

**STATE OF NEW MEXICO**

**NORTH STAR DOMESTIC WATER CONSUMERS  
& MUTUAL SEWAGE WORKS COOPERATIVE, INC.**

**FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013**

**WITH**

**INDEPENDENT AUDITOR'S REPORT**



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## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO**  
**NORTH STAR DOMESTIC WATER CONSUMERS**  
**& MUTUAL SEWAGE WORKS COOPERATIVE, INC.**  
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**FOR THE YEAR ENDED DECEMBER 31, 2013**

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**STATE OF NEW MEXICO**  
**NORTH STAR DOMESTIC WATER CONSUMERS**  
**& MUTUAL SEWAGE WORKS COOPERATIVE, INC.**  
**OFFICIAL ROSTER**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

<u>Name</u>		<u>Title</u>
	<u>Board of Directors</u>	
Loren Linville		President
Earnest Smith		Vice President
Bennie Brown		Secretary/Treasurer
Tim Torrez		Member
Wayne Bradford		Member
	<u>Administrative Employees</u>	
Lloyd Ayliffe		General Manager

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**FINANCIAL SECTION**



# Manning Accounting and Consulting Services, LLC

## INDEPENDENT AUDITOR'S REPORT

Wayne Johnson, New Mexico State Auditor  
and the Board of Directors of  
North Star Domestic Water Consumers  
& Mutual Sewage Works Cooperative, Inc.  
Aztec, New Mexico

### **Report on Financial Statements**

We were engaged to audit the accompanying financial statements of the business-type activities of North Star Domestic Water Consumers & Mutual Sewage Works Cooperative, Inc., (the "Cooperative") as of and for the year ended December 31, 2013, and the related notes to the financial statements which collectively comprise the Cooperative's basic financial statements as listed in the table of contents.

### **Management's Responsibility**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles general 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 an opinion 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 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.

### **Basis for Disclaimer of Opinion**

As a result of numerous material weaknesses in the internal control structure of the Cooperative and the loss of supporting records due to a fire in July 2013, the Cooperative's accounting records are inadequate to substantiate the account balances for cash, accounts receivable, revenues, and expenses presented in the financial statements. There is insufficient evidence available to determine that the ending account balances and account distributions for revenue and expense amounts are accurate and management assertions cannot be adequately examined to afford a basis for an opinion.



**Disclaimer of Opinion**

Because of the significance of the matters described in the Basis for Disclaimer of Opinion, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

**Other Matters**

*Required Supplementary Information*

North Star Domestic Water Consumers & Mutual Sewage Works Cooperative, Inc. has omitted the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America required 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 disclaimer of opinion on the basic financial statements is not affected by this missing information.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2018 on our consideration of the Cooperative'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 Cooperative's internal control over financial reporting and compliance.

Manning Accounting and Consulting Services, LLC

Manning Accounting and Consulting Services, LLC  
Kirtland, New Mexico  
December 6, 2018

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**BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**NORTH STAR DOMESTIC WATER CONSUMERS**  
**& MUTUAL SEWAGE WORKS COOPERATIVE, INC.**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**DECEMBER 31, 2013**

**ASSETS**

*Current assets*

Cash and cash equivalents	\$	226,022
Receivables (net of allowance for uncollectibles)		98,699
Other receivables		21,125
Interest receivable		302
<i>Total current assets</i>		346,148

*Noncurrent assets*

Restricted cash and equivalents		72,446
Note receivable		54,886
Capital assets		
Land		7,436
Construction in progress		1,749,655
Water rights		828,335
Buildings and system		2,052,703
Improvements other than buildings		454,544
Equipment		4,731,267
Less: accumulated depreciation		(4,249,456)
<i>Total noncurrent assets</i>		5,701,816

*Total assets*

\$ 6,047,964

**LIABILITIES**

*Current liabilities*

Accounts payable	\$	22,880
Sales tax payable		42,699
Accrued liabilities		67,452
Accrued interest payable		5,824
Current maturities of:		
Accrued leave		25,042
Loans payable		112,166
<i>Total current liabilities</i>		276,063

*Noncurrent liabilities:*

Notes payable		31,891
Loans payable		1,781,712
<i>Total noncurrent liabilities</i>		1,813,603

**NET POSITION**

Invested in capital assets		3,680,606
Restricted for:		
Debt service		72,446
Unrestricted net assets		205,246
<i>Total net position</i>		3,958,298

*Total liabilities and net position*

\$ 6,047,964

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

**STATE OF NEW MEXICO**  
**NORTH STAR DOMESTIC WATER CONSUMERS**  
**& MUTUAL SEWAGE WORKS COOPERATIVE, INC.**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDING DECEMBER 31, 2013**

