FLORA VISTA MUTUAL DOMESTIC
WATER ASSOCIATION, INC.
AUDITED FINANCIAL STATEMENTS
Year Ended December 31, 2019

INTRODUCTORY SECTION

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FLORA VISTA MUTUAL DOMESTIC
WATER ASSOCIATION
List of Principal Officials
December 31, 2019

Name	**Title**
David Rick Brannon	President
Daniel Tso	Vice President
Pat Roach	Secretary / Treasurer
Leroy Larribas	Director
Blaine Williams	Director
Rick Mitchell	System Manager

FINANCIAL SECTION

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DAVID BERRY, CPA, PC

CERTIFIED PUBLIC ACCOUNTANT / SMALL BUSINESS CONSULTANT

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INDEPENDENT AUDITOR'S REPORT

Brian Colon, New Mexico State Auditor and Board Members
Flora Vista Mutual Domestic Water Association, Inc.
Flora Vista, New Mexico

Report on Financial Statements
We have audited the accompanying financial statements of the business-type activities, which are comprised of the statement of net position as of December 31, 2019 and statements of revenues, expenses and changes in net position and of cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise Flora Vista Mutual Domestic Water Association, Inc. basic financial statements as listed in the table of contents. We also have audited the statement of revenues, expenses – budget and actual (budgetary basis) of the Association for the year ended December 31, 2019, as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Flora Vista Mutual Domestic Water Association, Inc. as of December 31, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the statement of revenues, expenses – budget and actual (budgetary basis) of the Association for the year ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in the notes to the financial statements, effective January 1, 2019, the Association retroactively changed its accounting methods for revenue recognition and financial instruments as a result of implementing the requirements in the Financial Accounting Standard Board's ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), as amended, and ASU 2016-01. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages vii-x be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Association's basic financial statements. The schedule of pledged collateral, as required by 2.2.2 NMAC included as Other Information as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of pledged collateral is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of pledged collateral is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2020 on our consideration of the entity's' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

David Berry, CPA, PC

Farmington, New Mexico
April 30, 2020

Management's Discussion and Analysis
Year Ended December 31, 2019

For financial reporting purposes, Flora Vista Mutual Domestic Water Association, Inc. (the Association) is considered a special purpose, primary government according to the Attorney General's Opinion. Accordingly, the Association's financial statements have been presented using the economic resources measurement focus and accrual basis accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

The report consists of Managements' Discussion and Analysis, the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements provide both long-term and short-term financial information for the Association.

The discussion and analysis of the Association's financial statements provides an overview of its financial activities as of and for the year ended December 31, 2019.

Financial Highlights

- The Association's assets exceeded its liabilities at the close of the fiscal year December 31, 2019 by $1,537,270 (net position). This was a decrease of $74,701 from December 31, 2018 net position of $1,611,971. Of the December 31, 2019 net position, $437,738 is unrestricted.

- The Association's financial position decreased in 2019 as compared to prior year. Net position decreased during the year by $74,701 due to a decrease in operating revenues. Water costs and purchases of water increased $81,890.

- The Association's cash and cash equivalents reflect $396,862 at December 31, 2019. Accounts receivable from water sales to members was $70,788 at December 31, 2019.

The Statement of Net Assets and Statement of Revenue, Expenses, and Changes in Net Position

The Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Position report the Association's net assets and how they have changed. Net Position is defined as the difference between assets and liabilities. It is one indicator that measures the Association's financial health, or position. Non-financial factors are also important to consider, including number of members and the condition of the system.

These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. The following table summarizes the Association's assets, liabilities, and net position as of December 31, 2019 and 2018.

