the 2015 rate for mileage reimbursements. The 2015 rate is \$0.575. The Association should have been paying the 2018 rate of \$0.545 and the 2019 rate of \$0.580.

Management's Progress: Management changed the mileage reimbursement rate to match the 2018 and 2019 IRS mileage rates, but there were still reimbursements being made at the 2015 IRS mileage rate.

Criteria: Sections 10-8-1 through 10-8-8 NMSA 1978 require that "every public officer or employee shall receive up to the internal revenue service standard mileage rate set January 1 of the previous year of each mile traveled in a privately owned vehicle."

Effect: The Association is not in compliance with state statutes relating to travel and per diem.

Cause: The Association did not update their mileage reimbursement requests sheets when the mileage reimbursement rate changed.

Auditor's Recommendation: The Association should obtain training on the travel and per diem policy to ensure they do not make the same mistake in the future.

Management's Response: Management agrees with the finding. The Association corrected the finding and has been in compliance since July 2018.

Corrective Action(s): The Association will pay mileage and per diem according to the Association's policies.

Responsible person(s): The Secretary Treasurer and Office Manager. Timeline of corrective action: August 2019.

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended March 31, 2019**

2018-004 Compliance with Restrictive Covenants (Significant Deficiency, Non-Compliance)

Condition: The Association entered into a loan agreement requiring it to file a water conservation plan with the State Engineer's Office. However, the Association has not submitted a water conservation plan to the State Engineer's Office.

Management's Progress: The Association has engaged an attorney to draft the water conservation plan. As of July 31, 2019, the water conservation plan has not been drafted.

Criteria: Article II(x) of the loan agreement entered into on April 21, 2017 between the Association and the New Mexico Finance Authority. "The Borrower/Grantee has submitted a water conservation plan or one is on file with the State Engineer, as required by NMSA 1978 section 72-4A-7, as amended."

Effect: The Association may not be in compliance with their loan agreement.

Cause: The Association has engaged an attorney to draft a water conservation plan, but the plan has not been completed at March 31, 2019 to be sent to the State Engineer's Office.

Auditor's Recommendation: The Association should finalize the conservation plan to file with the State Engineer.

Management's Response: Management agrees with the finding.

Corrective Action(s): The Association will continue to work with the consulting attorney to prepare and file the conservation plan.

Responsible person(s): The Board of Directors.

Timeline of corrective action: To be completed by December 31, 2019.

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended March 31, 2019**

2018-005 Lack of Internal Controls over Payroll (Significant Deficiency)

Condition: As part of our testwork over internal controls for payroll processing we tested hourly employee's timesheets. For the hourly employees, one of the eight timesheets tested were not approved.

Management's Progress: Improvements have been made from the prior fiscal year, but there is still an instance noted where the timesheet was not approved before processing.

Criteria: State Auditor Rule 2.2.2.10 J, and Section 12-6-5, NMSA 1978, require good accounting practices to be followed. Timesheets should be approved.

Effect: The Association is at risk of that employees will add time that they do not work to their timesheet.

Cause: Insufficient review of timesheets.

Auditor's Recommendation: We recommend all timesheets be reviewed and signed.

Management's Response: Management agrees with this finding. The one instance of non-compliance was in the first month of FY19. Controls have been instituted to insure compliance.

Corrective Action(s): The Office Manager will assure that all approvals are present prior to check signing.

Responsible person(s): The Secretary Treasurer and Office Manager.

Timeline of corrective action: This will be implemented as part of the next payroll.

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended March 31, 2019**

2019-001 Personnel Files – Compliance I-9s (Other Non-Compliance)

Condition: As part of our testwork over internal controls for personnel files we tested that I-9s were prepared for each employee of the Association. We noted two instances out of ten where no I-9 was prepared for the employee. The two employees were temporary employees during FY 2019.

Criteria: The Association shall maintain and have available for inspection the federal form I-9 for citizenship certification.

Effect: The Association is at risk that employees may not be legally authorized to work in the United States, and the Association could be subject to fines and penalties for improper completion, retention, or making it available for inspection of the I-9 form.

Cause: The person that completed the paperwork for the temporary employees hired, did not have the employee complete the I-9 form. However, he did take copies of the employees' driver's licenses and social security cards.

Auditor's Recommendation: We recommend training is necessary to assure the I-9s are completed and completed correctly.

Management's Response: Management agrees with this finding.

Corrective Action(s): The Office Manager will assure that I-9s are completed for all Association employees and each new employee.

Responsible person(s): The Secretary Treasurer and Office Manager.

Timeline of corrective action: This will be implemented as part of the next payroll.

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION
EXIT CONFERENCE
Year Ended March 31, 2019**

An exit conference was held on August 2, 2019, and attended by the following:

Jemez Springs Domestic Water Association

John Garcia, President

Robert M. Wilson, Secretary/Treasurer

Christina Holder, Office Manager

Baldwin Accounting & Consulting, LLC

Lee Baldwin, Accounting Director

* * * * *

The financial statements were prepared by Baldwin Accounting & Consulting, LLC from the books and records of the Jemez Springs Domestic Water Association. However, the contents of these financial statements remain the responsibility of the Association's management.