<b>OPERATING REVENUES</b>	
Water sales	\$ 815,359
Membership fees	21,320
Transfer fees	1,600
Fees and other charges	<u>45,422</u>
<i>Total operating revenues</i>	<u>883,701</u>
<b>OPERATING EXPENSES</b>	
Auto maintenance	10,762
Bad debt	36,817
Contract labor	11,739
Depreciation	266,928
Fuel	23,512
Insurance	27,263
Legal and professional fees	5,132
Member stipends	2,130
Occupancy expenses	65,211
Office expenses	25,010
Payroll taxes and benefits	84,367
Repairs and maintenance	30,672
Safety and training	1,903
Salaries and wages	280,820
Supplies	74,533
Taxes, licensing, and permits	6,243
Telephone	20,035
Training and education	1,440
Travel expense	<u>7,983</u>
<i>Total operating expenses</i>	<u>982,500</u>
<i>Operating income (loss)</i>	<u>(98,799)</u>
<b>OTHER INCOME (EXPENSE)</b>	
Grant revenue	11,853
Interest income	478
Penalties	(1,547)
Interest expense	<u>(48,217)</u>
<i>Total other income (expense)</i>	<u>(37,433)</u>
<b>CHANGE IN NET POSITION</b>	(136,232)
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>4,094,530</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 3,958,298</u></u>

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

**STATE OF NEW MEXICO**  
**NORTH STAR DOMESTIC WATER CONSUMERS**  
**& MUTUAL SEWAGE WORKS COOPERATIVE, INC.**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDING DECEMBER 31, 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 880,235
Cash payments to employees	(355,983)
Cash payments to vendors for goods and services	(359,263)
Net cash provided (used) by operating activities	164,989

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchases of property and equipment	(61,657)
Principal payments on long-term debt	(109,160)
Interest payments on long-term debt	(50,213)
Proceeds from long-term debt	(30,080)
Proceeds from grants	11,853
Change in restricted cash	(793)
Net cash provided (used) by financing activities	(240,050)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received	562
Net cash provided (used) by capital and investing activities	562

**Net increase (decrease) in cash and cash equivalents** (74,499)

**Cash and cash equivalents, beginning of period** 300,522

**Cash and cash equivalents, end of period** \$ 226,023

**Reconciliation of operating income to net cash provided by operating activities:**

Operating income (loss)	\$ (98,799)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	266,928
(Increase) decrease in operating assets:	
Customer receivables	(24,367)
Increase (decrease) in operating liabilities:	
Accounts payable	(8,878)
Sales tax payable	20,900
Accrued payroll liabilities	17,978
Accrued leave	(8,773)
<b>Net cash provided (used) by operating activities</b>	<b>\$ 164,989</b>

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

**STATE OF NEW MEXICO**  
NORTH STAR DOMESTIC WATER CONSUMERS  
& MUTUAL SEWAGE WORKS COOPERATIVE, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

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

*A. Financial Reporting Entity*

The North Star Domestic Water Consumers & Mutual Sewage Works Cooperative, Inc. (Cooperative) is a not-for-profit Mutual Domestic Association established for the purpose of construction, maintaining, and operating a water and wastewater system for members of the Cooperative in rural San Juan County. The Cooperative was incorporated as a Cooperative under the provisions of the New Mexico Cooperative Corporation Act. In October of 2007, the Board of Directors believed that it changed its form of organization from a not-for-profit cooperative to a not-for-profit company under the Sanitary Projects Act, NMSA 3-29-1 through 3-29-20. As such, the Cooperative changed its operating name from North Star DWC & MSWC Cooperative, Inc. to North Star Mutual Domestic Water Consumers Association, and has been operating under that name since 2007. The Cooperative has no component units.

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

The New Mexico State Auditor has determined, based upon the AG opinions, that mutual domestic water associations are governmental nonprofit organizations. As a result of this conclusion, as of fiscal year 2006, the Cooperative has changed their reporting format from the nonprofit format to the governmental format required by Governmental Accounting Standards Board (GASB) Statement 34. There was no effect on net assets as a result of implementing this format.

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

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

The proprietary fund financial statements are reported using 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Cooperative uses a proprietary fund to record all of its transactions.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions.

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

**STATE OF NEW MEXICO**  
NORTH STAR DOMESTIC WATER CONSUMERS  
& MUTUAL SEWAGE WORKS COOPERATIVE, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

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

*C.      Assets, Liabilities, and Net Position or Equity*

**Cash and Temporary Investments:** The Cooperative's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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

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

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

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

Investments for the Cooperative are reported at fair value.

**Accounts Receivable:** The receivables in the statement of net assets are considered fully collectable, and therefore, no allowance for doubtful accounts has been recorded. Receivables are recognized when services have been rendered and revenue has been earned.

Accounts receivable consist of water billings receivable at December 31, 2013.

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

Buildings and systems	40
Furniture and fixtures	5-15
Improvements other than buildings	15-30
Machinery and equipment	5-20

Water rights of \$828,335 are not depreciated or amortized because water rights reflect renewable resources that do not deplete through use or deterioration. The Cooperative evaluates the water rights each reporting period to determine whether events or circumstances continue to support an indefinite useful life.



