

STATE OF NEW MEXICO

Navajo Dam Domestic Water Consumers

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

DECEMBER 31, 2017



(This page intentionally left blank.)

INTRODUCTORY SECTION

STATE OF NEW MEXICO
NAVAJO DAM DOMESTIC WATER CONSUMERS
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2017

	<u>Page</u>
INTRODUCTORY SECTION	
Table of Contents	1
Official Roster	2
FINANCIAL SECTION	
Capital Outlay Information	3
Independent Accountant's Report on Applying Agreed-Upon Procedures	4
SUPPLEMENTARY INFORMATION	
Schedule of Revenues and Expenses – Budget and Actual (Non-GAAP Budgetary Basis)	11
Year-end Report to Department of Finance and Administration (DFA)	12
Schedule of Findings and Responses	15
Other Disclosures	21

STATE OF NEW MEXICO
NAVAJO DAM DOMESTIC WATER CONSUMERS
OFFICIAL ROSTER
YEAR ENDED DECEMBER 31, 2017

<u>Name</u>	<u>Board of Directors</u>	<u>Title</u>
Ruth Duval		President
Marc Wethington		Vice President
Candy Barr		Secretary/Treasurer
Marion Smith		Member
Eugene Valencia		Member

(This page intentionally left blank.)

FINANCIAL SECTION

STATE OF NEW MEXICO
Navajo Dam Domestic Water Consumers
Capital Outlay Information
Year Ended December 31, 2017

State Granting Agency: New Mexico Department of Environment (NMED)

State Fund: Fund 89200 Capital Appropriation Project

Grant Number: 15-0537-STB

Grant Amount: \$70,000

Effective Dates: Through reversion date of June 30, 2019

Amount Distributed in 2017: \$70,000

Amount Expended in 2017: \$70,000

Remaining Balance: \$0

Authorizing Legislation: Laws of 2015, Chapter 3, Section 20, Paragraph 49

NMED empowered pursuant to Section 74-1-6 B NMSA 1978

State Granting Agency: New Mexico Department of Environment (NMED)

State Fund: Fund 89200 Capital Appropriation Project

Grant Number: 16-A2288-STB

Grant Amount: \$10,000

Effective Dates: Through reversion date of June 30, 2018

Amount Distributed in 2017: \$10,000

Amount Expended in 2017: \$10,000

Remaining Balance: \$0

Authorizing Legislation: Laws of 2016, Chapter 81, Section 18, Paragraph 56

NMED empowered pursuant to Section 74-1-6 B NMSA 1978



Manning Accounting and Consulting Services, LLC

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Wayne A. Johnson
New Mexico State Auditor
and
Members of the Board and Management
Navajo Dam Domestic Water Consumers
Navajo Dam, New Mexico

We have performed the procedures enumerated below, which were agreed to by the State of New Mexico and Navajo Dam Domestic Water Consumers (Association), solely to assist you with respect to the Association's compliance for a Tier 5 engagement of the Audit Act (Section 12-6-1 NMSA 1978 et seq.) with respect to the Association's cash and capital assets as of December 31, 2017 and the Association's revenues, expenditures, and budget for the year ended December 31, 2017. The Association's management is responsible for the company's accounting records and financial information. The agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. The procedures were agreed to by the Association through the NM Office of the State Auditor. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We were engaged to perform the following agreed-upon procedures for the period January 01, 2017 to December 31, 2017 and our procedures and results are as follow:

1. **Tiered System Reporting**

Procedures:

Verify the local public body's revenue calculation and tier determination documented on the form provided at www.osanm.org under "Tiered System Reporting Main Page."

Results:

We reviewed the public body's revenue calculations and tier determination and determined that the Association is subject to a Tier 5 engagement.

2. **Cash**

Procedures:

- a. Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand.
- b. Test at least 30% of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division.

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

Results:

- a. We obtained copies of all bank reconciliations from January 2017 through December 2017. All reconciliations were completed timely and were on-hand.
- b. We randomly selected four months for review – March, June, September, and December. We traced reconciled items for those months to determine that they were properly cleared. We inspected all cancelled check images and deposit slips returned with the bank statements to compare actual names and amounts with the general ledger. We traced ending balances to the general ledger and supporting documentation. The final report to the DFA-Local Government Division did not include cash balances; however revenues varied by \$11,654 and expenses varied by \$45,900. See finding NM 2017-002 Budgetary Controls and Reporting for explanations.
- c. We reviewed balances at each month end to determine if sufficient pledged collateral had been provided on all uninsured funds. No balances exceeded the FDIC coverage limit of \$250,000 during the year, so no exceptions were noted in these procedures.