Net Position, as of December 31, 2019 and 2018

	2019	2018
Assets		
Current Assets	$ 467,650	$ 514,328
Capital Assets, Net	1,217,784	1,248,738
Non-Current Assets	381,179	381,179
Total Assets	2,066,613	2,144,245
Liabilities		
Current Liabilities	$ 45,629	$ 33,517
Non-Current Liabilities	483,714	498,757
Total Liabilities	529,343	532,274
Net Position:		
Net investment in capital assets	$ 1,099,532	$ 1,116,416
Unrestricted	437,738	495,555
Total Net Position	$ 1,537,270	$ 1,611,971

Analysis of Net Position

The Association's assets exceeded liabilities by $1,537,270 at the close of the fiscal year. Net position consists of 72% Capital Assets (e.g. project works, buildings, equipment and water rights) less related debt or $499,431. The Association uses these capital assets in its mission to deliver treated water to members in the Association's service area; consequently, these assets are not available for future spending. Unrestricted net position is available for the Association's ongoing operations and is $437,738.

The following table summarizes the Association's revenue, expenses, and changes in net position for the year ended December 31, 2019 and 2018:

Revenue, Expenses and Changes in Net Position

	2019	2018
Operating Revenues	$ 720,814	$ 765,452
Operating Expenses	771,503	716,331
Operating income (loss)	(50,689)	49,121
Nonoperating Revenues (Expenses)	(24,012)	(21,486)
Change in Net Position	$ (74,701)	$ 27,635

During the fiscal year, the Association's net position decreased by $74,701.

Operating Revenues

The following table summarizes the Association's operating revenues for the fiscal year ended December 31, 2019 and 2018:

	2019	2018
Charges for services	$ 720,814	$ 765,452
Other operating revenues	-	-
Total Operating Revenues	$ 720,814	$ 765,452

Operating Expenses

The following table summarizes the Association's operating expenses for the fiscal year ended December 31, 2019 and 2018:

	2019	2018
Personnel services	$ 377,456	$ 363,517
Maintenance, operations and contractual services	88,137	105,563
Water costs purchased for resale	181,405	99,515
Office expenses	41,341	45,308
Depreciation	83,164	102,428
Total Operating Expenses	$ 771,503	$ 716,331

Non-Operating Revenues and Expenses

The following table summarizes the Association's non-operating revenues (expenses) for the fiscal year ended December 31, 2019 and 2018:

	2019	2018
Interest income	$ 981	$ 490
Grant revenue	-	-
Rental income	1,700	5,100
Interest expense	(26,693)	(27,076)
Total Nonoperating Revenues	$ (24,012)	$ (21,486)

Capital Assets and Long-Term Debt

The Association added $14,803 of improvements to the water system during the fiscal year ended December 31, 2019. Also, equipment of $37,407 during the fiscal year ended December 31, 2019.

Depreciation expenses for the year ended December 31, 2019 and 2018, amounted to $83,164 and $102,428, respectively.

The Association made principal payments in the amount of $14,550 and $14,201 during the years ended December 31, 2019 and 2018, respectively.

Factors Impacting Future Periods

The Association will continue maintenance on the delivery system of treated water to members in its service area.

The Association's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Association's financial position, operations and cash flows. Possible effects may include, but are not limited to the Association's customers and revenue, absenteeism in the Association's labor workforce, unavailability of products and supplies used in operations, and a decline in value of assets held by the Association, including accounts receivable and capital assets.

Comparison of Budget to Actual

Included in this report is a Budget Comparison Summary of the original budget to the final budget to the actual revenue and expenses. This report is required by the New Mexico State Auditor.

Operating revenues were over budget by $11,814 due to charges for services and other charges.

Total operating expenses were under/(over) budget by $76,646. Personnel services were under/(over) budget by $(9,934); maintenance, operations and contractual services were under/(over) budget by $102,326; water purchases were under/(over) budget by $(20,405); and office expenses were under/(over) budget by $4,659.

Total Nonoperating revenues were over/(under) budget by ($24,012).