**STATE OF NEW MEXICO**  
NORTH STAR DOMESTIC WATER CONSUMERS  
& MUTUAL SEWAGE WORKS COOPERATIVE, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013

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

*C.      Assets, Liabilities, and Net Position or Equity (Continued)*

**Accumulated Compensated Absences:** The Cooperative permits certain employees to accumulate a limited amount of earned vacation leave. The cost of earned but unpaid vacation leave is normally recognized in proprietary funds when the benefit vests to the employee and becomes a legal liability to the Cooperative. At December 31, 2013 the amount of accumulated leave was \$25,042.

**Accrued Liabilities:** Accrued liabilities consist of the following at December 31, 2013:

Accrued salaries and wages	\$2,292
Payroll deductions and withholdings	<u>65,160</u>
Total	<u>\$67,452</u>

**Use of Estimates:** The preparation of financial statement 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 at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Income Taxes:** North Star Water Consumers & Mutual Sewage Works Cooperative, Inc., 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)(3). Therefore, no provision for income taxes has been made.

**NOTE 2      Stewardship, Compliance, And Accountability**

**Budget:** As a non-profit organization, the Cooperative does not legally adopt a budget, and budgetary compliance is not one of the statutes which the New Mexico Attorney General has determined Mutual Domestic Associations are subject to under opinions 68-38, 90-30, and 06-02. Therefore, no comparison is made between the budget and actual expenditures.

**NOTE 3      Detailed Notes on All Funds**

*A.      Cash and Temporary investments*

New Mexico state statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Cooperative for at least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico Office of the State Auditor's requirements in reporting the insured and uninsured portion of deposits.

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**& MUTUAL SEWAGE WORKS COOPERATIVE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 3 Detailed Notes on All Funds (Continued)**

*A. Cash and Temporary investments (Continued)*

	Wells Fargo Bank	Bank of Albuquerque	Washington Federal	Total
Cash on deposit	\$ 79,213	\$ 23,932	\$ 98,167	\$ 201,312
Certificates of deposit	55,945			55,945
FDIC coverage	135,158	23,932	98,167	\$ 257,257
Total uninsured and uncollateralized	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	New Mexico Finance Authority
Cash on deposit with State Treasurer	\$ 46,881
Collateralized in State Treasurer accounts	<u>(46,881)</u>
Total uninsured and uncollateralized	<u>\$ -</u>

The funds are maintained in a combination of interest bearing and non-interest bearing checking accounts.

The Cooperative maintains petty cash of \$200.

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the Cooperative. Time deposits, savings deposits and interest bearing now accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

**Custodial Credit Risk-Deposits:** Custodial Credit risk is the risk that in the event of bank failure, the Cooperative deposits may not be returned. The Cooperative does not have a deposit policy for custodial credit risk. As of December 31, 2013, none of the Cooperative's bank balance appears to have been exposed to custodial credit risk. As no bank statements for the year were available, if bank balances were the same as book balances, the coverage was as follows:

Uninsured and uncollateralized	\$ -
Uninsured and collateralized by FDIC	257,257
Uninsured and collateralized in State Treasurer's account	<u>48,514</u>
Total	<u>\$ 305,771</u>

**STATE OF NEW MEXICO**  
**NORTH STAR DOMESTIC WATER CONSUMERS**  
**& MUTUAL SEWAGE WORKS COOPERATIVE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 3 Detailed Notes on All Funds (Continued)**

*B. Capital Assets*

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance December 31, 2012	Additions	Deletions	Balance December 31, 2013
Capital assets used in governmental activities:				
Capital assets not being depreciated:				
Land	\$ (29,373)	\$ -	\$ -	\$ (29,373)
Construction in progress	1,737,802	11,853	-	1,749,655
Water Rights	816,135	12,200	-	828,335
Total capital assets not being depreciated	<u>2,524,564</u>	<u>24,053</u>	<u>-</u>	<u>2,548,617</u>
Capital assets being depreciated:				
Land improvements	454,544	-	-	454,544
Buildings and building improvements	2,052,703	-	-	2,052,703
Furniture, fixtures, and equipment	4,701,684	37,604	(8,021)	4,731,267
Total capital assets being depreciated	<u>7,208,931</u>	<u>37,604</u>	<u>(8,021)</u>	<u>7,238,514</u>
Less accumulated depreciation:				
Land improvements	298,167	25,176	-	323,343
Buildings and building improvements	426,319	52,835	-	479,154
Furniture, fixtures, and equipment	3,266,063	188,917	(8,021)	3,446,959
Total accumulated depreciation	<u>3,990,549</u>	<u>266,928</u>	<u>(8,021)</u>	<u>4,249,456</u>
Total capital assets, net of depreciation	<u>\$ 5,742,946</u>	<u>\$ (205,271)</u>	<u>\$ -</u>	<u>\$ 5,537,675</u>