3. Capital Assets

Procedures:

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

Results:

The Association did complete a yearly inventory of its capital assets. Almost all capital assets of the Association are infrastructure related – meters, lines, pumps, and plant – and the related building.

4. Revenue

Procedures:

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

- a. Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

Select a sample of revenues equal to at least 30% of the total dollar amount and test using the following attributes:

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

Results:

- a. We identified the nature and sources of revenue and performed an analytical review of those revenue sources, comparing them to the budgeted amounts for each classification of revenue. Total water sales and miscellaneous revenues of \$123,152 were \$3,540 more than final budgeted revenues, or 3.0% different from budget. Interest income and grant revenues matched the budgeted amounts to the actual amounts. We had determined to obtain explanations on revenue categories which varied from budget by 2.5% and by \$5,000 or more. Total revenue varied by 1.9% and all variances were below scope.
- b. We tested the following revenue sources on an accrual basis which is how the Association maintains its records:
 - i. We reviewed 20 deposits entailing 463 separate receipts for water billings to residential and commercial, miscellaneous charges, and grant revenues. Those receipts totaled \$101,128 of

\$193,192 of total revenues, or 52.3% of total revenues. These revenues were traced to supporting documentation and to the bank statement.

- c. All revenue classifications were proper, the amounts agreed to supporting documentation and bank statements, and amounts agreed to general ledger amounts and were recorded in the proper periods. No exceptions were noted.

5. **Expenditures**

Procedures:

Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test using the following attributes:

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

Note: The sample must be representative of the population.

Results:

We selected all disbursements over \$4,000 (7) and randomly selected 19 additional selections from the remaining 162 disbursements made for the year. Therefore, 26 of 223 disbursements were tested. Total disbursements were \$213,256, and the 26 items selected accounted for \$114,372.46, or 53.6% of total disbursements.

- a. We tested each disbursement to ascertain the following:
 - Vendor invoice is clerically accurate
 - Purchase order (P.O.) is clerically accurate and initiated by purchasing agent prior to commitment of funds
 - Amount and payee per check agree to P.O. and invoice
 - P.O. is supported by proper quote or bid documentation as required by State Purchasing Requirements
 - Traced to general ledger
 - Does not violate Anti-Donation Laws
 - Receiving documents identify items received and when and who received them and that items are OK to pay

We tested all disbursement according to the above criteria. The items had proper supporting documentation except that the Association does not create purchase orders or have formal receiving signatures and dates in most cases. The amounts, payees, dates and descriptions agreed to supporting documentation without exception. See finding NM 2017-001 Purchase Orders, Payment Authorization, and Bidding Requirements regarding this issue.

- b. The Association does not have anyone sign off the invoices and indicate they are approved for payment in most cases. The Secretary/Treasurer of the Association reviews all invoices and signs all checks; however, this review is not noted on the invoices. All expenditures were within authorized budget constraints except for the capital expenditures which weren't budgeted in the 2017 year. See finding NM 2017-001 Purchase Orders, Payment Authorization, and Bidding Requirements regarding purchase order and receiving issues, and NM 2017-002 Budgetary Controls and Reporting for budgetary issues.

- c. During our review of procedures related to the Procurement Code, we noted one exception to the bidding process as we were unable to review the bid documents. The Association bid for meters and readers in 2015 but did not purchase them until 2017. The bid documents were not available for us to review as they have been misfiled, and the Association is unable to locate them at this time though the State contract with the winning bidder was found. See finding NM 2017-001 Purchase Orders, Payment Authorization, and Bidding Requirements regarding this issue.

6. Journal Entries

Procedures:

Test all non-routine journal entries, adjustments, and reclassifications posted to the general ledger for the following attributes:

- a. Journal entries appear reasonable and have supporting documentation.
- b. The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

Results:

- a. We obtained all manual journal entries, which are performed by an outside accounting firm, for the period January 01, 2017 through December 31, 2017. All entries were reasonable and had proper supporting and review by the Association.
- b. All financial information and changes are presented in board reports.

