



KRIEGEL/GRAY/SHAW & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS
TRADITIONAL YET PROGRESSIVE SERVICE SINCE 1962

2452 Missouri Ave., P.O. Box 2707, Las Cruces, New Mexico 88004 • Phone: (575) 523-7444, Fax: (575) 527-0872

STATE OF NEW MEXICO

TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

TIER 6 AGREED UPON PROCEDURES

JUNE 30, 2018

STATE OF NEW MEXICO
TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

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**STATE OF NEW MEXICO
TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

OFFICIAL ROSTER
JUNE 30, 2018

Board of Directors

<u>Name</u>	<u>Title</u>
<i>Charliss Randall</i>	<i>President</i>
<i>Mary Rohr</i>	<i>Secretary</i>
<i>Jerry Cox</i>	<i>Vice President / Treasurer</i>

Administration

<i>Mike Woodson</i>	<i>General Manager</i>
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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Mr. Wayne Johnson, State Auditor and
Board of Directors
Twin Forks Mutual Domestic Water Consumers Association
Mayhill, New Mexico

We have performed the procedures required by Tier 6 of the Audit Act - Section 12-6-3 NMSA 1978 and 2.2.2.16 NMAC enumerated below, which were agreed to by the Office of the State Auditor and Twin Forks Mutual Domestic Water Consumers Association (the "Association") (the specified parties), on the accounting records of Twin Forks Mutual Domestic Water Consumers Association as of (for the year ended) June 30, 2018. Twin Forks Mutual Domestic Water Consumers Association's management is responsible for accounting records. The sufficiency of these procedures is solely the responsibility of the Office of the State Auditor and Twin Forks Mutual Domestic Water Consumers Association. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. Revenue Calculation

Procedures:

- a. Verify the local public body's revenue calculation and tier determination.

Results of Procedures:

- a. The Association's 2018 revenue was \$384,215, therefore a Tier 6 agreed upon procedure engagement is required.

2. Cash

Procedures:

- a. Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on hand. [For purpose of performing these procedures "timely" means completion of the bank reconciliations within one month after the last day of the reporting month and "complete" means that statements for bank and investment accounts are all accounted for and reconciled by the Association.]
- b. Test at least 30% of bank reconciliations for accuracy. Also trace ending balances to the general ledger, supporting documentation and the financial reports submitted to Department of Finance and Administration - Local Government Division (DFA-LGD). [For the purpose of performing these procedures, "accuracy" means that reconciling items agree to deposit slips and subsequent bank statement and reconciled balances agree to the general ledger.]

2. Cash (Continued)

Procedures (Continued):

- c. Determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

Results of Procedures:

- a. We obtained the bank statements and corresponding reconciliations for all of the Association's accounts as of June 30, 2018. Bank reconciliations were completed in a timely manner, and all bank statements and reconciliations were complete and on hand.
- b. We selected 50% of the bank reconciliations in fiscal year 2018 for each of the Association's two bank accounts (checking and savings). Reconciliations were proper, reconciling items were supportable, agreed with the general ledger and were prepared timely. It was also noted that quarterly financial reports were submitted to DFA-LGD. (Finding 2011-003) – Budget was submitted but rejected.
- c. No collateral was required because the Association's accounts at their respective financial institutions did not exceed the \$250,000 FDIC coverage.

3. Capital Assets

Procedures:

- a. Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.

Results of Procedures:

- a. As a result of this procedure, we noted that the Association did not perform an annual physical inventory of capital assets. (Finding 2014-001).

4. Debt

Procedures:

- a. If the local public body has any debt, verify that the required payments were made during the year. If the debt agreement requires reserves, verify that the local public body is in compliance with those requirements.

Results of Procedures:

- a. We obtained the annual debt statements and verified that 2 payments were not made timely during the year. No reserves are required per review of debt agreements. (Finding 2018-001)

5. Revenues

Procedures:

Identify the nature and amount of revenue from all sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

- a. Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue. [For purposes of performing analytical procedures, we inquired of the Association's management for explanations of all variances of budget to actual.]