BASIC FINANCIAL STATEMENTS

FLORA VISTA MUTUAL DOMESTIC WATER ASSOCIATION, INC.
STATEMENT OF NET POSITION

December 31, 2019

ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$	396,862
Accounts receivable, net		70,788
Other current assets		-
Total Current Assets		467,650
NONCURRENT ASSETS:		
Water rights		381,179
Capital assets not being depreciated		150,619
Capital assets, net of accumulated depreciation		1,067,165
Total Noncurrent Assets		1,598,963
Total Assets	$	2,066,613
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	$	-
Accrued payroll and payroll taxes		12,259
Gross receipts tax payable		8,079
Accrued compensated absences		9,574
Current portion of noncurrent liabilities		15,717
Total Current Liabilities		45,629
NONCURRENT LIABILITIES:		
Notes payable (noncurrent)		483,714
Total Liabilities		529,343
NET POSITION:		
Net investment in capital assets		1,099,532
Unrestricted		437,738
Total Net Position		1,537,270
Total Liabilities and Net Position	$	2,066,613

The notes to the financial statements are an integral part of this statement.

FLORA VISTA MUTUAL DOMESTIC WATER ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

Year Ended December 31, 2019

OPERATING REVENUES:		
Charges for services	$	720,814
Other operating revenues		-
Total Operating Revenues		720,814
OPERATING EXPENSES:		
Personnel services		377,456
Maintenance, operations and contractual services		88,137
Water costs and purchased for resale		181,405
Office expenses		41,341
Depreciation		83,164
Total Operating Expenses		771,503
Operating Income (Loss)		(50,689)
NONOPERATING REVENUES (EXPENSES):		
Interest income		981
Grant revenue		-
Rental income		1,700
Interest expense		(26,693)
Total Nonoperating Revenues (Expenses)		(24,012)
Change in net position		(74,701)
NET POSITION, beginning of year		1,611,971
NET POSITION, end of year	$	1,537,270

The notes to the financial statements are an integral part of this statement.

FLORA VISTA MUTUAL DOMESTIC WATER ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:		
Charges for services and other operating revenues	$	734,378
Payments to employees for salaries and benefits		(370,198)
Payments to suppliers		(307,002)
Net Cash Provided (Used) By Operating Activities		57,178
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating grants		-
Net Cash Provided (Used) By Noncapital Financing Activities		-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Rental income		1,700
Grant revenue		-
Purchases of capital assets		(52,210)
Debt issuance less loan costs		-
Repayment of debt		(14,552)
Interest paid on capital debt		(26,211)
Net Cash Provided (Used) By Capital and Related Financing Activities		(91,273)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received from investments		981
NET INCREASE IN CASH AND CASH EQUIVALENTS		(33,114)
CASH AND CASH EQUIVALENTS, beginning		429,976
CASH AND CASH EQUIVALENTS, ending	$	396,862
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	$	(50,689)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation		83,164
Changes in:		
Accounts receivable		13,564
Accrued payroll and payroll taxes		7,258
Gross receipts tax payable		2,635
Accrued compensated absences		1,246
Net Cash Provided (Used) By Operating Activities	$	57,178

The notes to the financial statements are an integral part of this statement.

NOTE 1 – CREATION OF ENTITY AND BASIS OF PRESENTATION

Reporting Entity

Flora Vista Mutual Domestic Water Association, Inc. (the Association) is a not-for-profit Mutual Domestic Association established for the purpose of constructing, maintaining, and operating a water system for members of the Association in its service area. The Association was initially incorporated in 1966 as a Cooperative Association under the provisions of the New Mexico Cooperative Corporation Act. Effective August 15, 2007, the Board of Directors changed its form of organization from a not-for-profit cooperative to a not-for-profit association under the Sanitary Projects Act, NMSA 3-29-20.

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

An Attorney General's (AG) opinion (90-30, dated December 27, 1990) concludes that entities created under the Sanitary Projects Act (SPA) are subject to the New Mexico Audit Act. Additionally, there is another AG opinion (68-38) that states Mutual Domestic Associations (MDAs) under the SPA are created for "one purpose only, and that is to establish and maintain a water system". Also, it concluded MDAs are not "other municipal corporations "and are, thus, subject to ad valorem taxes. Finally, the Attorney General Opinion 06-02 has determined that MDAs created pursuant to the SPA 1) are public bodies/political subdivisions; 2) whose revenues are "public money"; and 3) they have statutory responsibilities to abide by the Open Meetings Act, the Inspection of Public Records Act, the Procurement Code, and the Per Diem and Mileage Act.