7. Budget

Procedures:

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

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

Results:

- a. We obtained the original budget and all minutes for the period of January 01, 2017 through December 31, 2017 and identified that the budget for the 2017 fiscal year was properly approved by the Board and DFA-LGD. We also noted that no mid-year budget adjustments were made.
- b. We reviewed all expenditures and determined that the Association exceeded its budgetary level of control due to capital expenditures related to its grant not being included in the budget and was therefore not in compliance with State guidelines. See finding NM 2017-002 Budgetary Controls and Reporting for the expenditures in excess of budget.
- c. We have prepared a Schedule of Revenues and Expenses – Budget and Actual (Non-GAAP Budgetary Basis) which was prepared on the accrual basis which is the basis used by the Association in preparing its financial statements. This schedule is included in this report on page 7.

8. Capital Outlay Appropriations

Procedures:

The scope of the agreed-upon procedures engagement shall encompass any and all state-funded capital outlay appropriations of the New Mexico Legislature that meet Tier 5 criteria. Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the fiscal year that meet the Tier 5 criteria. Perform the following tests on all state-funded capital outlay expenditures:

- a. Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.
- b. Determine that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.
- c. Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).
- d. Determine the physical existence (by observation) of the capital asset based on expenditures to date.
- e. Verify that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.
- f. If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.
- g. If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.
- h. Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.
- i. Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.

Results:

- a. We agreed all disbursements to the supporting documentation for both capital outlay appropriations of \$60,000.00 and \$10,000.00. All items had proper supporting documentation except for no purchase orders and no sign-off on one invoice on the meter installations. See finding NM 2017-001 Purchase Orders, Payment Authorization, and Bidding Requirements regarding this issue.
- b. All disbursements were properly authorized and approved. However, the Association had not included the capital expenditures related to the grant in its expenditures budget. The revenues had been budgeted, but the expenditures were not budgeted. See finding NM 2017-002 Budgetary Controls and Reporting.
- c. The bid for the capital items was performed in 2015 but wasn't purchased until 2017. However, those bid documents were not available for us to review as they have been misfiled, and the Association is unable to locate them at this time though the State contract with the winning bidder was found. See finding NM 2017-001 Purchase Orders, Payment Authorization, and Bidding Requirements regarding this issue.
- d. The assets purchased were electronic water meters and the reader wand. We reviewed that meters were present and that the electronic meter wands were present.
- e. Monthly status reports and a final report were filed on-line as prescribed for the grants.
- f. The grant was funded after certification that liabilities had been incurred or paid. As such, the costs were incurred prior to receiving reimbursement and were properly certified as to that fact.

- g. All funds were expended for the grant, so no funds remain to revert to the State.
- h. The grant did not require the maintenance of the funds in a separate account as the funds were provided on a reimbursement basis.
- i. All reimbursements were properly supported by invoices related to product and services already received by the Association. The grant agreement did not require that expenditures be paid prior to reimbursement; however, it required that reimbursement had to first be supported by a valid liability and all payments on those liabilities must have been made within five days of receiving reimbursement from the state. The Association received three reimbursements from the State. In the first two instances the Association paid all valid liabilities within five days. However, on the third reimbursement the Association did not make payment to the vendors within the required five day period. See finding NM 2017-003 Grant Agreement Violation.

9. Other

Procedures:

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

Results:

No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies.

10. Reports

Procedures:

Prepare and submit to the Office of the State Auditor an agreed-upon procedures report that complies with AT-C Section 215. Additionally, the report shall including the following,

- a) Table of Contents.
- b) Official Roster.
- c) The capital outlay amount awarded, amount received, amount expended, the remaining balance, and the actual legislation and effective dates for each capital outlay appropriation for which there were expenditures during the fiscal year.
- d) The procedures performed and the results of those procedures.
- e) For each individual fund, a Schedule of Revenues and Expenditures – Budget and Actual. Each budgetary comparison must show the original and final appropriated budget (same as final budget approved by DFA), the actual amounts on the budgetary basis, and a column with the variance between the final budget and the actual amounts. The budgetary comparisons shall include the amount of prior-year cash balance required to balance the budget.
- f) A copy of the year-end financial report submitted to DFA.
- g) Schedule of Findings and Responses.
- h) Exit conference information (Section 2.2.2.16(E)(3) NMAC).
- i) Summary of Findings form (Section 2.2.2.16(E)(4) NMAC). The Summary of Findings form must be submitted electronically in a separate Excel file in addition to being included with the final report.

Results:

See report.

