

# PORCH & ASSOCIATES LLC

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION

Financial Statements, Supplementary Information  
and  
Independent Auditor's Report

March 31, 2017

JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION

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**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION**

**List of Principal Officials**

**March 31, 2017**

**Board of Directors**

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

**Administrative and Operational Employees**

Christina Holder	System Administrator
John M. Kennedy	Systems Operator

**Independent Auditor's Report**

Mr. Tim Keller, State Auditor and  
Robert M. Wilson, Secretary/Treasurer and  
the Board of Directors  
Jemez Springs Domestic Water Association

**Report on Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Jemez Springs Domestic Water Association (Association) as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents. We also have audited the budgetary comparison presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying financial statements as of and for the year ended March 31, 2017, as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

Mr. Tim Keller, State Auditor and  
Robert M. Wilson, Secretary/Treasurer and  
the Board of Directors  
Jemez Springs Domestic Water Association

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the business-type activities of the Jemez Springs Domestic Water Association, as of March 31, 2017, and the respective changes in financial position and cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Management has omitted management's discussion and analysis, that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Mr. Tim Keller, State Auditor and  
Robert M. Wilson, Secretary/Treasurer and  
the Board of Directors  
Jemez Springs Domestic Water Association

### *Other Information*

Our audit was conducted for the purpose of forming opinions the Association's financial statements and the budgetary comparisons. The schedules required by Section 2.2.2 NMAC, as listed in the Supplementary Information – Supporting Schedules section of the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2017 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

***Porch & Associates, LLC***

Albuquerque, New Mexico  
August 11, 2017

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION**  
**STATEMENT OF NET POSITION**  
**March 31, 2017**

**ASSETS**

Current Assets:

Cash and cash equivalents	\$ 138,271
Accounts receivable, net	25,918
Receivable, other	34,263
Prepaid expenses	5,746
<b>Total current assets</b>	<u>204,198</u>

Noncurrent Assets:

Cash and cash equivalents, restricted to customer deposits	2,102
Capital assets, not depreciated	249,969
Capital assets, net of accumulated depreciation	1,038,371
<b>Total noncurrent assets</b>	<u>1,290,442</u>

<b>Total assets</b>	<u><u>\$ 1,494,640</u></u>
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**LIABILITIES AND NET POSITION**

**LIABILITIES**

Current Liabilities:

Accounts payable	\$ 4,176
Accrued compensation, related taxes, and benefits	1,815
Gross receipts tax payable	4,184
Interest payable	5,782
Meter deposits payable	2,102
Escheatment payable	297
Compensated absences - current	821
Loans payable - current	14,932
<b>Total current liabilities</b>	<u>34,109</u>

Noncurrent Liabilities

Loans payable	247,751
<b>Total liabilities</b>	<u>281,860</u>

**NET POSITION**

Net investments in capital assets	1,025,657
Unrestricted	187,123
<b>Total net position</b>	<u>1,212,780</u>
<b>Total liabilities and net position</b>	<u><u>\$ 1,494,640</u></u>

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

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Year Ended March 31, 2017**

Operating Revenues:	
Water sales	\$ 257,281
Other	544
<b>Total operating revenues</b>	<u>257,825</u>
Operating Expenses:	
Wages, salaries, and related taxes	84,607
Depreciation	61,521
Professional services	30,986
Repairs and maintenance	29,356
Office	18,950
Plant operations	11,765
Employee benefits	10,480
Arsenic treatment	5,419
Insurance	4,170
Travel	2,202
Miscellaneous	1,211
<b>Total operating expenses</b>	<u>260,667</u>
<b>Operating loss</b>	<u>(2,842)</u>
Nonoperating revenues (expenses):	
Interest income	228
Interest expense	(8,192)
Loss on the disposal of assets	(125,372)
Distribution of Jemez River Basin Coalition funds	(28,236)
<b>Total nonoperating revenues (expenses)</b>	<u>(161,572)</u>
Change in net position	(164,414)
Net position, beginning of year	<u>1,377,194</u>
<b>Net position, end of year</b>	<u><u>\$ 1,212,780</u></u>

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



**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION**  
**STATEMENT OF CASH FLOWS**  
**Year Ended March 31, 2017**