Due to the fact that MDAs have been determined to be governmental nonprofit organizations, in evaluating how to define a governmental entity, for financial reporting purposes, management must consider all potential component units for which financial accountability may exist. The determination of financial accountability includes consideration of a number of criteria, including: (1) the ability to appoint a voting majority of another entity's governing body and to impose its will on that entity, (2) the potential for that entity to provide specific financial benefits to or impose specific financial burdens on others, and (3) the entity's fiscal dependency on others. The Association has determined that it has no reportable component units.

Basis of Accounting

For financial reporting purposes, the Association is considered a special-purpose government engaged in business-type activities. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual basis, the Association recognizes revenues when control of the promised goods or services is transferred to its members in an amount that reflects the consideration it expects to be entitled to in exchange for those goods or services, and expenses are recorded when incurred. All significant intra-entity transactions have been eliminated.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include amounts in demand deposit accounts, cash on hand, and certificates of deposits. For purposes of the statement of cash flows, the Association considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

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

Accounts Receivable

Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of aged accounts receivable, the history of uncollectible accounts, current conditions and supportable forecasts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

The Association has reviewed its customer base for concentrations of credit risk and has determined that no individual customer or group of customers engaged in similar activities represent a material concentration of credit risk to the Association.

Capital assets

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

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

Compensated Absences
The Association accrues a liability for vacation time in excess of 40 hours. The Association does not pay for unused sick leave upon termination; therefore, amounts are not accrued for unused sick leave.

Presentation of Sales Tax
The State of New Mexico imposes a gross receipts tax on the Association's sales to nonexempt customers. The Association collects the gross receipts tax from customers and remits the entire amount to the State. The Association's accounting policy is to exclude the tax remitted to the State from revenues and cost of sales.

Membership
Members of the Association have purchased water meters, enabling them to receive regular water service. The membership fees paid by member of $25 are recorded as fee income and reported on the statement of activities.

Fair Value of Financial Instruments
The carrying amount of cash and cash equivalents, receivables and liabilities approximate fair value because of the short maturities of these instruments.

Net Position Classification
In the financial statements, restricted net position is legally restricted by outside parties (such as creditors, grantors, contributors, laws and regulations of other governments) for a specific purpose. Net investment in capital assets represents the Association's investment in the book value of capital assets, less any outstanding debt that was issued to construct or acquire the capital asset. The Association applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

> *Operating revenue* include activities that have the characteristics of an exchange transaction, such as a) charges for services and fees, net of allowance for uncollectible allowance.
>
> *Non-operating revenues* include activities that have the characteristics of non-exchange transactions, such as a) capital grants; and b) investment income. Grant revenue is recognized when the eligibility requirements are met.

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

> *Operating expenses* include activities that have the characteristics of an exchange transaction, such as a) employee salaries, benefits, and related expense; b) maintenance, operations and contractual services; c) material and supplies; d) office expenses; and e) depreciation expenses related to Association capital assets.
>
> *Non-operating expenses* include activities that have the characteristics of non-exchange transactions, such as interest on capital asset-related debt and bond expenses that are defined as non-operating expenses.

Tax Status
The Organization is a not-for-profit organization exempt from income tax as provided under Section 501(c)(12) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization adopted accounting requirements that prescribe when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns, including the position that the Organization continues to qualify to be treated as a tax-exempt organization for both federal and state income tax purposes. These rules require management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained.

Management of the Association believes its activities allow it to continue to be classified as an organization exempt from income tax under Section 501(c)(12) of the internal Revenue Code and believes there are no activities subject to unrelated business income tax. Based on that evaluation, if it were more than 50% probable that a material amount of income tax would be imposed at the entity level upon examination by the relevant taxing authorities, a liability would be recognized in the accompanying statement of financial position along with any interest and penalties that would result from that assessment. If the Association has unrelated business income, the federal Exempt Organization Business Income Tax Returns (Form 990T) would be required and subject to examination by the Internal Revenue Service for three years after they were filed. Should any penalties and interest be incurred, they would be recognized as management and general expenses.