We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion on the Association's cash and capital assets as of December 31, 2017 and the Association's revenue, expenditures, and budget for the year ended December 31, 2017. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, others within the Association, the State Auditor, the DFA – Local Government Division, and the New Mexico Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Manning Accounting and Consulting Services, LLC

Manning Accounting and Consulting Services, LLC
Kirtland, New Mexico
May 29, 2018

(This page intentionally left blank.)

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
NAVAJO DAM DOMESTIC WATER CONSUMERS
SCHEDULE OF REVENUES AND EXPENSES - BUDGET
AND ACTUAL (NON - GAAP BUDGETARY BASIS)
PROPRIETARY FUND
FOR THE YEAR ENDING DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Water sales	\$ 119,612	\$ 119,612	\$ 110,152	\$ (9,460)
Fees for service	-	-	45	45
Late fees & NSF	-	-	455	455
New member and transfer fees	-	-	12,500	12,500
Grant income	70,000	70,000	70,000	-
Interest income	40	40	40	-
<i>Total revenues</i>	<u>189,652</u>	<u>189,652</u>	<u>193,192</u>	<u>3,540</u>
<i>Expenses:</i>				
Salaries and wages	50,160	50,160	52,326	(2,166)
Maintenance contract	-	-	3,419	(3,419)
Office supplies	1,000	1,000	658	342
Postage expense	1,500	1,500	1,058	442
Dues & subscriptions	1,000	1,000	433	567
Miscellaneous expense	-	-	595	(595)
Water treatment supplies	4,000	4,000	3,338	662
Repairs & maintenance	10,000	10,000	6,410	3,590
Utilities	9,000	9,000	6,454	2,546
Insurance	8,000	8,000	8,226	(226)
Payroll taxes	7,000	7,000	4,336	2,664
Property taxes	5,000	5,000	2,394	2,606
Licensing & fees	-	-	10	(10)
Mileage & travel expenses	1,500	1,500	248	1,252
Professional fees - accounting	6,750	6,750	5,457	1,293
Education	1,800	1,800	47	1,753
Depreciation	37,000	37,000	39,273	(2,273)
Bank charges	-	-	1	(1)
Interest expense	10,967	10,967	10,790	177
Debt payments	21,653	21,653	21,829	(176)
Capital expenditures	-	-	78,079	(78,079)
<i>Total expenses</i>	<u>176,330</u>	<u>176,330</u>	<u>245,380</u>	<u>(69,050)</u>
<i>Excess (deficiency) of revenues</i>				
<i>over (under) expenditures</i>	<u>13,322</u>	<u>13,322</u>	<u>(52,188)</u>	<u>(65,510)</u>
<i>Other financing sources (uses):</i>				
Designated cash	84,855	84,855	-	84,855
<i>Total other financing sources (uses)</i>	<u>84,855</u>	<u>84,855</u>	<u>-</u>	<u>84,855</u>
<i>Adjustments to cash</i>				
Change in receivables	-	-	588.76	
Change in liabilities	-	-	(76.36)	
Non-cash expenditures	-	-	39,273	
<i>Total adjustments to cash</i>	<u>-</u>	<u>-</u>	<u>39,785</u>	<u>-</u>
<i>Net change in cash balance</i>	<u>98,177</u>	<u>98,177</u>	<u>(12,403)</u>	<u>19,345</u>
<i>Cash - beginning of year</i>	<u>-</u>	<u>-</u>	<u>86,129</u>	<u>86,129</u>
<i>Cash - end of year</i>	<u>\$ 98,177</u>	<u>\$ 98,177</u>	<u>\$ 73,726</u>	<u>\$ (24,451)</u>

State of New Mexico
Navajo Dam Domestic Water Consumers & Mutual Sewage Works Cooperative, Inc.
Resolution No. 2018-010901

2017 Final Quarter Financial Report
Year Ending December 31, 2017

WHEREAS, the Governing Board in and for the Navajo Dam Domestic Water Consumers & Mutual Sewage Works Cooperative, Inc., State of New Mexico has developed a budget for Calendar Year 2017; and

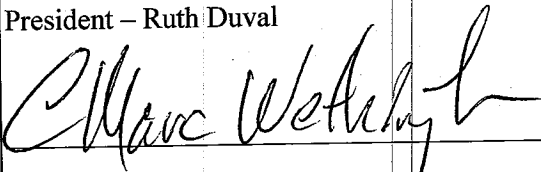
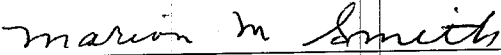
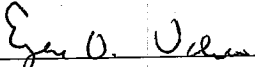
WHEREAS, the final quarterly report has been reviewed and approved to ensure the accuracy of the beginning balances used on the next Calendar Year budget; and

WHEREAS, it is hereby certified that the contents in this report are true and correct to the best of our knowledge and that this report depicts all funds for the Calendar Year 2017

NOW THEREFORE, BE IT HEREBY RESOLVED the Board of the Navajo Dam Domestic Water Consumers & Mutual Sewage Works Cooperative, Inc., State of New Mexico hereby approves the final quarterly report for Calendar Year 2017 and respectfully requests approval from the Local Government Division of the Department of Finance and Administration.