Select a sample of revenues equal to at least 39% of the total dollar amount [for purposes of procedures in 5(b) and 5(c), we judgmentally selected one deposit per month for fiscal year 2018 and tested all receipts included on the deposit slip/tape - 235 customer transactions (\$21,784 tested) in addition we selected 4 months of general ledger revenue and agreed the balance to the bank statement deposits (\$136,887 tested) which totaled 35% of total revenues] for the following attributes:

- b. Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
- c. Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on a cash basis, modified accrual basis, or accrual basis.

Results of Procedures:

- a. We compared actual to budget for each type of revenue. Actual revenue compared to budgeted revenue for the fiscal year 2018 was within expectations. All revenues tested are considered reasonable and comparable to the budget.
- b. No exceptions were noted as a result of this procedure. Amounts recorded in the general ledger agreed with supporting documentation and the bank statements.
- c. As a result of this procedure, we noted that amounts were properly recorded on a cash basis as to classification and amount.
- d. We noted the following regarding timeliness of deposits:
 - 3 customer payments (of 235 customer transactions) were deposited 10 or more days after the check date. (Finding 2015-001)
 - 2 customer payments (of 235 customer transactions) were dated after the deposit slip date. (Finding 2015-001)

6. Expenditures

Procedures:

Select a sample of cash disbursements based on auditor judgment [for purposes of procedures in 6(a), 6(b), and 6(c), we randomly selected cash disbursements for a total of 49 disbursements (\$97,417 – 31%)] and tested using the following attributes:

- a. Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and canceled check, as appropriate.
- b. Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c. Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Results of Procedures:

- a. As a result of this procedure, no exceptions were noted.
- b. As a result of this procedure, no exceptions were noted.
- c. As a result of this procedure, no exceptions were noted. All disbursements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

7. Journal Entries

Procedures:

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

- a. Journal entries appear reasonable and have supporting documentation. [A journal entry is considered reasonable if: i. Explanation is consistent with the nature of the adjustment and the general ledger accounts affected. ii. Supporting documentation (invoices, contracts, correspondence, calculations, etc.) agrees with the journal entry details.
- b. The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

7. Journal Entries (Continued)

Results of Procedures:

- a. As a result of this procedure, no exceptions were noted. We reviewed non-routine journal entries and noted no significant items. The entries appear reasonable and necessary.
- b. As a result of this procedure, we determined that the Association does not have procedures in place that require journal entries to be reviewed. (Finding 2015-001)

8. Budget

Procedures:

Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

- a. Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.
- b. Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.
- c. From the original and final approved budgets and general ledger, prepare a schedule of revenues and expenditures - budget and actual on the budgetary basis used by the local public body (cash, accrual or modified accrual basis) for each individual fund.

Results of Procedures:

- a. We verified through the Board Minutes that the Board of Directors approved the original fiscal year 2018 budget. There were no budget adjustments. Approval was sought but not granted from DFA-LGD for the fiscal year 2018 budget, because the budget was not prepared in the required DFA format.
- b. While the association's expenditures did not exceed their internal budget, the Association is considered to have no legally adopted budget (not in DFA format and therefore not approved by DFA) and therefore all expenditures exceeded budget.
- c. Please refer to the Schedule of Revenues and Expenditures, Budget to Actual.

9. Capital Outlay

Procedures:

- a. Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the fiscal year.

Results of Procedures:

- a. We noted no capital outlay awards or expenditures and therefore performed no testing.

10. Other

Procedures:

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10 (I)(3)(C) NMAC.

Results of Procedures:

Please refer to the Schedule of Findings and Responses of this report.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on accounting records. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Office of the State Auditor and Twin Forks Mutual Domestic Water Consumers Association and is not intended to be and should not be used by anyone other than those specified parties.

Any finding as a result of performing these procedures can be found in the attached Schedule of Findings and Responses.

Kriegel/Gray/Shaw & Co., P.C.

Kriegel/Gray/Shaw & Co., P.C.