Based on the results of management's evaluation, these requirements did not have a material effect on the Organization's financial statements. Consequently, no liability is recognized in the accompanying statements of financial position for uncertain income tax positions.

The Association files federal Form 990 with the Internal Revenue Service and copies of Form 990 with states in which the Association is registered, as required. The statute of limitations for examination of the Association’s returns expires three years from the due date of the return or the date filed, whichever is later. The Association’s returns for the years ended December 31, 2016 through 2018, are still open for examination and management anticipates the statute of limitations for the return for the year ended December 31, 2019, will expire in May 2023.

Budgets
According to State statute, the Association adopts and approves an annual nonappropriated budget adopted on a cash (non-GAAP) basis. Budgetary control is prepared at the level of total expenditures, and serves as a management control device. Once adopted, the Board is authorized to amend the budget at the account classification.

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

Change in Accounting Principle
Effective January 1, 2019, the Association retroactively changed its accounting methods for revenue recognition and financial instruments as a result of implementing the requirements in the Financial Accounting Standard Board's ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended, and ASU 2016-01.

The new revenue recognition guidance requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Association expects to be entitled in exchange for those goods or services. The Association adopted the requirements of the new revenue recognition guidance as of January 1, 2019, utilizing the full retrospective transition method. A practical expedient was applied for revenue contracts that began and ended in the same year. Though these revenues were not restated, the effect of applying this practical expedient was not significant to the financial statements.

NOTE 3 – LEGAL COMPLIANCE - BUDGETS

Prior to December 1, the System Manager submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. Board meetings are conducted to obtain comments. Prior to March 1, the budget is legally enacted through passage of a resolution. Budgets are adopted on a budget (non-GAAP) basis.

The System Manager is authorized to transfer budgeted amounts between accounts within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors. Expenditures of the Association may not legally exceed expenditures.

NOTE 4 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of December 31, 2019:

	Vectra Bank	Citizens Bank	Morgan Stanley	Total
Checking accounts	$ 67,943	$ 2,476	$ -	$ 70,419
Savings accounts	291,091	-	-	291,091
Cash at brokerage	-	-	35,134	35,134
Total	$ 359,034	$ 2,476	$ 35,134	396,644
Petty cash				218
				$ 396,862

Custodial Credit Risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Association's deposits may not be returned to it. State statute requires that the bank deposits in excess of FDIC insurance be 50% collateralized. As of December 31, 2019, the Association was in compliance with state statute. The carrying amount of the Association's deposits was $396,644 and the bank balance was $395,681 as of December 31, 2019. Of the bank balance, $287,610 was covered by federal depository insurance, $108,071 was collateralized with securities held by the pledging financial institution's trust department or agent in the Association's name, and $0 was uncollateralized. The custodial credit risk is $0.

NOTE 5 – CAPITAL ASSETS

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

Business-type activities	January 1, 2019	Additions	Deletions	December 31, 2019
Non-Depreciable Assets:				
Water rights	$ 381,179	$ -	$ -	$ 381,179
Land	135,816	-	-	135,816
Construction in progress	-	14,803	-	14,803
Total Non-Depreciable Assets	516,995	14,803	-	531,798
Depreciable Assets:				
Water system	3,067,984	-	(25,876)	3,042,108
Buildings	241,314	-	(9,817)	231,497
Equipment	308,018	37,407	(45,176)	300,249
Total Depreciable Assets	3,617,316	37,407	(80,869)	3,573,854
Total Governmental Assets	4,134,311	52,210	(80,869)	4,105,652
Accumulated Depreciation:				
Water system	(2,000,140)	(70,801)	25,876	(2,045,065)
Buildings	(199,979)	(6,933)	9,817	(197,095)
Equipment	(304,275)	(5,430)	45,176	(264,529)
Total Accumulated Depreciation	(2,504,394)	(83,164)	80,869	(2,506,689)
Net Capital Assets	$ 1,629,917	$ (30,954)	$ -	$ 1,598,963

