

TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

**INDEPENDENT ACCOUNTANT'S REPORT
ON THE APPLICATION OF TIER 6
AGREED-UPON PROCEDURES
AND COMPILED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019**

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
TABLE OF CONTENTS
JUNE 30, 2019**

	Page Number
INTRODUCTORY SECTION	
Table of Contents	i
Official Roster.....	ii
 FINANCIAL SECTION	
Independent Accountant’s Report on the Application of Tier 6 Agreed-Upon Procedures.....	1
Scope of Procedures and Results.....	2
 <u>Compiled Financial Statements:</u>	
Independent Accountant’s Compilation Report	7
Statement of Net Position - Proprietary Fund	8
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	9
Notes to the Financial Statements	10
Schedules of Revenues and Expenditures – Budget and Actual (Non-GAAP) Proprietary Fund	17
 INTERNAL CONTROL AND COMPLIANCE	
Summary of Findings	18
Schedule of Findings and Responses	18
Schedule of Status of Prior Year Findings.....	20
Exit Conference and Other Disclosures.....	21

**STATE OF NEW MEXICO
TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
OFFICIAL ROSTER
JUNE 30, 2019**

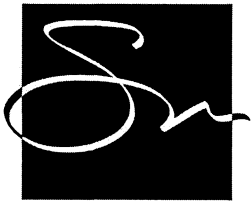
BOARD OF DIRECTORS

Name	Title
Jerry Cox	President
Robert Galvan	VP / Treasurer
Mary Rohr	Treasurer

STAFF

Mike Woodson	General Manager
Steve Brito	Utility Operator
TR Offeld	Utility Operator

FINANCIAL SECTION



SCOTT NORTHAM, CPA, PC
Certified Public Accountants

**INDEPENDENT ACCOUNTANT'S REPORT ON THE
APPLICATION OF TIER 6 AGREED-UPON PROCEDURES**

Brian Colon, New Mexico State Auditor, and
Board of Directors of
Twin Forks Mutual Domestic Water Consumers Association
Twin Forks, New Mexico

We have performed the procedures enumerated below for the Twin Forks Mutual Domestic Water Consumers Association (Association), for the year ended June 30, 2019. The Association was determined to be a Tier 6 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by the Association through the Office of the New Mexico State Auditor. The Association's management is responsible for the organization's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. 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.

Our procedures and results are detailed under Scope of Procedures and Results as noted in the table of contents.

Our findings related to the procedures in the Scope of Procedures and Results are presented in the accompanying schedule of findings and responses as listed in the table of contents.

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 the Association's financial position and operations as of and for the year ended June 30, 2019. 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 those parties specified in the report.

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

Scott Northam, CPA, PC
Ruidoso, New Mexico
October 7, 2019

**TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCOPE OF PROCEDURES AND RESULTS
JUNE 30, 2019**

1. Verify the local public body's revenue calculation and tier determination documented on the form provided at www.osanm.org under "Tiered System Reporting Main Page."	
Tier 6 Requirements – Cash basis revenues of \$250,000 or more but less than \$500,000.	The Association's cash basis revenues totaled approximately \$363,047. The Association qualifies as a Tier 6 based on revenue.
2. Cash Procedures	
a. Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements are complete and on-hand.	All fiscal year bank reconciliations and statements were on-hand and available for compliance examination. Reconciliations were performed timely performed within a reasonable time after the end of the month.
b. Test at least 30% of the bank reconciliations for accuracy. Also trace ending balances to the general ledger, supporting documentation, and the financial reports submitted to DFA-Local Government Division.	A review of all fiscal year bank reconciliations noted the reconciliations were accurate and agreed with the general ledger and DFA reports.
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.	The Association's funds on deposit with the financial institution did not exceed FDIC maximum insured coverage during the year.
3. Capital Assets	
Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.	The Association provided a capital asset inventory listing as required under Section 12-6-10 NMSA 1978, however, the inventory was not approved by the Association Board. See Finding 2019-003.
4. Debt	
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.	The Association properly made the required debt payments to New Mexico Environment Department and NM Department of Finance.

**TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCOPE OF PROCEDURES AND RESULTS
JUNE 30, 2019**

5. Revenue 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.	Analytical review and tests of actual revenue compared to budgeted revenue for the fiscal year noted no exceptions.
b. Select a sample equal to at least 30% of the total dollar amount and test following attributes: Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.	Revenue transactions amounting to 97% of total Association revenue recorded in the general ledger agreed with deposit slips, utility reports and other supporting documentation provided and the bank statements with no exceptions.
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 record on: cash basis, modified accrual basis, or accrual basis.	Amounts were properly recorded on the cash basis as to classification, amount and period per review of supporting documentation.

6. Expenditures Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test the following:	
a. Determine that the 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.	A representative sample of disbursement transactions totaling 58% of total disbursements noted no exceptions with respect to amount, payee, date and description
b. Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.	The representative sample of disbursements noted no exceptions as to authorization and approval for payment, budget compliance and compliance with 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).	Disbursement testwork revealed no exceptions to the process (or request for proposal process, if applicable), purchase orders, contracts and agreements being 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).

**TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCOPE OF PROCEDURES AND RESULTS
JUNE 30, 2019**

7. Journal Entries Test all non-routine journal entries, adjustments, and reclassifications posted to the general ledger for the following attributes:	
<p>a. Journal entries appear reasonable and have supporting documentation.</p>	<p>There were no non-routine journal entries posted to the general ledger</p>
<p>b. The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.</p>	<p>There were no non-routine journal entries posted to the general ledger. The Association has policies in place that require any journal entries made by the Association to be reviewed and approved by the Board of Directors.</p>

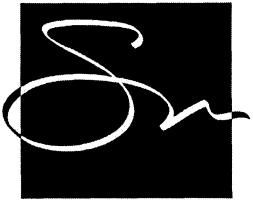
8. Budget Obtain the original fiscal year budget and all budget adjustments made throughout the fiscal year and perform the following:	
<p>a. Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local body's governing body and DFA-LGD.</p>	<p>The Association's interim and final budget was not submitted to DFA-LGD for the 2019 fiscal year. The Association has submitted and received approval of its FY20 budget from DFA-LGD. See Finding 2019-001.</p>
<p>b. Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.</p>	<p>The Association did not exceed its internal budgetary expectations for the fiscal year.</p>
<p>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.</p>	<p>The Schedules of Revenue and Expenditures – Budget and Actual accompanying these procedures are prepared on the cash basis used by the Association and prepared from the original and final approved budgets and general ledger.</p>

TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCOPE OF PROCEDURES AND RESULTS
JUNE 30, 2019

<p>9. Capital Outlay Appropriations The scope of the agreed-upon procedures engagement shall encompass any and all state-funded capital appropriations of the New Mexico Legislature that meet TIER 6 criteria. Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay funds expended by the recipient during the fiscal year that meet TIER 6 criteria. Perform the following tests on all state-funded capital outlay expenditures:</p>	
<p>a. Determine that the amount recorded as disbursed agrees to the adequate supporting documentation. Verify that amount, payee, date and description to agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.</p>	<p>The Association did not receive or spend any state-funded capital appropriations from the New Mexico Legislature during the fiscal year.</p>
<p>b. Determine that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.</p>	<p>The Association did not receive or spend any state-funded capital appropriations from the New Mexico Legislature during the fiscal year.</p>
<p>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 and State Purchasing Regulations (Section 131-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC.</p>	<p>The Association did not receive or spend any state-funded capital appropriations from the New Mexico Legislature during the fiscal year.</p>
<p>d. Determine the physical existence (by observation) of the capital asset based on expenditures to date.</p>	<p>The Association did not receive or spend any state-funded capital appropriations from the New Mexico Legislature during the fiscal year.</p>
<p>e. Verify that status reports were submitted to the state agency per terms of the agreement and amounts in the status report agree with the general ledger and supporting documentation.</p>	<p>The Association did not receive or spend any state-funded capital appropriations from the New Mexico Legislature during the fiscal year.</p>
<p>f. If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date</p>	<p>The Association did not receive or spend any state-funded capital appropriations from the New Mexico Legislature during the fiscal year.</p>
<p>g. If the project is complete, determine if there is an unexpected balance and whether it was reverted per statute and agreement with the grantor.</p>	<p>The Association did not receive or spend any state-funded capital appropriations from the New Mexico Legislature during the fiscal year.</p>
<p>h. Determine whether cash received for the award was accounted for in a separate fund or a separate bank account that is non-interest bearing if so required by the capital outlay award agreement.</p>	<p>The Association did not receive or spend any state-funded capital appropriations from the New Mexico Legislature during the fiscal year.</p>

**TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCOPE OF PROCEDURES AND RESULTS
JUNE 30, 2019**

9. Capital Outlay Appropriations (Cont.)	
<p>The scope of the agreed-upon procedures engagement shall encompass any and all state-funded capital appropriations of the New Mexico Legislature that meet TIER 6 criteria. Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay funds expended by the recipient during the fiscal year that meet TIER 6 criteria. Perform the following tests on all state-funded capital outlay expenditures:</p>	
<p>i. Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request of the reimbursement.</p>	<p>The Association did not receive or spend any state-funded capital appropriations from the New Mexico Legislature during the fiscal year.</p>
10. Other	
<p>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.</p>	<p>No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud, illegal acts or internal control deficiencies. However, the Association was late on filing its Tier 6 contract with the Office of the State Auditor. See Finding 2019-002.</p>



SCOTT NORTHAM, CPA, PC
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Brian Colon, New Mexico State Auditor, and
Board of Directors of
Twin Forks Mutual Domestic Water Consumers Association
Twin Forks, New Mexico

Management is responsible for the accompanying financial statements of Twin Forks Mutual Domestic Water Consumers Association, which comprise the statements of net position- proprietary fund, as of June 30, 2019 and the related statement of revenues, expenses and changes in net position - proprietary fund for the year then ended, and the related notes to the financial statements in accordance with the requirements of Section 2.2.2.16 New Mexico Administrative Code (NMAC).

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.

As disclosed in Note A, in order to comply with the requirements of Section 12-6-3(B) NMSA 1978 and 2.2.2.16 NMAC, management has presented the proprietary fund financial statements and the notes related to those financial statements were prepared using the accrual basis of accounting. However, in complying with these requirements, management has omitted the following financial statements and notes required by accounting principles generally accepted in the United States of America (GAAP): the statement of cash flows - proprietary funds and note disclosures related to the cash flow statement. These omissions result in the financial statements being presented on a basis of accounting other than GAAP.

Management has also omitted the Management Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such omitted 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context.

Scott Northam, CPA, PC
Ruidoso, New Mexico
October 7, 2019

**TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2019**

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 251,666
Accounts Receivable, Net	<u>10,170</u>
Total Current Assets	261,836
 Noncurrent Assets	
Capital Assets, Net	<u>554,519</u>
Total Noncurrent Assets	<u>554,519</u>
Total Assets	<u><u>\$ 816,355</u></u>

LIABILITIES AND NET POSITION

LIABILITIES

Current Liabilities	
Accounts Payable and Accrued Expense	\$ 20
Gross Receipts Tax Payable	407
Payroll Tax Liabilities	3,722
Current Portion of Long Term Debt	<u>24,126</u>
Total Current Liabilities	28,275
 Noncurrent Liabilities	
Long-Term Debt, Net of Current Portion	<u>34,934</u>
Total Noncurrent Liabilities	<u>34,934</u>
Total Liabilities	<u>63,209</u>

NET POSITION

Net Investment in Capital Assets	495,459
Unrestricted	<u>257,687</u>
Total Fund Net Position	<u>753,146</u>
Total Liabilities and Net Position	<u><u>\$ 816,355</u></u>

**TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2019**

OPERATING REVENUES	
Charges for Services	\$ 299,578
System Maintenance and Fees	15,550
Membership and Transfer Fees	<u>27,000</u>
Total Operating Revenues	342,128
OPERATING EXPENSES	
Personnel Services and Benefits	167,593
System Operations, Repairs and Maintenance	35,676
Professional Services	9,311
Contracted Services	16,356
Utilities	22,113
Property and Other Taxes	1,039
Miscellaneous	917
Insurance	44,904
Dues, Fees, Permits and Licenses	1,633
Vehicle Expense	7,020
Bad Debts	130
Office and Administrative Expenses	4,608
Depreciation	<u>32,193</u>
Total Operating Expenses	<u>343,493</u>
Operating Loss	(1,365)
NONOPERATING REVENUE (EXPENSE)	
Other Income	1,300
Interest Income	498
Interest Expense	<u>(1,711)</u>
Total Nonoperating Revenue (Expense)	<u>87</u>
Change in Net Position	(1,278)
Net Position, Beginning of Year	<u>754,424</u>
Net Position, End of Year	<u><u>\$ 753,146</u></u>

TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This following summary presentation of significant accounting policies of the Twin Forks Mutual Domestic Water Consumers Association (the Association) is to assist in the understanding of the Association's financial statements. The financial statements and notes are the representation of the Association's management who is 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 government units, and the Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures, and Financial Accounting Standards Board (FASB) pronouncements applicable to governmental agencies.

Departure from Generally Accepted Accounting Principles - In order to comply with the requirements of Section 12-6-3(B) NMSA 1978 and 2.2.2.16 NMAC, the proprietary fund financial statements and the notes related to those financial statements were prepared using the accrual basis of accounting. However, in complying with these requirements, management has omitted the following financial statements and notes required by accounting principles generally accepted in the United States of America (GAAP): the statement of cash flows - proprietary funds and note disclosures related to the cash flow statement. These omissions result in the financial statements being presented on a basis of accounting other than GAAP.

Organization - The Association is a special purpose political subdivision of the State of New Mexico and was organized under provisions of the Water and Sanitation Association Act of New Mexico, Section 73-21-1 through 73-21-54 NMSA 1978, as amended. The Association provides the following authorized services: water, sanitation, and solid waste. The Association's basic financial statements include all activities and accounts of the Association's financial reporting entity.

The financial reporting entity consists of the primary government, and any another organization 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.

The GASB 14 definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Based upon the GASB 14 criteria above, there are no component units of the Association, nor is the Association considered a component unit of another governmental agency during the fiscal year ended June 30, 2019.

GASB 77 Tax Abatement Disclosure - The Association is not a property-taxing entity and therefore is not required to implement GASB 77.

TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Financial Statement Presentation, Basis of Accounting, and Measurement Focus

Business-Type Activities - The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

The Statement of Revenues, Expenses and Changes in Net Position demonstrates the degree to which the direct expense of a given function or segments is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not included among program revenues are reported as *general revenues*.

The basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Budgetary Compliance - The Association's annual budget is required to be presented to the New Mexico Department of Finance and Administration (DFA) for review, adjustment or approval as a special-purpose governmental organization organized under the SPA (3-29-1 NMSA 1978) since the Association's annual revenues are above \$10,000. Budgetary control is at the fund level. The accompanying budgetary comparison is presented on the cash basis.

Budget Violation - Although the Association did not exceed the budgetary authority in the fiscal year, the 2019 fiscal year budget was adopted by the Board of Directors but has not been approved by the Department of Finance Administration, and therefore cannot be considered a legally adopted budget.

Assets, Liabilities, Net Position or Fund Equity, Other Matters

Cash and Investments - Cash includes amounts in demand deposits and short-term investments. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

All investments are stated at fair value which is determined by using selected bases. Interest income and realized gains and losses on investment transactions are included for financial statement purposes as investment income.

Cash Flow Liquidity - For purposes of the statement of cash flows, 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.

Use of Restricted Cash - When the Association incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

Grants and Contributions - The Association receives grants as well as contributions in the course of operations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Utility Receivables - Substantially all of the Association's outstanding utility receivables are due from its customers for water and sewer service and solid waste collection. Collateral is generally not required on receivables, but a membership fee is required to activate new service.

Allowance for Doubtful Accounts - Management reviews the allowance for doubtful accounts periodically and at year end for accounts that are in arrears and adjusts the allowance accordingly.

Concentration of Credit Risk - The Association grants credit without collateral to its customers for its services, but the customers are subject to service termination if the receivables are not settled within a specified time frame. The customer deposits held by the Association helps mitigate the credit risk.

Property and Equipment - Capital assets which may include software, property, plant, equipment, vehicles, and infrastructure assets (e.g., building, roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the Association as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Land owned by the Association is always capitalized.

GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* allows Phase III governments an exemption from the retroactive application of the capitalization requirements to major general infrastructure assets. The Association has elected not to retroactively record infrastructure assets since being considered a Phase III municipality.