December 11, 2018

**STATE OF NEW MEXICO
TWIN FORKS MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION**

GENERAL OPERATING FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN NET POSITION

BUDGETARY BASIS AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2018

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES:				
Charges for services	\$0	\$0	\$384,215	\$384,215
<i>Total operating revenues</i>	0	0	384,215	384,215
OPERATING EXPENSES:				
Personnel services and benefits	0	0	181,820	(181,820)
Office expense	0	0	9,938	(9,938)
Insurance	0	0	22,597	(22,597)
Utilities	0	0	20,832	(20,832)
Contractual services	0	0	15,135	(15,135)
Field operations	0	0	26,580	(26,580)
Miscellaneous	0	0	2,354	(2,354)
<i>Total operating expenses</i>	0	0	279,256	(279,256)
<i>Operating income (loss)</i>	0	0	104,959	104,959
NON-OPERATING REVENUES (EXPENSES):				
Interest income	0	0	466	466
Contingency	0	0	0	0
Capital improvements	0	0	(19,742)	(19,742)
Principal payments	0	0	(20,035)	(20,035)
Interest expense	0	0	(2,249)	(2,249)
<i>Total non-operating revenues (expenses)</i>	0	0	(41,560)	(41,560)
<i>Change in net position</i>	0	0	<u>\$63,399</u>	<u>\$63,399</u>
<i>Cash balance required to balance the budget</i>	0	0		
	<u>\$0</u>	<u>\$0</u>		

Budgetary basis - change in net position	\$63,399
Expenses - Principal payments	20,035
Capital improvements	19,742
Bad debt expense	(5,731)
Other expense	(15,035)
Depreciation	(31,700)
GAAP basis - change in net position	<u>\$50,710</u>

STATE OF NEW MEXICO
TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

CURRENT YEAR FINDINGS:

2018-001 – Late Debt Payments

(Procedures #4)

Statement of Condition – The Association paid the payments on two of their loans late. Annual principal payments of \$4,010 and \$1,109 for two loans were made on September 13, 2017 that were due on August 15, 2017.

Criteria – Loan payable agreements due to the State of New Mexico require annual principal payments to be made on August 15 each year until paid in full.

Effect – Non-compliance with loan agreement.

Cause – Oversight.

Recommendation – The Association should put a “tickler” in place to remind management of loan payment due dates.

Views of Responsible Officials and planned corrective action – The general manager has noted in calendar on July 15, 2019 to insure that August 15, 2019 payments are made timely.

STATE OF NEW MEXICO
TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

CURRENT STATUS ON PRIOR YEAR FINDINGS:

2016-001 – Bank Reconciliation Not Proper

Resolved and not repeated.

2015-001 – Internal Control Deficiencies - Monitoring

(Procedures #5 and 7)

Repeated with modification.

Statement of Condition – During our performance of Procedures 5, 6, 7, and 8 of the Tier 6 Agreed-Upon Procedures, we noted several instances where elements of the internal control framework were deficient in the disbursements and receipts processes. We noted that the internal controls were not being monitored properly, resulting in the following deficiencies:

- 3 customer payments (of 235 customer transactions) were deposited 10 or more days after the check date.
- 2 customer payments (of 235 customer transactions) were dated after the deposit slip date.
- The Association does not have procedures in place that require journal entries to be reviewed.

(For this finding, number of exceptions and the number of days before deposit have improved.)

Criteria – The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework suggests that internal control systems need to be monitored - a process that assesses the quality of the system's performance over time. This is accomplished through ongoing monitoring activities or separate evaluations. Internal control deficiencies detected through these monitoring activities should be reported upstream and corrective actions should be taken to ensure continuous improvement of the system.

Effect – Without all of the five elements of the COSO framework present, the Association is exposing itself to an increased risk of assets to be misappropriated and misstatements in the financial statements to go undetected.

Cause – The Association has only one administrative employee and therefore implementation of new procedures did not occur until after June 30, 2018.

Recommendation – We recommend that the Association continue to apply new procedures as adopted after the fiscal year end.

STATE OF NEW MEXICO
TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):

2015-001 – Internal Control Deficiencies – Monitoring (Continued)

Views of Responsible Officials and planned corrective action –

- 5 check payments. A receipt log was implemented to maintain documentation of when payments are recorded. But was not in effect until year end.
- Deposited after deposit slip date. The Association will begin making bank deposits at least twice a week.
- The general (non-recurring) journal entries are prepared by our bookkeeper. The general manager will initial all journal entries to document his review and approval.