*C. Long-Term Debt*

During the year ended December 31, 2013, the following changes occurred in long-term debt:

	Balance at 12/31/12	Additions	Deletions	Balance at 12/31/13	Due Within One Year
USDA and NMFA Loans	\$ 2,003,039	\$ -	\$ 109,161	\$ 1,893,878	\$ 112,167
Compensated Absences	33,815	11,980	20,753	25,042	25,042
	<u>\$ 2,036,854</u>	<u>\$ 11,980</u>	<u>\$ 129,914</u>	<u>\$ 1,918,920</u>	<u>\$ 137,209</u>

The Cooperative also entered into three note agreements during the year for the purchase of water rights. The Cooperative incurred notes in the amount of \$31,891. The individuals were provided a 20% down payment on the water rights with the remaining balance to be paid when the State Engineer's Office officially transfers the water rights. This may sometime takes years to process.

**STATE OF NEW MEXICO**  
**NORTH STAR DOMESTIC WATER CONSUMERS**  
**& MUTUAL SEWAGE WORKS COOPERATIVE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 3 Detailed Notes on All Funds (Continued)**

*C. Long-Term Debt (Continued)*

Long-term loans outstanding at December 31, 2013 are comprised of the following:

	USDA Loan NP 574 Tank 11/8/2001	USDA Loan N/P Rural development 9/30/2001	NMFA Loan DWRLF 6/27/2003
Issue Date			
Original Issue	\$242,284	\$340,400	\$1,779,798
Maturity Date	1/14/2015	5/7/2563	4/1/2028
Principal	Monthly	Monthly	1-May
Interest Rate	5.000%	6.875%	2.000%
Principal/Interest	Monthly	Monthly	1-May
Interest	N/A	N/A	1-Nov

  

	NMFA Loan N/P 11/1/1998	NMFA Loan ZD WTB- 0070 9/30/2001	NMFA Loan N/P RIP J91-03 10/1/2002
Issue Date			
Original Issue	\$299,845	\$143,255	\$114,789
Maturity Date	4/1/2028	8/1/2031	10/1/2014
Principal	1-May	1-Jun	12-Oct
Interest Rate	2.734%	6.875%	3.000%
Principal/Interest	1-May	1-Jun	12-Oct
Interest	1-Nov	1-Dec	N/A

The annual requirements to amortize the long-term notes as of December 31, 2013, including interest payments are as follows:

Fiscal Year Ending December 31,	USDA and NMFA Loans		Total Debt Service
	Principal	Interest	
2014	\$ 112,167	\$ 45,524	\$ 157,691
2015	214,550	37,143	251,693
2016	105,015	33,936	138,951
2017	107,608	31,070	138,678
2018	108,487	28,085	136,572
2019-2023	587,765	93,520	681,285
2024-2028	643,636	35,277	678,913
2029-2030	14,650	54	14,704
Totals	<u>\$ 1,893,878</u>	<u>\$ 304,609</u>	<u>\$ 2,198,487</u>

The New Mexico Finance Authority loans require the Cooperative to maintain reserve accounts, which consist of \$72,446 for the year ended December 31, 2013, in restricted cash on the Cooperative's statement of financial position.

**STATE OF NEW MEXICO**  
**NORTH STAR DOMESTIC WATER CONSUMERS**  
**& MUTUAL SEWAGE WORKS COOPERATIVE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 4      Workman's Compensation**

Every employee of the Cooperative is covered by workman's compensation insurance as provided by state law. The Cooperative pays the entire insurance cost. Any employee who is injured or becomes ill from a cause arising in the course of his/her employment is eligible for benefits under workman's compensation in accordance with state workman's compensation law. Such illness or injury must be reported to the supervisor or general manager immediately.

**NOTE 5      Grants**

The Cooperative received state grant funding in the amount of \$11,853 in the current year for a project to tie in the Cooperative's system with Flora Vista water system to provide redundancy to the two service areas. This was the final draw on a \$1,289,297 grant from the state for this project and no funds remain to be drawn on this grant.

The Cooperative drew no funds against another \$2,000,000 grant to complete this project. A balance of \$1,788,769 remains to be drawn against this grant.

**NOTE 6      Subsequent Events**

In January 2016, the Cooperative found out that its tax exempt status had been revoked effective May 15, 2012 for failure to file Form 990 information returns beginning with the 2009 tax year. However, the Cooperative fought the revocation, completed the filing of all late returns, and its non-profit status was reinstated retroactively on March 16, 2017.

In October 2007 and again in September 2013, the Cooperative believed that it had changed its company status and name, changing its incorporation from a not-for-profit cooperative under the New Mexico Cooperative Corporation Act to a not-for-profit company under the Sanitary Projects Act, NMSA3-29-1 through 3-29-20 and changing its name from North Star Domestic Water Consumers & Mutual Sewage Works Cooperative, Inc. to North Star Mutual Domestic Water Consumers Association, Inc. Since 2007, the Cooperative has operated under the name North Star Mutual Domestic Water Consumers Association, Inc. In November 2016, paperwork was again filed with the New Mexico Secretary of State to affect this change. The change in status has not yet been confirmed by the Secretary of State.