RESOLVED: in the Governing Board Session this ^{9th CB} 10th, of January, 2018. ^{CB}

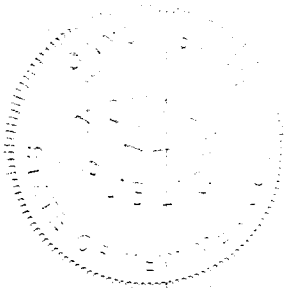
Attest: Navajo Dam Domestic Water Consumers & Mutual Sewage Works Cooperative, Inc. Board

BOARD MEMBERS		
President – Ruth Duval		Date 1-9-2018
Vice President – Marc Wethington		Date
Secretary/Treasurer – Candy Barr		Date
		1-9-2018
Member at Large – Marion Smith		Date
		1/9/18
Member at Large – Eugene Valencia		Date

Witness my hand seal of this corporation on this 9th day of Jan, 2018
(month) (year)

State of New Mexico
County of San Juan

Subscribed and affirmed before me this 9th day of Jan, 2018
(month) (year)



Candy Barr
Notary Public

MDWCA: Navajo Dam Domestic Water Consumers & Mutual Sewage Works Cooperative, Inc

Mailing Address: PO BOX 6308

Email address: candybarr24@gmail.com

Phone number: 505-632-1421

Calendar Year

2017

	ACCOUNT Numbers	APPROVED BUDGET	1st QR: Jan - Mar	2nd QR: Apr - Jun	3rd QR: Jul - Sept	4th QR: Oct -Dec	Year to Date(YTD) Totals	YTD (over)/under BUDGET	% of Budget
Beginning Cash balance :		\$ 84,854.62							
REVENUES (General Fund)									
Water Sales	4.11+4.12+4.13	119,612	24,834	28,492	31,598	25,229	\$ 110,152.55	\$ 9,459.45	92%
Fees for Service	4.2200		20	-	270	150	\$ 440.00	\$ (440.00)	-
Late Fees & NSF	4.2100+4.2400		180	30	50	195	\$ 455.00	\$ (455.00)	-
New Member and Transfer Fees	4.2300		-	-	450	-	\$ 450.00	\$ (450.00)	-
Miscellaneous	4.9000		-	-	-	-	\$ -	\$ -	-
REVENUE TOTALS		\$ 119,612	\$ 25,034	\$ 28,522	\$ 32,368	\$ 25,574	\$ 111,498	\$ 8,114	93%
EXPENDITURES (General Fund)									
Salaries & Wages	6.5110+6.5120	50,160	12,792	12,870	13,170	13,494	\$ 52,326	\$ (2,166)	104%
Maintenance Contract	6.2200		1,214	146	800	1,379	\$ 3,539	\$ (3,539)	-
Office Supplies	6.1200	1,000	23	18	468	149	\$ 658	\$ 342	66%
Postage Expense	6.122	1,500	156	323	265	234	\$ 978	\$ 522	65%
Dues & Subscriptions	6.131	1,000	185	-	248	-	\$ 433	\$ 567	43%
Miscellaneous Expense	6.111+6.134		249	-	323	25	\$ 597	\$ (597)	-
Water Treatment Supplies	6-4100	4,000	531	1,176	1,111	520	\$ 3,338	\$ 662	83%
Repairs & Maintenance	6.4200 & 6-4300	10,000	-	765	3,926	1,719	\$ 6,410	\$ 3,590	64%
Utilities	6.8100+6.8200+6.8300	9,000	1,915	1,480	1,561	1,498	\$ 6,454	\$ 2,546	72%
Insurance	6.7400	8,000	299	1,143	5,888	897	\$ 8,226	\$ (226)	103%
Payroll Taxes	6.7100	7,000	1,091	1,087	1,074	1,085	\$ 4,336	\$ 2,664	62%
Property Taxes	6.7200	5,000	76	85	128	2,104	\$ 2,394	\$ 2,606	48%
Licensing & Fees	6.7300		10	-	-	-	\$ 10	\$ (10)	-
Mileage & Travel Expenses	6.1140 & 6-1130	1,500	11	-	-	117	\$ 128	\$ 1,372	9%
Professional Fees - Accounting	6.3000	6,750	191	95	-	5,171	\$ 5,457	\$ 1,293	81%
Education	6.1120	1,800	47	-	-	-	\$ 47	\$ 1,753	3%
Depreciation	6.1320	37,000	-	-	-	37,307	\$ 37,307	\$ (307)	101%
Bank Charges	6-1330		-	-	(1)	2	\$ 1	\$ (1)	-
							\$ -	\$ -	-
							\$ -	\$ -	-
TOTAL EXPENDITURES		\$ 143,710	\$ 18,789	\$ 19,187	\$ 28,961	\$ 65,700	\$ 132,638	\$ 11,072	92%
TOTAL GENERAL FUND to include Beginning cash		\$ 60,757							
Revenues (non-operating)									
SAP.. Appropriation Capital outlay	60 K + 10K	\$ 70,000	\$ 55,875	\$ -	\$ 14,125		\$ 70,000	\$ -	
State Grants	4.6000								
Federal Grants									
Donations	4.7000								
Other	4.9000								
Interest Income	8.1000	\$ 40	\$ 11	\$ 12	\$ 8	\$ 9	\$ 40	\$ 0	
Total Revenues (non-operating)		\$ 70,040	\$ 55,875	\$ 12	\$ 14,133	\$ 9	\$ 70,040	\$ 0	
Expenditures (non-operating)									
Capital Outlay	2.2300	\$ 21,653	\$ -	\$ -			\$ -	\$ 21,653	
Payments									
Interest Expense	9.1000	\$ 10,967	\$ -	\$ 10,967			\$ 10,967	\$ -	
Other			\$ 55,875	\$ -			\$ 55,875	\$ (55,875)	
Total Expenditure (non-operating)		\$ 32,620	\$ 55,875	\$ -	\$ 10,967		\$ 66,842	\$ (34,222)	
Total (Non-operating)		\$ 37,420	\$ 0	\$ 12	\$ 3,166	\$ 9	\$ 3,198	\$ 34,223	
Estimated Ending Cash Balance on Dec 31, 2017		\$ 98,177.05							