Position Responsible: General Manager

Timeline: January 1, 2019

2015-002 – Internal Control Deficiencies - Information and Communication

(Procedure #6)

Resolved and not repeated.

2015-003 – Late AUP Report

Resolved and not repeated.

STATE OF NEW MEXICO
TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018
CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):

2014-001 – Capital Asset Certification

(Procedure #3)

Repeated.

Statement of Condition – It was noted in Procedure #3 over capital assets that the client did not conduct an annual capital asset inventory.

(The Association remains non-compliant with the capital asset requirements to perform annual inventory in 2018.)

Criteria – The New Mexico Administrative Code (NMAC) Section 2.20.1.16A & E states that “At the end of the fiscal year, each agency shall conduct a physical inventory of its fixed assets and the results of the physical inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing body of the agency”. Section 12-6-10 NMSA 1978 further specifies that that inventory should be done for “movable chattels and equipment costing more than \$5,000 and under the control of the governing authority.”

Effect – Potential for unauthorized use or theft of assets.

Cause – Change in Association management and lack of manpower to complete.

Recommendation – The Association should ensure that they perform an annual physical inventory over capital assets and have the Board certify the inventory as to correctness.

Views of Responsible Officials and planned corrective action – The general manager and accountant are currently making specific identification of all assets (description and identifying number if applicable) to clearly identify an inventory of all assets.

Position Responsible: General Manager

Timeline: Compliance/correction by June 30, 2019

STATE OF NEW MEXICO
TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):

2011-003 – Submission of Reports to the Department of Finance and Administration (DFA)

(Procedures #8)

Repeated with modification.

Statement of Condition – It was noted that the Twin Forks Mutual Domestic Water Consumers Association submitted their budget to DFA-LGD during the year ended June 30, 2018 for approval. Approval was denied due to unacceptable format. No further budget reports were submitted. (No budget was submitted in the prior FY – therefore, the Association attempted to comply for FY18 but fell short of the requirements.)

Criteria – Section 6-6-3 NMSA 1978 requires local public bodies to use all books, records and accounts in the form prescribed by DFA-LGD.

Effect – The Association is not in compliance with Section 6-6-3 NMSA 1978. The Association operated the entire year without any DFA budget authority and because there was no DFA approved budget all expenditures were in excess of DFA approved amounts. Officials of the local public body may be held personally liable for any amounts paid in excess of the DFA approved budget per 6-6-6 NMSA 1978.

Cause – The Association prepared a budget approved by the Board and submitted this budget to DFA for approval. DFA rejected the budget because it was not in the prescribed format. The Association utilized their Board approved budget to manage their expenditures during the year, but determined that their time resources were better used elsewhere and therefore did not re-submit their budget to DFA in the required format.

Recommendation – The Association should establish a working relationship with its DFA analyst to help the Association file all required reports as required.

Views of Responsible Officials and planned corrective action – Although the District has a budget certified by the Board, the District will continue to improve their budget so it is useful not only to DFA but is still useful for District purposes and operations.

Position Responsible: General Manager

Timeline: Correction/compliance by August 2019

STATE OF NEW MEXICO
TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
EXIT CONFERENCE
JUNE 30, 2018

EXIT CONFERENCE:

The exit conference was held December 12, 2018 and was attended by the following:

Representing Twin Forks Mutual Domestic Water Consumers Association:

Charliss Randall, President
Mike Woodson, General Manager

Representing Kriegel/Gray/Shaw & Co., P.C.:

Debbie Gray, CPA/Shareholder
Jesus Cortez, Staff Auditor

FINANCIAL STATEMENT PREPARATION

The financial statements of Twin Forks Mutual Domestic Water Consumers Association were prepared from original books and records provided by and with assistance from the management of the Association and Kriegel/Gray/Shaw & Co., P.C. as of and for the year ended June 30, 2018.