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**COMPLIANCE SECTION**



# Manning Accounting and Consulting Services, LLC

## 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*

Wayne Johnson  
New Mexico State Auditor  
and the Board of Education of  
North Star Domestic Water Consumers  
& Mutual Sewage Works Cooperative, Inc.  
Aztec, New Mexico

We were engaged to audit the financial statements of the business-type activities of the North Star Domestic Water Consumers & Mutual Sewage Works Cooperative, Inc. (the "Cooperative") as of and for the year ended December 31, 2013, and have issued our report thereon dated December 6, 2018. 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 of the basic financial statements, we considered the Cooperative's internal control over financial reporting (internal controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting 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 misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of significant deficiencies, 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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2008-1 and 2009-7 to be material weaknesses.

A *significant deficiency* is a deficiency, or 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 2009-2, 2009-3, 2009-4, 2009-5, and 2010-1 to be significant deficiencies.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Cooperative'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2009-1.

### **The Entity's Response to Findings**

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

### **Purpose of this Report**

The report is intended solely for the information and use of the Cooperative's Board of Directors, the Cooperative's Management, others within the entity, New Mexico Department of Finance and Administration, the New Mexico Legislature, federal and state grantors, and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

*Manning Accounting and Consulting Services, LLC*

Manning Accounting and Consulting Services, LLC  
Kirtland, New Mexico  
December 6, 2018

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**STATE OF NEW MEXICO**  
**NORTH STAR DOMESTIC WATER CONSUMERS**  
**& MUTUAL SEWAGE WORKS COOPERATIVE, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**Section I – Financial Statement Findings**

**2008-1 – Improper Recording and Maintenance of Fixed Assets (Material Weakness) Repeated**

**Criteria:** 12-6-10 NMSA 1978 Annual inventory.

- A. The governing authority of each agency shall, at the end of each fiscal year, conduct a physical inventory of movable chattels and equipment costing more than five thousand dollars (\$5,000) and under the control of the governing authority. This inventory shall include all movable chattels and equipment procured through the capital program fund under Section [15-3B-16](#) NMSA 1978, which are assigned to the agency designated by the director of the property control division of the general services department as the user agency. The inventory shall list the chattels and equipment and the date and cost of acquisition. No agency shall be required to list any item costing five thousand dollars (\$5,000) or less. Upon completion, the inventory shall be certified by the governing authority as to correctness. Each agency shall maintain one copy in its files. At the time of the annual audit, the state auditor shall satisfy himself as to the correctness of the inventory by generally accepted auditing procedures.

**Condition:** During review of the Cooperative’s capital assets, it was determined that some items had not been previously recorded nor properly depreciated in prior years, that management is unsure if the entire system has been capitalized, and that an annual inventory of assets is not completed. Due to this we are unsure that all system assets have been capitalized and depreciated properly.

No change in this condition has occurred since the prior year.

**Cause:** The Cooperative has not kept proper records on its capital asset and inventory detail. Recording of assets, especially items which may be paid directly through a grant trustee are not consistently captured and capitalized. A year-end review to verify assets is not completed.

**Effect:** Fixed assets are materially misstated in previous financial statements and not all assets have been properly recorded and tracked in the fixed asset inventory system.

**Auditors’ Recommendation:** We recommend that the Cooperative ensure compliance with the above statutes by implementing internal control processes that will safeguard and record all fixed asset inventory, including those paid directly through a grant trustee. Additionally, we stress the importance of conducting annual physical inventories of fixed assets to ensure proper asset values are presented to the Board as they bear responsibility for all assets of the Cooperative.

**Responsible Official’s View:**

- Specific corrective action plan for finding:

**North Star has applied for and received a New Mexico Finance Authority Grant to complete an Asset Management Plan (“AMP”). North Star has entered into an agreement with Bohannon Huston, Inc. to construct a Project consisting of development of an Asset Management Plan (AMP) for North Star’s water infrastructure based on the New Mexico Infrastructure Finance Center, A.M Can Work Guide. The Asset Management Plan is being developed in conjunction with Shane Chance CPA and the installation of a new accounting program Account Edge. The account numbering and nomenclature is being developed to match the asset inventory for direct asset management between assets and asset accounting for depreciation, inventory and reporting accountability as part of the Asset Management Plan.**

**STATE OF NEW MEXICO**  
**NORTH STAR DOMESTIC WATER CONSUMERS**  
**& MUTUAL SEWAGE WORKS COOPERATIVE, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**Section I – Financial Statement Findings (Continued)**

**2008-1 – Improper Recording and Maintenance of Fixed Assets (Material Weakness) Repeated (Continued)**

- Timeline for completion of corrective action plan:

**The corrective action plan is a plan in progress and has been since August 1, 2016. The completion timeline for the corrective action plan is July 31, 2019. That is the closing deadline for the New Mexico Finance Authority Asset Management Plan Grant. This is with the understanding that Asset Management is an ongoing process in order meet accounting requirements.**

- Employee position(s) responsible for meeting the timeline:

**The General Manager and the Administrative Assistant**

**STATE OF NEW MEXICO**  
**NORTH STAR DOMESTIC WATER CONSUMERS**  
**& MUTUAL SEWAGE WORKS COOPERATIVE, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**Section I – Financial Statement Findings (Continued)**

**2009-1 – Late Submission of IPA Recommendation Form and Audit Contract (Other Matter) Repeated**

**Criteria:** 2.2.2.8(B)(6)(c) NMAC requires local public bodies that must obtain an audit to submit the required recommendation for the audit contract to the state auditor by December 1<sup>st</sup>.

**Condition:** The Cooperative did not complete the auditor selection process in a timely manner.

No change in this condition has occurred since the prior year.

**Cause:** The Management and Board of the Cooperative, because of their cash situation, chose not to procure an audit in 2013. As such, they did not meet the December 1, 2013 deadline.

**Effect:** The submission of the form and the contract to the State Auditor was not completed timely.

**Auditor's Recommendation:** We recommend that the Cooperative complete the IPA recommendation form and audit contract by the statutory deadline.

**Responsible Official's View:**

- Specific corrective action plan for finding:

**It is North Star intent to complete the IPA recommendation form and audit contract by the statutory deadline and attempt to include the audit cost in the annual yearly budget process.**

- Timeline for completion of corrective action plan:

**The timeline for completion is before the statutory deadline each year once audits are current.**

- Employee position(s) responsible for meeting the timeline:

**General Manger and Administrative Assistant**

**STATE OF NEW MEXICO**  
**NORTH STAR DOMESTIC WATER CONSUMERS**  
**& MUTUAL SEWAGE WORKS COOPERATIVE, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**Section I – Financial Statement Findings (Continued)**

**2009-2 – Bank Reconciliation Procedures (Significant Deficiency) Repeated**

**Criteria:** In accordance with proper accounting procedures and 2.20.5.8 NMAC, we were not able to verify, other than with the Citizens Bank account, that the Cooperative was completing their reconciliations in a timely manner. A timely reconciliation of bank accounts is normally considered to be completed within 30 days of month end. Also, bank reconciliations should be reviewed and signed and dated by someone other than the individual completing the bank reconciliations.

**Condition:** The Cooperative was unable to provide any bank reconciliations for the 2013 or 2012 audits, provided one reconciliation for the 2011 audit, had no reconciliations for 2010, and only had bank reconciliations for the operating account in the 2009 audit.

**Cause:** The Cooperative has not kept sufficient records for review by the auditors. These records may have been lost in a fire which destroyed some records and caused other records to be mixed into other years.

No change in this condition has occurred since the prior year.

**Effect:** The Cooperative is unable to document that reconciliations were done timely and are reviewed by a supervisor not responsible for bank transactions or a member of the Board.

**Auditor's Recommendation:** We recommend that all cash reconciliations be signed and dated by the individual performing the reconciliations and that they also be signed and dated by a member of the board to verify secondary review of the bank reconciliations. We recommend that these reconciliations and review of reconciliations occur within 30 days of month-end.

**Responsible Official's View:**

- Specific corrective action plan for finding:

**A policy will be established to print out the Bank Statement at the close of the month, do the reconciliation and corrections if required, the General Manager will review and sign the statement, and the statement will then be review by the Board of Directors, Secretary/Treasurer and signed. The Cooperative has retained Shane Chance CPA to review the financials and assist the Cooperative with the accounting and bookkeeping. This will become a written Policy established and approved by the Board of Directors, and incorporated into the Rules and Regulations of the Cooperative.**

- Timeline for completion of corrective action plan:

**The timeline for completion of the corrective action was July 30, 2019.**

- Employee position(s) responsible for meeting the timeline:

**General Manager and Administrative Assistant**

**STATE OF NEW MEXICO**  
**NORTH STAR DOMESTIC WATER CONSUMERS**  
**& MUTUAL SEWAGE WORKS COOPERATIVE, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**Section I – Financial Statement Findings (Continued)**

**2009-3 – Lack of Supporting Documentation for Deposits (Significant Deficiency) Repeated and Revised**

**Criteria:** Good internal control procedures require that all deposits should be accompanied by supporting documentation identifying the total of the deposit, what revenue category generated the funds, and detail of the amounts in the event that multiple items are included within the deposit.

**Condition:** The Cooperative did not retain copies of checks or cash received in 2013, nor did it have bank statements to verify deposits. The Cooperative had the bank print out bank statements for the years 2011, 2012, and 2013.