Cash Flows From Operating Activities	
Cash received from customers	\$ 259,928
Cash payments to vendors and employees	(196,195)
	<hr/>
<b>Net cash provided by operating activities</b>	<b>63,733</b>
	<hr/>
Cash Flows From Capital and Related Financing Activities	
Receivable from construction vendor	(34,263)
Principal payments on loans	(14,418)
Interest payments on loans	(8,441)
	<hr/>
<b>Net cash used by capital and related financing activities</b>	<b>(57,122)</b>
	<hr/>
Cash Flows From Noncapital and Related Financing Activities	
Distribution of Jemez River Basin Coalition funds	(28,236)
	<hr/>
Cash Flows From Investing Activities	
Interest received	228
	<hr/>
<b>Net change in cash and cash equivalents</b>	<b>(21,397)</b>
Cash and cash equivalents, beginning of year	161,770
	<hr/>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 140,373</b>
	<hr/> <hr/>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss	\$ (2,842)
	<hr/>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	61,521
Changes in assets and liabilities:	
Accounts receivable	2,001
Prepaid insurance	(144)
Accounts payable	4,176
Accrued compensation, related taxes, and benefits	(857)
Gross receipts tax payable	1,386
Compensated absences	(1,610)
Customer deposits payable	102
	<hr/>
<b>Total adjustments</b>	<b>66,575</b>
	<hr/>
<b>Net cash provided by operating activities</b>	<b>\$ 63,733</b>
	<hr/> <hr/>

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

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Entity.* The Jemez Springs Domestic Water Association (Association) is a nonprofit Mutual Domestic Association established for the purpose of constructing, maintaining, and operating a water system for members of the Association in rural Sandoval County. The Association was incorporated as a Cooperative Association under the provisions of the New Mexico Cooperative Corporation Act. The Board of Directors changed the Associations form of organization from a nonprofit cooperative to a nonprofit Association under the Sanitary Projects Act, NMSA 3-29-1 through 3-29-20. Under the Sanitary Projects Act, the Association remains a nonprofit organization owned and governed by its members.

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

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

**A. Financial Reporting Entity**

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

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

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**A. Financial Reporting Entity (Continued)**

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

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

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

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

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

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**B. Cash and Cash Equivalents, and Investments**

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

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

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

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

**C. Accounts Receivable**

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

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**D. Prepaid Items**

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

**E. Capital Assets**

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

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

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

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

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

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Association during the current fiscal year was \$8,192. Of this amount, none was included as part of the cost of capital assets under construction in connection with building projects.

**F. Intangible Assets**

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

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**G. Cash Flows**

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

**H. Accrued Employee Benefits**

It is the Association's policy to permit employees to accumulate earned but unused vacation benefits. Employees that work at least 20 hours a week are entitled to 5 days of vacation after the first year of employment and 10 days of vacation after the second year. Vacation days may not accrue from one year to the next without the prior approval with a maximum of 20 days and is accrued when incurred. The cost of earned but unpaid vacation leave is normally recognized when the benefit vests to the employee and becomes a legal liability to the Association. The Association allows employees to take their leave prior to the end of the calendar year following the year in which leave is earned.

**I. Net Position**

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

**J. Income Taxes**

The Association is exempt from Federal Income Taxes under the provisions of section 501(a) of the Internal Revenue Code as an entity described in section 501(c)(12). Therefore, no provision for income taxes has been made. The Association files Form 990 yearly. The Association's open audit periods are 2013 through 2015. Starting with the March 31, 2017 year, the Association no longer needs to file Form 990.

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

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**K. Budgetary Information**

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

The Association follows the following procedures for establishing the budgetary data reflected in the financial statements:

1. In March, the management submits to the Board of Directors a proposed operating budget of the fiscal year commencing the following April. The operating budget includes proposed expenditures and the means of financing them.
2. In April, the budget is approved by the Board of Directors.
3. The board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called for.
4. Formal budgetary integration is employed as a management control device during the year.
5. The budget is adopted on a basis is consistent with generally accepted accounting principles (GAAP).