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

Assets of the Association are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings, Structures and Improvements	10-40
Water and Wastewater Systems	25
Infrastructure	25
Office and Maintenance Equipment	7
Vehicles	5

Analysis of Impairments - Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is determined based on comparison of future cash flows to the recorded value of the assets. Impairment losses are measured based on the fair value of the impaired assets. No such impairment losses were recorded during the year ended June 30, 2019.

TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Net Position - The proprietary funds utilize a net position presentation. Net position is reported represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net position is reported in three categories:

- ***Net investment in capital assets*** – This category reflects the portion of net position that is associated with capital assets, net of accumulated depreciation reduced by the outstanding capital asset-related debt and adding back unspent proceeds.
- ***Restricted net position*** – This category reflects the portion of net position that has third party limitations on its use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- ***Unrestricted net position*** – This category reflects net position of the Association, not restricted for any project or other purpose.

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

Operating revenue - include activities which have the characteristic of exchange transactions, such as charges for services and fees, net of any allowance for uncollectible amounts.

Non-operating revenues - include activities which have the characteristics of non-exchange transactions, such as capital grants and investment income.

Operating and Non-operating Expenditures - Expenditures are classified as operating or non-operating according to the following criteria:

Operating expenditures - include activities that have the characteristics of an exchange transaction such as employee salaries, benefits, and related expenses; maintenance, operations and contractual services; materials and supplies; office expenses; and depreciation expenses related to Association capital assets.

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

Pensions and OPEB - The Association has elected not to participate in either the New Mexico Public Employees Retirement Association (PERA) or the New Mexico Retiree Health Care Act. Therefore, the Association is not required to implement the following GASB statements:

- GASB Statement No. 68 - *Financial Reporting for Pension Plans – An Amendment to GASB Statement 27*,
- GASB Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date*,
- GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*.

Compensated Absences – The Association does accrue vacation for its employees. Any time accrued must be taken used before the end of the fiscal year.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Risk Management - The Association is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any preceding years. A surety bond as required by Section 12-6-7 NMSA 1978 Compilation and the New Mexico State Auditor Rule covers the officials and certain employees of the Association.

Subsequent Events - GASB 56 requires reporting entities to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or available to be issued. Management has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued.

NOTE B - CASH AND CASH EQUIVALENTS

During the fiscal year, the Association had several accounts held with a local financial institution. At June 30, 2019, the Association had cash and cash equivalents on deposit with the local financial institution in a demand deposit account and interest-bearing accounts. Following is a schedule as of June 30, 2019, of the cash and cash equivalents.

	Bank Balance June 30, 2019	Net Items Outstanding	Book Balance June 30, 2019
First National Bank			
General Demand Checking:			
General Operating Account	\$ 3,231	\$ (115)	\$ 3,116
Interest Bearing Savings:			
Money Market Account	<u>248,550</u>	<u>-</u>	<u>248,550</u>
Total – First National Bank	<u>\$ 251,781</u>	<u>\$ (115)</u>	<u>\$ 251,666</u>

Collateralization - The FDIC provides coverage of up to \$250,000 for interest-bearing and non-interest-bearing demand accounts separately from an additional \$250,000 for interest-bearing time and savings accounts. Excess coverage from one category is not transferrable to the other. No security is required for the deposit of public money being insured by the Federal Deposit Insurance Corporation.

In accordance with Section 6-10-17, NMSA 1978 compilation, deposits of public monies are required to be collateralized. Pledged collateral is required in amounts in aggregate equal to one half of the amount of uninsured public money in each account during the fiscal year. Securities which are obligations of the State of New Mexico, its agencies, institutions, counties, or municipalities or other subdivisions are accepted as security at par value; all other securities are accepted as security at market value.

	Checking	Savings	Totals
Deposits	\$ 3,231	\$ 248,550	\$ 251,781
Less FDIC Coverage	<u>(3,231)</u>	<u>(248,550)</u>	<u>(251,781)</u>
Uninsured and Uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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 them. The Association does not have a deposit policy for custodial credit risk other than that of state statutes. As of June 30, 2019, the Association's bank balance of \$251,781 was fully covered by FDIC insurance and not exposed to custodial credit risk during the year.

TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE C – RECEIVABLES

The Association reserves a portion of the utility accounts receivable due to the accounts not being susceptible to collection. These accounts are either over 60 days outstanding or are dormant accounts with balances due. The amount of the receivables and allowance for the Association is below as of the fiscal year end:

	Total
Gross Accounts Receivable	\$ 20,582
Less Allowance for Doubtful Accounts	<u>(10,411)</u>
Accounts Receivable - Net	<u>\$ 10,170</u>

NOTE D - CAPITAL ASSETS

The following capital asset activity for the year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Increases	Decreases and Transfers	Balance June 30, 2019
Non-depreciable Capital Assets				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Water Rights	51,978	-	-	51,978
Construction in Progress	<u>19,742</u>	<u>-</u>	<u>(19,742)</u>	<u>-</u>
Total Non-depreciable Capital Assets	<u>91,720</u>	<u>-</u>	<u>(19,742)</u>	<u>71,978</u>
Depreciable Capital Assets				
Water System	828,381	-	19,742	848,123
Equipment	15,421	-	-	15,421
Heavy Equipment	43,276	-	-	43,276
Vehicles	42,901	-	-	42,901
Office Equipment	19,111	-	-	19,111
Building and Improvements	<u>46,038</u>	<u>-</u>	<u>-</u>	<u>46,038</u>
Total Depreciable Capital Assets	<u>995,128</u>	<u>-</u>	<u>19,742</u>	<u>1,014,870</u>
Less Accumulated Depreciation				
Water System	(394,889)	(25,801)	-	(420,690)
Equipment	(6,036)	(1,792)	-	(7,828)
Heavy Equipment	(38,167)	(709)	-	(38,876)
Vehicles	(24,087)	(2,971)	-	(27,058)
Office Equipment	(19,111)	-	-	(19,111)
Building and Improvements	<u>(17,846)</u>	<u>(921)</u>	<u>-</u>	<u>(18,767)</u>
Total Accumulated Depreciation	<u>(500,136)</u>	<u>(32,193)</u>	<u>-</u>	<u>(532,329)</u>
Total Depreciable Capital Assets, Net	<u>494,992</u>	<u>(32,193)</u>	<u>19,742</u>	<u>482,541</u>
Capital Assets, Net	<u>\$ 586,712</u>	<u>\$ (32,193)</u>	<u>\$ -</u>	<u>\$ 554,519</u>

The Association reported approximately \$32,193 in depreciation expense during the fiscal year. This amount was reported on the financial statements as a separate line item in the expenses.

TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE D - 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 will record any collections on a cash basis. The Association collected approximately \$800 toward this receivable in the 2019 fiscal year.

NOTE E - LONG-TERM DEBT

The Association uses funds from operations to pay for the debt service. The following long-term debt activity for the year ended June 30, 2019 was as follows:

NMED RIP-97-01 - The Association entered into an agreement with the New Mexico Environment Department in 2001 2012 for system improvements. Initial principal amount was \$300,000 and the terms of the loan are 20 annual payments of approximately \$20,165 at 3% annual interest, maturing in June 2021.

NMSBOF 209-161 - The Association entered into an agreement with the New Mexico Board of Finance in September 2012 to fund emergency repairs to a water storage tank. Initial principal amount was approximately \$11,087 and terms of the loan are 10 annual, non-interest-bearing payments of approximately \$1,108, and maturing in August 2022

NMSBOF 210-49 - The Association entered into an agreement with the New Mexico Board of Finance in September 2012 to fund emergency repairs to a water storage tank. Initial principal amount was approximately \$40,100 and terms of the loan are 10 annual, non-interest-bearing payments of approximately \$4010, and maturing in August 2022

The Association paid approximately \$1,711 in interest on the following loans. Long-term debt activity for the year ended June 30, 2019 was as follows:

Obligation	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019	Due Within One Year
NMED RIP 97-01	\$ 57,038	\$ -	\$ (18,454)	\$ 38,584	\$ 19,007
NMBOF 209-161	5,544	-	(1,108)	4,436	1,109
NMBOF 210-49	<u>20,050</u>	-	<u>(4,010)</u>	<u>16,040</u>	<u>4,010</u>
Total Long-term Debt	<u>\$ 82,632</u>	<u>\$ -</u>	<u>\$ (23,572)</u>	<u>\$ 59,060</u>	<u>\$ 24,126</u>