KRIEGEL/GRAY/SHAW & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
TRADITIONAL YET PROGRESSIVE SERVICE SINCE 1962

2452 Missouri Ave., P.O. Box 2707, Las Cruces, New Mexico 88004 • Phone: (575) 523-7444, Fax: (575) 527-0872

STATE OF NEW MEXICO

TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

ANNUAL COMPILED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2018**

**STATE OF NEW MEXICO
TWIN FORKS MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION**

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**STATE OF NEW MEXICO
TWIN FORKS MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION**

OFFICIAL ROSTER
JUNE 30, 2018

BOARD OF DIRECTORS

<u>Name</u>	<u>Title</u>
<i>Charliss Randall</i>	<i>President</i>
<i>Mary Rohr</i>	<i>Secretary</i>
<i>Jerry Cox</i>	<i>Vice President / Treasurer</i>

ADMINISTRATION

<i>Mike Woodson</i>	<i>General Manager</i>
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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Mr. Wayne Johnson, State Auditor and
Board of Directors of
Twin Forks Mutual Domestic Water Consumers Association
Mayhill, New Mexico

Management is responsible for the accompanying financial statements of the business-type activities of Twin Forks Mutual Domestic Water Consumers Association, as of and for the year ended June 30, 2018, and related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Accounting principles generally accepted in the United States of America require that the Schedule of Revenues, Expenditures, and Change in Net Position - Budgetary Basis and Actual on page 15 be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, although not a required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Management has omitted Management's Discussion and Analysis that the Governmental Accounting Standards Board requires to be presented to supplement the basic financial statements. Such missing information, although not a required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. The required supplementary information was subject to our compilation engagement. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

Accounting principles generally accepted in the United States of America require that the Schedule of Revenues Expenditures, and Changes in Net Position – Budgetary Basis and Actual include the legally adopted budget however the statement presented on page 15 does not include the legally adopted budget. The budget presented was not approved by the New Mexico Department of Finance and Administration and therefore is not considered legally adopted.

Kriegel/Gray/Shaw & Co., P.C.

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico
December 11, 2018

**STATE OF NEW MEXICO
TWIN FORKS MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION**

STATEMENT OF NET POSITION

JUNE 30, 2018

ASSETS

Current Assets

Cash and cash equivalents	\$229,443
Accounts receivable (net of allowance for doubtful accounts of \$9,241)	28,982
Other receivables (net of allowance for doubtful accounts of \$21,719)	130
<i>Total current assets</i>	<u>258,555</u>

Noncurrent Assets

Land and water rights	71,978
Capital assets	1,014,870
Accumulated depreciation	(500,136)
<i>Total noncurrent assets</i>	<u>586,712</u>

Total assets

\$845,267

LIABILITIES

Current Liabilities

Accounts payable	\$2,831
Accrued expenses	5,380
Current portion of long-term debt	23,572
<i>Total current liabilities</i>	<u>31,783</u>

Noncurrent liabilities

Loans payable	59,060
<i>Total noncurrent liabilities</i>	<u>59,060</u>

Total liabilities

90,843

NET POSITION

Net investment in capital assets	504,080
Unrestricted net assets	250,344
<i>Total net position</i>	<u>754,424</u>

Total liabilities and net position

\$845,267

See accompanying independent accountants' compilation report.

STATE OF NEW MEXICO
TWIN FORKS MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

OPERATING REVENUES

Charges for services	\$384,215
<i>Total operating revenues</i>	384,215

OPERATING EXPENSES

Personnel services and benefits	187,412
Office expense	9,938
Insurance	17,005
Utilities	20,832
Contractual services	15,135
Field operations	26,580
Miscellaneous	2,354
Bad debt expense	5,731
Depreciation	31,700
<i>Total operating expenses</i>	316,687

<i>Operating income</i>	67,528
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Non-operating revenues (expenses):

Interest income	466
Interest expense	(2,249)
Other income/expense	(15,035)
Bad debt expense	0
<i>Total non-operating revenues (expenses)</i>	(16,818)

<i>Change in net position</i>	50,710
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Net position, beginning of year	703,714
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<i>Net position, end of year</i>	754,424
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See accompanying independent accountants' compilation report.