**L. Use of Estimates**

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

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2017**

**NOTE 2. CASH AND CASH EQUIVALENTS**

*Custodial Credit Risk.* Custodial credit risk is, in the event of the failure of a depository financial institution, the Association will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Association does not have a deposit policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Association's name. As of March 31, 2017, the Association's bank balances total of \$144,503 was fully insured by FDIC insurance and was not exposed to custodial credit risk.

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

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



**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2017**

**NOTE 3. ACCOUNTS RECEIVABLE – PROPRIETARY FUNDS AND OTHER**

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

Accounts receivable is comprised of the following at March 31, 2017:

Accounts receivable	\$ 29,279
Allowance for uncollectible accounts	<u>(3,361)</u>
Accounts receivable, net	<u>\$ 25,918</u>

The Association paid a vendor \$34,263 during the year ending March 31, 2017. The vendor will not be completing the work. The Association intends to collect the money paid to the vendor. As a result, the amount has been recorded as a receivable – other.

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ending March 31, 2017 was as follows:

	Beginning Balance	Additions	Transfers & Disposals	Ending Balance
Capital assets, not depreciated				
Land	\$ 38,337	-	-	38,337
Water rights	155,000	-	15,222	170,222
Construction in process	182,004	-	(140,594)	41,410
<b>Total, not depreciated</b>	<u>\$ 375,341</u>	<u>-</u>	<u>(125,372)</u>	<u>249,969</u>
Capital assets, depreciated				
Land improvements	\$ 12,690	-	-	12,690
Buildings and improvements	39,023	-	-	39,023
Water system and equipment	1,861,195	-	-	1,861,195
<b>Total, depreciated</b>	<u>1,912,908</u>	<u>-</u>	<u>-</u>	<u>1,912,908</u>
Accumulated depreciation				
Land improvements	(12,690)	-	-	(12,690)
Buildings and improvements	(32,496)	(967)	-	(33,463)
Water system and equipment	(767,830)	(60,554)	-	(828,384)
<b>Total accumulated depreciation</b>	<u>(813,016)</u>	<u>(61,521)</u>	<u>-</u>	<u>(874,537)</u>
<b>Total capital assets, depreciated, net</b>	<u>\$ 1,099,892</u>	<u>(61,521)</u>	<u>-</u>	<u>1,038,371</u>
<b>Total capital assets, net</b>	<u>\$ 1,475,233</u>	<u>(61,521)</u>	<u>(125,372)</u>	<u>1,288,340</u>

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2017**

**NOTE 4. CAPITAL ASSETS (CONTINUED)**

The Association disposed of \$125,372 in capital assets in the year ending March 31, 2017. The disposal consists of an underperforming well.

**NOTE 5. LONG-TERM DEBT**

During the year ended March 31, 2017, the following changes occurred:

	Beginning Balance	Additions (Payments)	<b>Ending Balance</b>	Due Within One Year
Loan USDA RD 91.03 in the amount of \$72,800; monthly payments of \$355; 5% interest rate per annum; matures December 2018.	\$ 10,700	(3,812)	<b>6,888</b>	4,007
Loan RIP 2012-05 in the amount of \$276,699; yearly payment of \$18,599; 3% interest per per annum; matures June 30, 2034.	266,401	(10,606)	<b>255,795</b>	10,925
Compensated absences	2,431	(1,610)	<b>821</b>	821
<b>Total</b>	<u>\$ 279,532</u>	<u>(16,028)</u>	<u><b>263,504</b></u>	<u>15,753</u>

The future requirements are as follows:

USDA RD 91.03

Year Ending March 31	Principal	Interest	Total
2018	\$ 4,007	253	4,260
2019	2,881	56	2,937
	<u>\$ 6,888</u>	<u>309</u>	<u>7,197</u>

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2017**

**NOTE 5. LONG-TERM DEBT (CONTINUED)**

RIP 2012-05

Year Ending March 31	Principal	Interest	Total
2018	\$ 10,925	7,674	18,599
2019	11,252	7,346	18,598
2020	11,590	7,009	18,599
2021	11,938	6,660	18,598
2022	12,296	6,303	18,599
2023 to 2027	67,239	25,753	92,992
2028 to 2032	77,948	15,045	92,993
2033 to 2035	52,607	3,187	55,794
	<u>\$ 255,795</u>	<u>78,977</u>	<u>334,772</u>