NOTE 6 - LONG-TERM DEBT

Long-term debt consists of the following as of December 31, 2019:

Debt – NMFA (Joint Powers Agreement)
Debt payable to the New Mexico Finance Authority (NMFA) incurred for the construction of a water line. The debt is shared 50/50 under a joint powers agreement with North Star Domestic Water. The debt payments are made to North Star Domestic Water and then that organization pays the NMFA. The Association's annual debt service payments are estimated to be $3,676, including interest of 2.5%, due in 2030 and secured by assets.

Note Payable – Bank
Installment note payable to a bank, payable in monthly installments of $2,944.55, including interest of 5%, due in 2042 and secured by water system assets.

The following changes occurred in debt during the year ended December 31, 2019:

	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019	Due Within One Year
Debt - NMFA	$ 43,405	$ -	$ 3,568	$ 39,837	$ 3,577
N/P - Bank 2	481,293	-	10,984	470,309	12,140
Total	$ 524,698	$ -	$ 14,552	510,146	$ 15,717
Less loan costs of $12,084 (net of accumulated amortization of $1,369)				(10,715)	
				$ 499,431	

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

Year Ended December 31,	Principal	Interest	Total
2020	$ 15,717	$ 23,294	$ 39,011
2021	16,348	22,664	39,012
2022	17,009	22,001	39,010
2023	17,705	21,306	39,011
2024	18,435	20,575	39,010
2025-2029	104,491	90,563	195,054
2030-2034	114,405	65,938	180,343
2035-2039	142,124	34,550	176,674
2040-2042	63,912	3,120	67,032
Total	510,146	$ 304,011	$ 814,157
Less Current Portion	(15,717)		
Less loan costs (net)	(10,715)		
	$ 483,714		

NOTE 7 - PENSION PLAN

The Association has not elected to be included in the New Mexico Public Employees Retirement Fund (PERA). The Association participates in a defined contribution pension plan covering substantially all of its employees. The Association's contributes $100 to $150 per month per qualified employee. The total amount for pension expense was $7,200 for the year ended December 31, 2019. No amounts were attributed to employee forfeitures.

NOTE 8 - SUPPLEMENTAL CASH FLOW DISCLOSURES

The following is a summary of additional cash flow disclosures required:
Interest paid of $26,211 during the year ended December 31, 2019.

NOTE 9 - CONTINGENCIES AND COMMITMENTS

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

Water Rights
In May 2008, the Association entered into a lease agreement for water rights from a national energy company for 40 years for annual payments of $7,552 plus CPI increases.

The Association has an aggressive policy of acquiring water rights. The purchase of water rights is deemed necessary to meet state requirements that the Association have rights to as many or more acre-feet of water as it produces from its wells.

Management currently does not know exactly how many acre-feet of water rights the Association owns. However, the State of New Mexico has been approving the water production rate of the Association for numerous years. Management is currently working to determine the exact amount of water rights owned by the Association.

NOTE 10 – JOINT POWERS AGREEMENT

The Association entered into a Joint Powers Agreement (JPA) with North Star Mutual Domestic Water in 2008. North Star is responsible for any operations, grant agreements, debt agreements, revenues, expenses and audit responsibilities. The JPA is to enable the creation of a regional water system. The term of the JPA is 20 years. Currently, there is only a grant and debt agreement with the New Mexico Finance Authority. The Association accounts for its share (50%) of the debt ($71,627) for a water line to connect the water systems.

NOTE 11 – MAJOR SUPPLIER

In accordance with water purchase agreements the Association purchases water from the City of Aztec and City of Farmington during the peak demand months and when its Well Fields are offline for repairs. During the year ended December 31, 2019, the cost of water purchased from the City of Aztec and City of Farmington was $8,889 and $18,984, respectively.

NOTE 12 – TAX ABATEMENT (GASB 77) REQUIRED DISCLOSURE

The Association cannot levy taxes and therefore would not have any tax abatements. GASB 77 disclosures do not apply to the Association.