Long-term debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 24,126	\$ 1,157	\$ 25,283
2021	24,696	587	25,283
2022	5,119	-	5,119
2023	<u>5,119</u>	<u>-</u>	<u>5,119</u>
Totals	<u>\$ 59,060</u>	<u>\$ 1,744</u>	<u>\$ 60,804</u>

TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Charges for Services	\$ 345,000	\$ 345,000	\$ 318,699	\$ (26,301)
System Maintenance and Fees	-	-	15,550	15,550
Membership and Transfer Fees	-	-	27,000	27,000
Total Operating Revenues	<u>345,000</u>	<u>345,000</u>	<u>361,249</u>	<u>16,249</u>
OPERATING EXPENSES				
Current				
Personnel Services and Benefits	146,601	146,601	169,153	(22,552)
System Operations, Repairs and Maintenance	82,750	82,750	38,487	44,263
Professional Services	10,000	10,000	9,311	689
Contracted Services	-	-	16,356	(16,356)
Utilities	20,550	20,550	22,113	(1,563)
Property and Other Taxes	1,600	1,600	1,039	561
Miscellaneous	-	-	917	(917)
Insurance	47,250	47,250	44,904	2,346
Dues, Fees, Permits and Licenses	1,000	1,000	1,633	(633)
Vehicle Expense	-	-	7,020	(7,020)
Office and Administrative Expenses	9,550	9,550	4,608	4,942
Debt Service				
Principal	23,572	23,572	23,572	-
Interest	1,712	1,712	1,711	1
Total Operating Expenses	<u>344,585</u>	<u>344,585</u>	<u>340,824</u>	<u>3,761</u>
Operating Income (Loss)	<u>415</u>	<u>415</u>	<u>20,425</u>	<u>20,010</u>
NONOPERATING REVENUE				
Other Income	-	-	1,300	1,300
Interest Income	-	-	498	498
Total Nonoperating Revenue	<u>-</u>	<u>-</u>	<u>1,798</u>	<u>1,798</u>
Change in Net Position	<u>415</u>	<u>415</u>	<u>22,223</u>	<u>\$ 21,808</u>
Cash - Beginning of Year	<u>229,443</u>	<u>229,443</u>	<u>229,443</u>	
Cash - End of Year	<u>\$ 229,858</u>	<u>\$ 229,858</u>	<u>\$ 251,666</u>	
Reconciliation to GAAP Basis				
Change in Net Position - Budget Basis			\$ 22,223	
Depreciation			(32,193)	
Principal Payments			23,572	
Change in:				
Accounts Receivable			(18,812)	
Other Receivables			(130)	
Accounts Payable and Accrued Expense			2,811	
Gross Receipts Tax Payable			(309)	
Payroll Tax Liabilities			1,560	
Change in Net Position - GAAP Basis			<u>\$ (1,278)</u>	

INTERNAL CONTROL AND COMPLIANCE

**TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

SUMMARY OF AUDITOR RESULTS:

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued | Tier 6 AUP |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| c. Noncompliance material to the financial statements noted? | Yes .(3) |

FINANCIAL STATEMENT FINDINGS

CURRENT YEAR FINDINGS:

2019-001 (2011-003) - Legal Compliance with Budget – Compliance

CONDITION - The Association has not submitted the Fiscal Year 2019 initial or final budget reports to DFA for approval as of the date of the AUP report.

PROGRESS ON RESOLVING PRIOR YEAR FINDING – The Association has some progress toward resolving the finding. The Association was under budget using their internally prepared budget. Had this budget been sent to DFA for approval, the finding would have been resolved.

CRITERIA - Section 6-6-6 NMSA 1978 requires the Association to keep expenditures within the approved budget. Section 6-6-2 NMSA 1978 requires the Association to submit the beginning, interim and final budget reports to DFA.

CAUSE – The Association was instructed by DFA to use the budget report format designed for governmental special districts, rather than the budget report format designed for MDWCAs by DFA and located on the DFA website. The Association delayed on sending the final budget report to the DFA approval.

EFFECT - The Association may not have accurate information for planning activities and cash flows in the funds that exceeded the budget.