**NOTE 6. RISK MANAGEMENT**

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

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2017**

**NOTE 7. JOINT POWERS AGREEMENTS**

Participants:	Jemez Springs Domestic Water Association Village of Jemez Springs
Responsible Parties:	Both parties
Description:	Jemez Springs Domestic Water Association agrees to provide technicians to disconnect and/or remove water meters as requested by the Village of Jemez Springs (Village) for customers who do not pay their sewer bill to the Village.
Period:	November 5, 2002 until cancelled
Project Cost:	Village of Jemez Springs agrees to compensate Jemez Springs Domestic Water Association for servicing the disconnection, removal, and/or reconnection of water meters at the rate for such services stated in the Village Ordinance 17-2-9. Due to the indefinite date of cancellation of the project, and the infrequency of disconnections, removal, and/or reconnections of water meters, the total cost of the project is undeterminable and as such the cost applicable to the association is undeterminable.
Association Contributions:	None
Audit Responsibility:	Village of Jemez Springs
Fiscal Responsibility:	Both parties
Revenues and Expenses Reported:	None

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**March 31, 2017**

**NOTE 8. CASH AND CASH EQUIVALENTS RESTRICTED TO RIVER BASIN LITIGATION**

The Association was involved in water rights litigation during the 1980s. Money for a defense fund was collected from water customers and invested in a certificate of deposit. There is no written agreement governing the CD. The lawsuit is not settled as of the date of the audit. Once the lawsuit settles, the Association must give the money back to the customers.

During the year ended March 31, 2016, the Association received a request for distribution of funds from the CD. The Association researched the claim on the money and found that \$28,236.17 was due to the Jemez River Basin Coalition of Acequias. The amount was paid in April of 2016.

**NOTE 9. SUBSEQUENT EVENTS**

The Association has evaluated subsequent events through August 11, 2017, the date the financial statements were available to be issued. Subsequent to March 31, 2017, the Association had the following material subsequent event:

- In April 2017, the Association received \$137,050 in funding for its water storage, conveyance and delivery project. The funding consists of a loan of \$54,820, and a grant in the amount of \$82,230.

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION**  
**STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**Year Ended March 31, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Water sales	\$ 248,315	248,315	257,281	8,966
Other income	2,000	2,000	544	(1,456)
<b>Total revenues</b>	<b>250,315</b>	<b>250,315</b>	<b>257,825</b>	<b>7,510</b>
Expenses				
Operating expenses	234,750	273,650	260,667	12,983
<b>Operating income (loss)</b>	<b>15,565</b>	<b>(23,335)</b>	<b>(2,842)</b>	<b>20,493</b>
Nonoperating revenues (expenses)				
Interest income	330	330	228	(102)
Interest expense	(16,510)	(16,510)	(8,192)	8,318
Loss on the disposal of assets	-	-	(125,372)	(125,372)
Distribution of Jemez River Basin funds	-	-	(28,236)	(28,236)
<b>Total nonoperating revenues         (expenses)</b>	<b>(16,180)</b>	<b>(16,180)</b>	<b>(161,572)</b>	<b>(145,392)</b>
Change in net position	(615)	(39,515)	(164,414)	(124,899)
Prior year fund balance appropriated	615	39,515	164,414	
	<u>\$ -</u>	<u>-</u>	<u>-</u>	

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION**  
**SCHEDULE OF DEPOSIT ACCOUNTS**  
**March 31, 2017**

Depository	Account Name	Interest Bearing	Type	Depository Balance	Reconciled Balance
Jemez Valley Credit Union	Operating Account	Yes	Checking	\$ 81,130	76,824
Jemez Valley Credit Union	Savings	Yes	Savings	4,230	4,214
Jemez Valley Credit Union	Tank Reserve	Yes	Checking	489	489
Jemez Valley Credit Union	Construction Checking	No	Checking	2,535	2,535
Jemez Valley Credit Union	Regular Reserve	Yes	Checking	1,933	1,925
US Bank	Savings	Yes	Savings	10,630	10,630
US Bank	River Basin CD	Yes	CD	43,556	43,556
<b>Cash and cash equivalents</b>				<b>144,503</b>	<b>140,173</b>
Petty Cash	Petty Cash			-	150
Cash in Drawer	Cash in Drawer			-	50
<b>Total cash and cash equivalents</b>				<b>\$ 144,503</b>	<b>140,373</b>