**STATE OF NEW MEXICO
TWIN FORKS MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$394,062
Payments to suppliers and contractors	(150,346)
Payments to and benefits provided for employees	(136,899)
<i>Net cash provided by operating activities</i>	106,817

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Other non-operating expenses	(15,035)
<i>Net cash provided by noncapital financing activities</i>	(15,035)

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Principal and interest payments	(25,284)
Purchase of capital assets	(25,242)
Disposal of capital assets	0
<i>Net cash used by capital financing activities</i>	(50,526)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	466
<i>Net cash provided by investing activities</i>	466

<i>Net increase in cash and cash equivalents</i>	41,722
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Cash and cash equivalents - beginning of year	187,721
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<i>Cash and cash equivalents - end of year</i>	\$229,443
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**RECONCILIATION OF OPERATING LOSS TO NET CASH (USED)
BY OPERATING ACTIVITIES**

Operating Income (loss)	\$67,528
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	31,700
Change in assets and liabilities:	
(Increase) in accounts receivable	(5,153)
(Increase) in other receivables	15,000
Increase in accounts payable	(226)
(Decrease) in accrued expenses	120,321
<i>Total adjustments</i>	229,170

<i>Net cash provided (used) by operating activities</i>	\$106,817
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See accompanying independent accountants' compilation report.

STATE OF NEW MEXICO
TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Twin Forks Mutual Domestic Water Consumers Association (the “Association”) is a political subdivision of the State of New Mexico established and regulated by the constitution of the State of New Mexico. The Association was incorporated for the purpose of constructing, maintaining, and operating a water system for the supply and distribution of water for domestic use to its members. The Association has a Board of Directors and approximately 470 members. The water service delivery area is restricted to Twin Forks rural district in Otero County, New Mexico.

The summary of significant accounting policies of the Association is presented to assist in the understanding of the Association’s financial statements. The financial statements and notes are the representation of the Association’s management and Board of Directors who are responsible for their integrity and objectivity. The financial statements of the Association have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

In evaluating how to define the Association, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14 as amended by GASB Statement No. 39 and GASB Statement No. 61. Blended component units, although legally separate entities, are in substance part of the government’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Association and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Association and is generally available to its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Association is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Association does not have any component units required to be reported under GASB Statements No. 14, No. 39, or No. 61, and is not a component unit of another governmental agency.

STATE OF NEW MEXICO
TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement focus, basis of accounting, and financial statement presentation

The Association's basic financial statements are prepared in accordance with GAAP as set forth or adopted by the GASB and the Financial Accounting Standards Board (FASB), and their predecessors, the National Council on Governmental Accounting (NCGA) and the Accounting Principles Board (APB), respectively.

The accounting and financial reporting treatment applied to the Association is determined by its measurement focus. The Association's proprietary (enterprise) fund is accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded at the time liabilities are 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. All assets and all liabilities associated with the operations are included on the balance sheet. Net Position (i.e., total assets net of total liabilities) is segregated into net investment in capital assets; restricted; and unrestricted components.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the Association's enterprise fund is charges for services for the Association's water services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Management has elected to omit the statement of cash flows required by accounting principles generally accepted in the United States of America. Accordingly, the financial statements are not designed for those who are not informed about such matters.

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 needed.

The Association reports the following major proprietary fund:

The *General Fund* accounts for a water system for the supply and distribution of water for domestic use to its members, including constructing, maintaining and operating the system.

STATE OF NEW MEXICO
TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net position or Equity

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

State statutes authorize the Association to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer’s Investment Pool.

Investments for the Association are reported at fair market value. Fair market value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

Receivables and Payables: All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Payables are comprised of unpaid vendor and supplier invoices and are recognized when incurred.

Capital Assets: Capital assets, which include property, plant, and equipment, are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Because the Association is a phase III government for purposes of implementing GASB 34, it is not required to retroactively report its major general infrastructure assets. However, it must report all infrastructure assets purchased or built after July 1, 2003. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). 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 asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	50 years
Office furniture and equipment	5-10 years
Heavy equipment	10 years
Equipment	10 years
Automobiles	5 years
Plant and water system	7-50 years

Accrued Expenses: Accrued expenses are comprised of pay roll expenditures based on amounts earned by the employees through June 30, 2018, along with applicable payroll taxes.

STATE OF NEW MEXICO
TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term Obligations: In the financial statements, long-term debt and other long-term obligations are reported as liabilities.