I HEREBY CERTIFY THE CONTENTS IN THIS REPORT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND THAT THIS REPORT DEPICTS ALL FUNDS

President/Chairperson

Date

STATE OF NEW MEXICO
NAVAJO DAM DOMESTIC WATER CONSUMERS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

12-6-5 NMSA 1978 Findings

NM 2017-001 – Purchase Orders, Payment Authorization, and Bidding Requirements (Compliance and Other Matters)

13-1-125 NMSA 1978 Small purchases:

A. A central purchasing office shall procure services, construction or items of tangible personal property having a value not exceeding sixty thousand dollars (\$60,000), excluding applicable state and local gross receipts taxes, in accordance with the applicable small purchase rules adopted by the secretary, a local public body or a central purchasing office that has the authority to issue rules.

B. Notwithstanding the requirements of Subsection A of this section, a central purchasing office may procure professional services having a value not exceeding sixty thousand dollars (\$60,000), excluding applicable state and local gross receipts taxes, except for the services of landscape architects or surveyors for state public works projects or local public works projects, in accordance with professional services procurement rules promulgated by the department of finance and administration, the general services department or a central purchasing office with the authority to issue rules.

C. **Notwithstanding the requirements of Subsection A of this section, a state agency or a local public body may procure services, construction or items of tangible personal property having a value not exceeding twenty thousand dollars (\$20,000), excluding applicable state and local gross receipts taxes, by issuing a direct purchase order to a contractor based upon the best obtainable price.**

D. Procurement requirements shall not be artificially divided so as to constitute a small purchase under this section.

13-1-157 NMSA 1978 Receipt; inspection; acceptance or rejection of deliveries.