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION**  
**SCHEDULE OF PLEDGED COLLATERAL**  
**March 31, 2017**

	Jemez Valley		
	Credit Union	US Bank	Total
Deposits at March 31, 2017	\$ 90,317	54,186	144,503
Less: FDIC coverage	90,317	54,186	144,503
Uninsured public funds	-	-	-
Pledged collateral held by the pledging bank's trust department or agent but not in the Association's name	-	-	-
Uninsured and uncollateralized	\$ -	-	-



# PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS  
10612 ROYAL BIRKDALE NE  
ALBUQUERQUE, NM 87111

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Mr. Tim Keller, State Auditor and  
Robert M. Wilson, Secretary/Treasurer and  
the Board of Directors  
Jemez Springs Domestic Water Association

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, financial statements of the business-type activities of the Jemez Springs Domestic Water Association (Association) as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and the related budgetary comparison of the Association, presented as supplemental information, and have issued our report thereon dated August 11, 2017.

### **Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Mr. Tim Keller, State Auditor and  
Robert M. Wilson, Secretary/Treasurer and  
the Board of Directors  
Jemez Springs Domestic Water Association

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. We consider findings 2017-001 and 2017-002 to be significant deficiencies.

### **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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule as item 2017-002.

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

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

### **Purpose of this Report**

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

***Porch & Associates, LLC***

Albuquerque, New Mexico  
August 11, 2017

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended March 31, 2017**

None

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended March 31, 2017**

**2017-001 Inadequate Internal Controls over Water Billing Adjustments  
(Significant Deficiency)**

*Condition:* During our testwork over water billing adjustments we found that leak adjustments were reviewed by the Board, but a system is not in place to ensure other billing adjustments are not made in the system without approval.

*Criteria:* Adjustments to billings should be reviewed by someone independent of the billing function. This ensures that personal, family, and friends water billing accounts cannot be written off fraudulently.

*Effect:* Fraud could be committed and not caught.

*Cause:* The Association does not have a process in place to review all billing adjustments.

*Auditor's Recommendation:* The Association should develop a process whereby all billing adjustments are reviewed and approved. The Association should also develop a system to review the year-to-date adjustments in the billing system to ensure no unapproved adjustments are being made.

*Management's Response:*

*Corrective Action(s):* The Board will be presented a year-to-date list of all adjustments for their review at each meeting.

*Responsible person(s):* The Office Manager and the Board.

*Timeline of corrective action:* The first presentation of the adjustments will be in October 2017.

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended March 31, 2017**

**2017-002 Procurement Code Violation (Significant Deficiency Non-Compliance)**

*Condition:* The Association began a tank rehabilitation project During the year ending March 31, 2017. The estimated total project cost was \$154,557. The Association awarded the project as a sole source procurement instead of going through the procurement process because they believed only one company would be willing to complete the project. After making a deposit on the project, the Association was contacted by the New Mexico Environmental Department and told that the Association was in violation of the procurement code and should go out to bid for the project.

*Criteria:* Sections 13-1-111 through 13-1-122 NMSA 1978 required competitive sealed proposals to be obtained for a project the size of the project above.

*Effect:* The Association is not in compliance with state statutes relating to procurement.

*Cause:* The Association thought that only one company would be willing to complete the project and, therefore, proceeded with a sole source procurement.

*Auditor's Recommendation:* The Association should obtain training on the procurement code to ensure they do not make the same mistake in the future.

*Management's Response:*

Corrective Action(s): The Office Manager will be trained in the procurement code.

Responsible person(s): The Office Manager and the Board.

Timeline of corrective action: To be accomplished by March 31, 2018.

**JEMEZ SPRINGS DOMESTIC WATER ASSOCIATION  
EXIT CONFERENCE  
Year Ended March 31, 2017**

An exit conference was held on August 22, 2017, and attended by the following:

Jemez Springs Domestic Water Association

Robert M. Wilson, Secretary/Treasurer

Christina Holder, Office Manager

Porch & Associates LLC

Thad Porch, Managing Principal

\* \* \* \* \*

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