Compensated Absences: Employees of the Association are entitled to paid vacations, sick days, and other time off depending on job classification, length of service and other factors. It is not practical to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements in accordance with ASC 710-10-15. The Association's policy is to recognize the costs of compensated absences when paid to employees.

Equity Classifications: Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt:
Net position invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position:
Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position:
All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Water Rights: The Association annually reviews all water rights for impairment and adjusts the carrying values as necessary.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the Association's financial statements include management's estimate of depreciation on assets over their estimated useful lives and the allowance for uncollectible accounts.

STATE OF NEW MEXICO
TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets of the Association are prepared prior to June 1 and are approved by resolution of the Board Members but have not been approved by and the Department of Finance and Administration and therefore is not considered a legally adopted budget.

NOTE 3. DEPOSITS AND INVESTMENTS

State statutes authorize the investment of Association funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. The Association is not aware of any invested funds that did not meet the State investment requirements as of June 30, 2018.

Deposits of funds may be made in interest or noninterest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Association. Deposits may be made to the extent that they are insured by an agency of the United States or are collateralized as required by statute. The financial institution must provide pledged collateral of 50% of the deposit amount in excess of the deposit insurance.

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.

All of the Association's accounts at an insured deposit institution, including noninterest bearing transaction accounts, are insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000.

Custodial Credit Risk – Deposits Custodial credit risk is the risk that in the event of a bank failure, the Association's deposits may not be returned to it. The Association does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2018, none of the Association's bank balance of \$230,917 was exposed to custodial credit risk. \$0 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Association's name and \$0 was uninsured and uncollateralized.

STATE OF NEW MEXICO
TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

	First National Bank Checking	First National Bank Savings	Totals
Amount of deposits	\$2	\$230,915	\$230,917
FDIC Coverage	2	230,915	230,917
Total uninsured public funds	0	0	0
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Association's name	0	0	0
Uninsured and uncollateralized	\$0	\$0	\$0
Collateral requirement (50% of uninsured public funds)	\$0	\$0	0
Pledged collateral	0	0	0
Over (under) collateralized	\$0	\$0	\$0

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. The Association was not required to have collateral pledged for the year ended June 30, 2018.

NOTE 4. RECEIVABLES

Receivables as of June 30, 2018, are as follows:

	Receivable	Allowance for doubtful Accounts	Net
Water billings	\$38,223	(\$9,241)	\$28,982

Past due accounts greater than 60 days for accounts that are no longer customers have been considered doubtful.

STATE OF NEW MEXICO
TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 5. OTHER RECEIVABLES

The Association has incurred substantial penalties and interest due to lack of action by a prior employee. The Board has decided to take collection action against the former employee in the amount of \$21,719. It is management's consideration that the collection of this receivable is doubtful and an allowance for doubtful accounts of \$21,719 has been established as of June 30, 2018.

NOTE 6. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2018, including those changes pursuant to the implementation of GASB Statement No. 34, follow. Land and water rights are not subject to depreciation.

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated:				
CIP	\$0	\$19,742	\$0	\$19,742
Land	20,000	0	0	20,000
Water rights	51,978	0	0	51,978
<i>Total capital assets not being depreciated</i>	71,978	19,742	0	91,720
Capital assets being depreciated:				
Building and improvements	46,038	0	0	46,038
Office furniture and equipment	19,111	0	0	19,111
Heavy equipment	37,776	5,500	0	43,276
Equipment	15,421	0	0	15,421
Automobiles	42,901	0	0	42,901
Water system and components	828,381	0	0	828,381
<i>Total capital assets being depreciated</i>	989,628	5,500	0	995,128
Less accumulated depreciation:				
Building and improvements	(16,925)	(921)	0	(17,846)
Office furniture and equipment	(19,111)	0	0	(19,111)
Heavy equipment	(37,459)	(708)	0	(38,167)
Equipment	(4,244)	(1,792)	0	(6,036)
Automobiles	(21,116)	(2,971)	0	(24,087)
Water system and components	(369,581)	(25,308)	0	(394,889)
<i>Total accumulated depreciation</i>	(468,436)	(31,700)	0	(500,136)
<i>Total capital assets, net of depreciation</i>	\$593,170	(\$6,458)	\$0	\$586,712

Depreciation expense for the year ended June 30, 2018 was \$31,700.