The using agency is responsible for inspecting and accepting or rejecting deliveries. **The using agency shall determine whether the quantity is as specified in the purchase order or contract and whether the quality conforms to the specifications referred to or included in the purchase order or contract. If inspection reveals that the delivery does not conform to the quantity or quality specified in the purchase order or contract, the using agency shall immediately notify the central purchasing office.** The central purchasing office shall notify the vendor that the delivery has been rejected and shall order the vendor to promptly make a satisfactory replacement or supplementary delivery. In case the vendor fails to comply, the central purchasing office shall have no obligation to pay for the nonconforming items of tangible personal property. If the delivery does conform to the quantity and quality specified in the purchase order or contract, the using agency shall certify to the central purchasing office that delivery has been completed and is satisfactory.

13-1-158 NMSA 1978 Payment for Purchases:

“No warrant, check or other negotiable instrument shall be issued in payment for any purchase of services, construction or items of tangible personal property unless the central purchasing office or the using agency certifies that the services, construction or items of tangible personal property have been received and meet specifications or unless prepayment is permitted under [Section 13-1-98](#) NMSA 1978 by exclusion of the purchase from the Procurement Code [[13-1-28](#) NMSA 1978].”

1.4.1.15 NMAC 1978 COMPETITIVE SEALED BIDS REQUIRED:

All procurement shall be achieved by competitive sealed bids except procurement achieved pursuant to the following methods:

- A. competitive sealed proposals;
- B. small purchases;
- C. sole source procurement;
- D. emergency procurement;
- E. procurement under existing contracts; and
- F. purchases from anti-poverty program businesses.

STATE OF NEW MEXICO
NAVAJO DAM DOMESTIC WATER CONSUMERS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

12-6-5 NMSA 1978 Findings (Continued)

NM 2017-001 – Purchase Orders, Payment Authorization, and Bidding Requirements (Compliance and Other Matters)

Condition: During our review of disbursements we noted the following instances in which proper procedures were not followed:

- In 7 of 26 items tested there was no receiving document to verify the goods and or services were received by the Association. The value of these disbursements ranged from \$11.98 and \$12,547.74.
- In 26 of 26 items tested there was no purchase order in the file. The costs of goods purchased ranged from \$11.98 and \$32,619.57
- We were unable to review any documents related to bids for capital asset other than the State purchase agreement with the winning bidder for equipment. The equipment was bid in 2015 according to the Secretary/Treasurer but the Association was unable to be purchased until 2016 and wasn't paid for it until 2017 for various reasons. The bid documents were filed somewhere, but the Association has been unable to find them at this time.

Cause: Association personnel have not followed state guidelines in the procurement and payment of goods and services. Statute clearly states that the Association must have a signed purchase order in place prior to receiving goods and or services and that there is a receiving document to verify goods and services are received. Additionally, no payment for goods or services is to be issued without certification of receipt and compliance with specifications of the purchase.

While the Association may have bid for the equipment with a value in excess of \$60,000, we are unable to inspect those documents to verify compliance with the procurement code.

Effect: Internal control over expenditures through proper purchasing and receiving documentation does not allow for subsequent verification of events, particularly in the case if personnel change within the Association. Written indications of purchase approvals and receipt of goods provides proper protections for those individuals responsible for the expenditure of Association funds. Not being in compliance with these requirements places the Association and the Board at risk for fraud or misuse of public funds

Auditor's Recommendation: We recommend that all personnel be reminded of, or trained in, state policy in regards to the purchase and payment of goods, services, or construction. All Association personnel need to be aware that a purchase order must be approved prior to the receipt of goods and services and that all goods and services should be signed for indicating when the items were received and by whom.

Responsible official's view:

- Specific corrective action plan for finding:
We will start using purchase orders and will bring that up in the next Board meeting to go over with the staff and Board members.
- Timeline for completion of corrective action plan:
June 1, 2018. This will be implemented in the office and will then roll out for the rest of the staff after the 2nd Tuesday in June.
- Employee position(s) responsible for meeting the timeline:
Secretary/Treasurer

STATE OF NEW MEXICO
NAVAJO DAM DOMESTIC WATER CONSUMERS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

12-6-5 NMSA 1978 Findings (Continued)

2017-002 – Budgetary Controls and Reporting (Compliance and Other Matters)

Criteria: Sections 6-3-1 through 6-3-25 NMSA 1978 require, in part, that expenditures not exceed budgetary authority.

Condition: Navajo Dam Domestic Water Consumers (Association) incurred expenses in excess of budgetary authority by \$69,050 related to capital expenditures for the grant. Additionally, the report sent to the DFA-Local Government Division in January varied from the final reports of the Association in May. Final revenues were \$11,654 higher than previously reported, and expenditures were \$45,900 more than previously reported.