**Cause:** The Cooperative was not aware of the need to keep additional supporting documentation to support any deposits made to the Cooperative's bank account. The Cooperative did create reports showing some of their reports but no original documents were available. Additionally, a fire in a storage area for the Cooperative's supporting documentation in 2013 may, or may not, have led to the destruction of these documents. Some documents were destroyed by the fire and some documents became mixed with other year's documents in the cleanup process, so it is impossible to know if the documents ever existed or not.

No change in this condition has occurred since the prior year.

**Effect:** We were unable to review any bank statements for the year to confirm deposits.

**Auditor's Recommendation:** We recommend that the Cooperative maintain copies of supporting documentation including a system printout showing which accounts were credited for all deposits and safe keep all bank statements.

**Responsible Official's View:**

- Specific corrective action plan for finding:

**A monthly file folder has been set up containing the Bank Deposits, the Bank Receipts, account numbers credited, and the G/L Account Number.**

- Timeline for completion of corrective action plan:

**This corrective has been implemented and is in place.**

- Employee position(s) responsible for meeting the timeline:

**Administrative Assistant and General Manager**

**STATE OF NEW MEXICO**  
**NORTH STAR DOMESTIC WATER CONSUMERS**  
**& MUTUAL SEWAGE WORKS COOPERATIVE, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**Section I – Financial Statement Findings (Continued)**

**2009-4 – Purchase Orders and Payment Authorization (Significant Deficiency) Repeated and Revised**

**Criteria:** In accordance with proper accounting procedures and 1.4.1 NMAC purchases of goods and services should be preceded with the issuance of a purchase order to encumber the funds. Additionally, sound accounting practices require proper segregation of duties, proper receiving procedures, proper documentation for payments, and proper authorization of expenditures.

**Condition:** A fire in a storage area for the Cooperative’s supporting documentation in 2013 may, or may not, have led to the destruction of these documents. Some documents were destroyed by the fire and some documents became mixed with other year’s documents in the cleanup process, so it is impossible to know if the documents ever existed or not. We were only able to locate the original copy of the check for 1 of our 25 selections.

In the prior year, 15 of 23 items had no purchase order and 1 of 23 items tested had a purchase order with no amount listed.

**Cause:** The Cooperative was unaware of the state purchasing guidelines affecting local public bodies which require the issuance of a purchase order for all purchases prior to committing or expending funds or that proper notations for receiving need be completed on all items.

**Effect:** We were unable to verify whether purchase orders were ever created for cash disbursements, whether proper receiving was performed on those items, and if proper invoices existed for the purchases.

**Auditor’s Recommendation:** We recommend that the Cooperative begin issuing purchase orders for all purchases. We also recommend that an authorized official sign and date all invoices for products and services indicating that the invoice is “OK to pay” and that all payments have a proper invoice on file. This will provide assurance that an authorized individual is accepting responsibility for the products and services provided to the Cooperative.

**Responsible Official’s View:**

- Specific corrective action plan for finding:

**A new Accounting Program has been implemented; this program includes a purchase order module for issuing, approving, tracking and approval to pay.**

- Timeline for completion of corrective action plan:

**The timeline for completion of the Purchase Order Accounting was July 31, 2019.**

- Employee position(s) responsible for meeting the timeline:

**General Manager and Administrative Assistant**



**STATE OF NEW MEXICO**  
**NORTH STAR DOMESTIC WATER CONSUMERS**  
**& MUTUAL SEWAGE WORKS COOPERATIVE, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**Section I – Financial Statement Findings (Continued)**

**2009-5 – Late Submission of Audit Report (Significant Deficiency) Repeated**

*Criteria:* 2.2.2.9 A(g) NMAC requires local public bodies that have a fiscal year-end other than June 30<sup>th</sup> to file their audit report no later than 5 months after the fiscal year-end (June 1<sup>st</sup>).

*Condition:* The Cooperative did not complete the audit report in a timely manner.

No change in this condition has occurred since the prior year.

*Cause:* The Management and Board of the Cooperative, because of their cash situation related to estimated costs related to repairs needed to the water system and a staff which felt overwhelmed with all the things that needed to be accomplished, chose not to procure an audit in 2013 within the prescribed timelines. The staff had missed getting an auditor selected for the 2009 audit, and when neither the previous auditor nor the state pushed for the audit to be done; this snowballed with each succeeding year with the enormity of catching up. As such, they did not meet the June 1, 2014 deadline.

*Effect:* The submission of the audit report to the State Auditor was late.

*Auditor's Recommendation:* We recommend that the Cooperative complete the audit report each year by the June 1<sup>st</sup> deadline.