STATE OF NEW MEXICO
TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 7. LONG-TERM DEBT

During the year ended June 30, 2018, the following changes occurred in the liabilities reported in the statement of net position:

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
NMED Loan	\$74,955	\$0	\$17,917	\$57,038	\$18,454
Tank 3 Loan 210-49	24,060	0	4,010	\$20,050	4,010
Tank 3 Loan 209-161	6,652	0	1,108	5,544	1,108
Totals	\$105,667	\$0	\$23,035	\$82,632	\$23,572

Loans Payable

On September 19, 2001, the Association borrowed \$300,000 from the New Mexico Environmental Department (NMED). The loan is payable in annual installments of \$20,165 and matures on June 13, 2021. The annual interest rate on the loan is 3.00%.

On October 16, 2012, the Association borrowed \$40,100 from the State of New Mexico. The loan is payable in annual installments of \$4,010 and matures on August 15, 2022. No interest is due and payable for this loan.

On October 22, 2012, the Association borrowed \$11,087 from the State of New Mexico. The loan is payable in annual installments of \$1,108 and matures on August 15, 2022. No interest is due and payable for this loan.

Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2018 are as follows:

<u>Fiscal Year Ending June 30.</u>	Principal Payment	Interest Payment	Total Debt Service
2019	23,572	1,711	25,283
2020	24,126	1,158	25,284
2021	24,696	587	25,283
2022	5,119	0	5,119
2023 - 2024	5,119	0	5,119
<i>Total</i>	82,632	3,456	86,088
Less current portion	(23,572)		
Total notes payable	\$59,060		

STATE OF NEW MEXICO
TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 8. JOINT POWERS AGREEMENTS AND MEMORANDUMS OF UNDERSTANDING

As of the year ended June 30, 2018, the Association was not involved in any Joint Powers Agreements or Memorandums of Understanding.

NOTE 9. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of the year ended June 30, 2018, the Association had no construction or other significant commitments in progress.

NOTE 10. CONTINGENT LIABILITIES

There is no pending litigation that would warrant disclosure in the notes to the financial statements.

**STATE OF NEW MEXICO
TWIN FORKS MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION**

GENERAL OPERATING FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN NET POSITION

BUDGETARY BASIS AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2018

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES:				
Charges for services	\$379,507	\$379,507	\$384,215	\$4,708
<i>Total operating revenues</i>	<u>379,507</u>	<u>379,507</u>	<u>384,215</u>	<u>4,708</u>
OPERATING EXPENSES:				
Personnel services and benefits	204,300	204,300	181,820	22,480
Office expense	10,200	10,200	9,938	262
Insurance	24,175	24,175	22,597	1,578
Utilities	23,350	23,350	20,832	2,518
Contractual services	6,000	6,000	15,135	(9,135)
Field operations	77,800	77,800	26,580	51,220
Miscellaneous	8,300	8,300	2,354	5,946
<i>Total operating expenses</i>	<u>354,125</u>	<u>354,125</u>	<u>279,256</u>	<u>74,869</u>
<i>Operating income (loss)</i>	25,382	25,382	104,959	(70,161)
NON-OPERATING REVENUES (EXPENSES):				
Interest income	0	0	466	466
Contingency	0	0	0	0
Capital improvements	0	0	(19,742)	(19,742)
Principal payments	(23,573)	(23,573)	(20,035)	3,538
Interest expense	(1,712)	(1,712)	(2,249)	(537)
<i>Total non-operating revenues (expenses)</i>	<u>(25,285)</u>	<u>(25,285)</u>	<u>(41,560)</u>	<u>(16,275)</u>
<i>Change in net position</i>	97	97	<u>\$63,399</u>	<u>(\$86,436)</u>
<i>Cash balance required to balance the budget</i>	<u>(97)</u>	<u>(97)</u>		
	<u>\$0</u>	<u>\$0</u>		

Budgetary basis - change in net position	\$63,399
Expenses - Principal payments	20,035
Capital improvements	19,742
Bad debt expense	(5,731)
Other expense	(15,035)
Depreciation	(31,700)
GAAP basis - change in net position	<u>\$50,710</u>