RECOMMENDATION - The Association should review budget versus actual comparison periodically to ensure that budget adjustments are warranted, approved by Board of Directors and forwarded to DFA for approval, and make budget reporting to DFA a priority during the appropriate times during the year.

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION – The Association received DFA approval of its 2020 Fiscal Year budget on August 18, 2019. The general manager, Board Treasurer, and the Association's contract accountant will put in a more diligent effort regarding budget reporting to DFA during the FY20 fiscal year. This finding should be resolved by July 31, 2020 when the final budget report is due to DFA.

**TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

2019-002 - Late Submission of Audit Contract and IPA Recommendation - Compliance

CONDITION - Per 2.2.2.8(G)(6)(c) NMAC Audit Rule, the Association did not meet the deadline for submission of the agreed-upon procedures contract and recommendation by the deadline for the fiscal year ending 2019.

CRITERIA - 2.2.2.8(G)(6)(c) NMAC Audit Rule requires that the audit contract and IPA recommendation be submitted to the Office of the State Auditor by the July 31 of each year for those agencies with a June 30 fiscal year end under the Tier system.

CAUSE – The Association elected to request for proposals for AUP services in September 2019 after the incumbent IPA’s Fiscal Year 2019 quote for services was deemed excessive.

EFFECT – The Association is out of compliance with the statute.

RECOMMENDATION - We recommend the Association coordinate with the IPA regarding timing of the contract submission for the 2020 fiscal audit.

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION - The Association’s general manager will ensure the submission for the FY20 AUP contract will be submitted within the necessary timetable.

2019-003 (2014-001) – Capital Asset Certification - Compliance

CONDITION - The Association partially completed its capital asset inventory, but has not submitted it to the board for certification

PROGRESS ON RESOLVING PRIOR YEAR FINDING – The Association has some progress toward resolving the finding. The Association presented the IPA with a inventory asset and depreciation schedule reconciling to the accounting records and the previous AUP report, but the inventory had not been certified by the Board of Directors

CRITERIA - Section 2.20.1.16 NMSA 1978 requires the Association to keep expenditures within the approved budget. Section 6-6-2 NMSA 1978 requires each agency to “...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.

CAUSE – Association management lacks the sufficient manpower to complete the inventory within the necessary timeframe

EFFECT - The Association may not have accurate information for its equipment for accounting and/or insurance purposes.

RECOMMENDATION - The Association should review procedures and inventory and reconcile to the inventory list throughout the year so the task would not be burdensome at year-end

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION – The Association management is going to present the inventory list on hand at an upcoming board meeting in October for approval and certification. Management is also going to review the inventory for obsolete or missing items and provide an updated inventory list. The finding should be resolved by the end of the 2020 fiscal year.

**TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

FINANCIAL STATEMENT FINDINGS

PRIOR YEAR FINDINGS:

Finding	Status
2018-001 – Late Debt Payments	Resolved
2015-001 – Internal Control Deficiencies – Monitoring	Resolved
2014 -001 – Capital Asset Certification	Repeated and Revised
2011-003 – Submission of Reports to DFA	Repeated and Revised

**TWIN FORKS MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
EXIT CONFERENCE
JUNE 30, 2019**

An entrance conference was held with Twin Forks representatives on October 4, 2019. The contents of this report were discussed with the Twin Forks Mutual Domestic Water Consumers Association representatives on October 7, 2019. The following individuals were present for the conference:

**Twin Forks Mutual Domestic
Water Consumers Association**

Robert Galvan, VP
Mike Woodson, General Manager

Scott Northam, CPA, PC

Scott Northam, CPA

The agreed-upon procedures, compiled financial statements and budgetary comparisons of the Twin Forks Mutual Domestic Water Consumers Association were prepared by Scott Northam, CPA, PC, from original books and records provided by and with assistance from the management of the Association.

Although standards strongly emphasize the Association prepare its own financial statements, the consensus between Association management and the auditor was that it would be more time and cost efficient for the auditor to prepare the financial statements and the related notes. Accordingly, the Association designated a competent management-level individual to oversee the auditor's services, make all management decisions and perform all management functions. The Association reviewed, approved, and accepted responsibility for the accompanying compiled financial statements and related notes, supplemental budgetary comparisons, and for ensuring that the underlying accounting records adequately support the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America and that the records are current and in balance.