NOTE 13 – RECENTLY ISSUED ACCOUNTING STANDARDS

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which supersedes FASB ASC Topic 840, *Leases,* and makes other conforming amendments to U.S. GAAP. ASU 2016-02 requires, among other changes to the lease accounting guidance, lessees to recognize most leases on-balance sheet via a right of use asset and lease liability, and additional qualitative and quantitative disclosures. ASU 2016-02 is effective for the Association for annual periods in fiscal years beginning after December 15, 2021, permits early adoption, and mandates a modified retrospective transition method. While the Association expects ASU 2016-02 to add significant right-of-use asserts and lease liabilities to the balance sheets, it is evaluating other effects that the new standard will have on the financial statements.

NOTE 14 – SUBSEQUENT EVENT

The Association has evaluated events and transactions occurring subsequent to December 31, 2019, as of April 30, 2020, which is the date the financial statements were available to be issued. Subsequent events occurring after April 30, 2020 have not been evaluated by management.

The Association's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Association's financial position, operations and cash flows. Possible effects may include, but are not limited to the Association's customers and revenue, absenteeism in the Association's labor workforce, unavailability of products and supplies used in operations, and a decline in value of assets held by the Association, including accounts receivable and capital assets.

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SUPPLEMENTARY INFORMATION

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FLORA VISTA MUTUAL DOMESTIC WATER ASSOCIATION, INC.
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (BUDGETARY BASIS)

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:				
Charges for services	$ 709,000	$ 709,000	$ 720,814	$ 11,814
Other	-	-	-	-
Total Operating Revenues	709,000	709,000	720,814	11,814
OPERATING EXPENSES:				
Personnel services	367,522	367,522	377,456	(9,934)
Maintenance, operations and contractual services	186,863	190,463	88,137	102,326
Water purchased for resale	161,000	161,000	181,405	(20,405)
Office expenses	49,600	46,000	41,341	4,659
Total Operating Expenses	764,985	764,985	688,339	76,646
Operating Income (Loss)	(55,985)	(55,985)	32,475	88,460
NONOPERATING REVENUES (EXPENSES):				
Interest income	-	-	981	981
Rental income	-	-	1,700	1,700
Interest expense	-	-	(26,693)	(26,693)
Total Nonoperating Revenues (Expenses)	-	-	(24,012)	(24,012)
Change in Net Position (Budgetary Basis)	$ (55,985)	$ (55,985)	8,463	$ 64,448
RECONCILIATION TO CHANGE IN NET POSITION ON BASIC FINANCIAL STATEMENTS:				
Depreciation			(83,164)	
Change in net position per basic financial statements			$ (74,701)	

See accompanying notes to the basic financial statements.

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OTHER INFORMATION

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FLORA VISTA MUTUAL DOMESTIC WATER ASSOCIATION, INC.
SCHEDULE OF PLEDGED COLLATERAL
December 31, 2019

	Vectra Bank	Citizens Bank	Morgan Stanley	Total
Demand deposits	$ 358,071	$ 2,476	$ 35,134	$ 395,681
Certificates of deposit	-	-	-	-
Deposits, at December 31, 2019	358,071	2,476	35,134	395,681
FDIC Insurance	250,000	2,476	35,134	287,610
Uninsured amount	108,071	-	-	108,071
Less 50 percent	54,036	-	-	54,036
Amount requiring pledged collateral	54,036	-	-	54,036
Pledged collateral at December 31, 2019	198,171	-	-	198,171
Excess (deficiency) of pledged collateral	$ 144,136	$ -	$ -	$ 144,136
Pledged collateral (market value) located at:	Deposit Trust Corporation (DTC) Jersey City, NJ			
SBA Pool #504471; 83164E6G7	$ 12,819	$ -	$ -	$ 12,819
SBA Pool #504533; 83164FBA1	19,169	-	-	19,169
SBA Pool #504620; 83164FVC5	62,038	-	-	62,038
SBA Pool #504620; 83164FVQ4	73,268	-	-	73,268
SBA Pool #505891; 83164GRL8	30,877	-	-	30,877
Totals	$ 198,171	$ -	$ -	$ 198,171
Reconciliation to Financial Statements:				
Total per banks	$ 358,071	$ 2,476	$ 35,134	$ 395,681
Reconciling items	963	-	-	963
Total per financial statements	$ 359,034	$ 2,476	$ 35,134	396,644
Petty cash				218
Total per financial statements				$ 396,862