***Responsible Official's View:***

- Specific corrective action plan for finding:

**The Cooperative will make every attempt to complete the Audit Report before the June 1<sup>st</sup> deadline, and incorporate the estimated cost of the Audit into the Annual Budget once we are current.**

- Timeline for completion of corrective action plan:

**The timeline for the Audit Report is before June 1<sup>st</sup> each year.**

- Employee position(s) responsible for meeting the timeline:

**Administrative Assistant and General Manager**

**STATE OF NEW MEXICO**  
**NORTH STAR DOMESTIC WATER CONSUMERS**  
**& MUTUAL SEWAGE WORKS COOPERATIVE, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**Section I – Financial Statement Findings (Continued)**

**2009-7 – Failure to File Federal Tax Return (Material Weakness) Repeated**

**Criteria:** All non-profit organizations organized under section 501(a) of the Internal Revenue Code are required to file annual information returns.

**Condition:** North Star Domestic Water Consumers & Mutual Sewage Works Cooperative (Cooperative) did not file its Federal tax return for 2013 in a timely manner.

No change in this condition has occurred since the prior year.

**Cause:** The Board and Management of the Cooperative chose to not file its Federal non-profit tax return for 2013 until November 2015.

**Effect:** The Cooperative placed its non-profit status in jeopardy by not filing its informational returns timely. In 2015, the Cooperative found out that its tax exempt status had been revoked effective May 15, 2012. However, the Cooperative fought the revocation, completed the filing of all late returns, and its non-profit status was reinstated retroactively on March 16, 2017.

**Auditor's Recommendation:** We recommend that the Cooperative complete all Federal tax return in a timely manner.

**Responsible Official's View:**

- Specific corrective action plan for finding:

**In the future the Cooperative will complete all Federal non-profit tax returns in a timely manner.**

- Timeline for completion of corrective action plan:

**As the returns become due to submit.**

- Employee position(s) responsible for meeting the timeline:

**Administrative Assistant and General Manager**

**STATE OF NEW MEXICO**  
**NORTH STAR DOMESTIC WATER CONSUMERS**  
**& MUTUAL SEWAGE WORKS COOPERATIVE, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**Section I – Financial Statement Findings (Continued)**

**2010-1 – Failure to Maintain Payroll Records (Significant Deficiency) Repeated**

*Criteria:* Proper accounting controls and the Fair Labor Standards Act (FLSA) require that all organization maintain proper records to identify all employees, detailed records of hours worked by those employees, and compensation paid to those employees.

*Condition:* The Cooperative was unable to find any payroll documents, including time sheets, pay stubs, or detailed payment records, for the 2013 fiscal year.

*Cause:* The Cooperative has not kept sufficient records for review by the auditors. These records may have been lost in a fire which destroyed some records and caused other records to be mixed into other years.

During the previous year these records were also not available for review.

*Effect:* The Cooperative is unable to provide documentation related payroll expenditures for 2013.

*Auditor's Recommendation:* We recommend that the Cooperative complete maintain proper records related to employee hours worked and compensation for those hours.

***Responsible Official's View:***

- Specific corrective action plan for finding:

**Proper maintaining of the payroll record for employee hours is now being done as required.**

- Timeline for completion of corrective action plan:

**This has already been started.**

- Employee position(s) responsible for meeting the timeline:

**Administrative Assistant**

**STATE OF NEW MEXICO**  
NORTH STAR DOMESTIC WATER CONSUMERS  
& MUTUAL SEWAGE WORKS COOPERATIVE, INC.  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2013

**Section II – Prior Year Financial Statement Findings**

- 2008-1 – Improper Recording and Maintenance of Fixed Assets – Repeated
- 2009-1 – Late Submission of IPA Recommendation form and Audit Contract – Repeated
- 2009-2 – Bank Reconciliation Procedures – Repeated
- 2009-3 – Lack of Supporting Documentation for Deposits – Repeated and Revised
- 2009-4 – Purchase Orders and Payment Authorization – Repeated and Revised
- 2009-5 – Late Submission of Audit Report – Repeated
- 2009-7 – Failure to File Federal Tax Return – Repeated
- 2010-1 – Failure to Maintain Payroll Records – Repeated

**STATE OF NEW MEXICO**  
**NORTH STAR DOMESTIC WATER CONSUMERS**  
**& MUTUAL SEWAGE WORKS COOPERATIVE, INC.**  
**OTHER DISCLOSURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**Auditor Prepared Financial Statements**

Manning Accounting and Consulting Services, LLC prepared the GAAP-basis financial statements and footnotes of North Star Domestic Water Consumers & Mutual Sewage Works Cooperative, Inc. from the original books and records provided to them by the management of the Cooperative. The Cooperative's management has reviewed and approved the financial statements and related notes, and they believe that their records adequately support the financial statements. The responsibility for the financial statements remains with the Cooperative.

**Exit Conference**

The contents of this report were discussed on December 6, 2018. The following individuals were in attendance.

North Star DWC & MSWC

Lloyd Ayliffe, General Manager  
Loren Linville, Board President  
Robert Minser, Secretary/Treasurer  
Kim Tunell, Bookkeeper  
Kia Cordell, R. Shane Chance, CPA

Manning Accounting and Consulting Services, LLC

Byron R. Manning, CPA, Managing Partner