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COMPLIANCE SECTION

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DAVID BERRY, CPA, PC

CERTIFIED PUBLIC ACCOUNTANT / SMALL BUSINESS CONSULTANT

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Brian Colon, New Mexico State Auditor and Board Members
Flora Vista Mutual Domestic Water Association, Inc.
Flora Vista, New Mexico

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Flora Vista Mutual Domestic Water Association, Inc. as of and for the ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and the budgetary comparison presented as supplementary information, and have issued our report thereon dated April 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses (item 2019-001) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Association's Responses to Findings

The Association's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Association's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

David Berry, CPA, PC

Farmington, New Mexico
April 30, 2020

FLORA VISTA MUTUAL DOMESTIC WATER ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2019

A. Summary of Audit Results

Type of auditor's report issued... Unmodified
Internal control over financial reporting:

Material weaknesses identified?... Yes

Significant deficiency identified
that are not considered to be
material weaknesses? .... No

Noncompliance material to financial
statements noted? .... No

A single audit was not required.

B. Findings - Financial Statements Audit

Prior Year Findings
None

Current Year Findings
2019-001 – Reconciliation of Billing Software to General Ledger Accounts (Material Weakness)

Condition
The Organization does not have adequate documentation of its internal control components over general ledger and reporting. The billing software is not integrated with the general ledger and there is no reconciliation of billing collections and adjustments between the billing software and the general ledger.

Criteria
A system of internal control over receipts and billing adjustments is necessary to reconcile the billing system activity to the general ledger.

Cause
The Association does not have adequate controls over the timely reconciliation of billing software cash receipts and adjustments to the general ledger accounts.

Effect
Errors (intentional or unintentional) could occur and not be discovered on a timely basis.

Recommendation

The Association should adopt policies and procedures for controls over reconciliation of the billing software cash receipts and adjustments to the general ledger accounts. The Association should include the reconciliation process to provide management with reasonable assurance that the Organization is compliant with internal controls and reporting requirements. The Organization should review COSO's Internal Control – Integrated Framework (the COSO framework) which defines and describes five components of internal control.

Management Response

Corrective action plan for finding:

In 2020, the office manager started reconciling billing software receipts to bank deposits receipts and general ledger receipts on a monthly basis. The system manager will begin to review and approve the reconciliation on a monthly basis.

Timeline for completion of corrective action plan:

In February 2020, the office manager started reconciling billing software receipts to bank deposits receipts and general ledger receipts on a monthly basis.

Employee position(s) responsible for meeting the timeline:

In February 2020, the office manager started reconciling billing software receipts to bank deposits receipts and general ledger receipts on a monthly basis. The system manager will review and approve the reconciliations monthly, starting in June 2020.

C. Findings – Single audit not required

FLORA VISTA MUTUAL DOMESTIC WATER ASSOCIATION, INC.
EXIT CONFERENCE
Year Ended December 31, 2019

A. Financial Statement Presentation

The Association's financial statements were prepared with the assistance of David Berry, CPA, PC. Management has reviewed and approved these financial statements. Management is responsible for ensuring that the books and records from which the financial statements were prepared adequately support the financial assertions contained therein, in conformity with generally accepted accounting principles and that the records are current and in balance.

B. An exit conference was held on May 12, 2020. In attendance were:

Flora Vista Mutual Domestic Water Association, Inc.:

Board Member	Pat Roach
System Manager	Rick Mitchell
Office Assistant	Pamela Carlisle

David Berry, CPA, PC:

Auditor	David Berry, CPA

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