Cause: The Association didn't include the expenditures related to its capital grants when it submitted its budget with the Department of Finance and Administration's Local Government Division (DFA LGD). The Association included the revenues in the budget but did not include the expenditures. If the \$70,000 had been included in the expenses in the original budget, the Association would not have had expenditures in excess of budget. This was simple oversight as the revenues for the grants were included but not the expenditures.

With regards to the reporting of the revenues and expenditures and their related variances from actual, the original report in January did not include all of the expenditures for the grant and had not included the expenditures for debt which had been budgeted. These oversights resulted in \$45,900 not being included on the original report.

The variances in revenues were related to adjustments made by the outside accountant in May where revenues had apparently been misposted to an equity account instead of a revenue report.

Effect: The Association was in violation of the established budget because of an oversight which wasn't adjusted during the year. Additionally, the final report to the DFA-Local Government Division underreported both revenues and expenditures.

Auditor's Recommendation: We recommend that the Association establish a budget process that verifies that all anticipated expenditures, including capital additions, be included in that budget. We also recommend that the Association adhere to proper accounting procedures and state guidelines of reviewing expenses on an on-going basis and requesting budget adjustments where necessary. Finally, the Association should try to get all adjustments done to their financials prior to sending in the final report so that later adjustments do not make the report inaccurate.

Responsible Official's Plan:

- Specific corrective action plan for finding:
We will be using purchase orders which will show us what bills will be coming in. We will run a cash flow report monthly to review expenses, along with the current budget report and banking information. The Secretary will also speak with the CPA's office about getting adjustments made timely.
- Timeline for completion of corrective action plan:
Immediately
- Employee position(s) responsible for meeting the timeline:
Secretary/Treasurer

STATE OF NEW MEXICO
NAVAJO DAM DOMESTIC WATER CONSUMERS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

12-6-5 NMSA 1978 Findings (Continued)

2017-003 – Grant Agreement Violation (Compliance and Other Matters)

Criteria: Grant agreements 15-0537-STB (\$60,000) and 16-A2288-STB (\$10,000) Article IX. Request for Payment Procedures and Deadlines states:

- A. (iii) In cases where the Grantee is submitting a Request for Payment to the Department based upon invoices received, but not yet paid, by the Grantee from a third party contractor or vendor, if the invoices comply with the provisions of this Agreement and are a valid liability of the Grantee, the Grantee shall make payment to those contractors or vendors within five (5) business days from the date of receiving reimbursement from the Department or such shorter period of time as the Department may prescribe in writing.

Condition: The Association received three disbursements from the State after providing the required documentation that valid liabilities existed for products and services delivered to the Association. In the first two situations, the Association reimbursed vendors within the required five business days after receiving the reimbursement from the State. However, the third reimbursement was received on 7/6/2017, but checks for the vendors were not cut and mailed until 7/20/2017, ten business days after receiving the reimbursement amount. For grant agreement 15-0537-STB \$4,124.54 was owed to a vendor for meter installation, and for grant agreement 16-A2288-STB \$10,000.00 was due to a vendor for equipment.

Cause: The Association simply missed this deadline. While they had met all other deadline requirements under the grant agreement, this one simply was not paid due to human error.

Effect: The Association was in violation of the particular grant agreements by ten days.

Auditor's Recommendation: We recommend that the Association establish a procedure to make sure that all payments for future grants occur during the prescribed time frames so as to not be in violation of the particular grant agreement.

Responsible Official's Plan:

- Specific corrective action plan for finding:
Monitor the bank account on a daily basis when monies are expected. This was an oversight as the Secretary/Treasurer did not receive the email about the monies being sent, as had been the case with the previous two payments.

- Timeline for completion of corrective action plan:
There is no timeline at this juncture as there is no grant money in process.

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

STATE OF NEW MEXICO
NAVAJO DAM DOMESTIC WATER CONSUMERS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

12-6-5 NMSA 1978 Findings (Continued)

2017-004 – Late Submission of IPA Recommendation Form and Agreed-Upon Procedures Contract (Compliance and Other Matters)

Criteria: 2.2.2.8(F)(8)(f) NMAC requires local public bodies that qualify for the tiered system pursuant to Subsections A and B of 2.2.2.16 NMAC to follow the procedures at Subsection D of 2.2.2.16 NMAC and submit the required recommendation for tiered system local public bodies and the completed signed agreed upon procedures contract to the state auditor by December 1st.

Condition: Navajo Dam Domestic Water Consumers did not complete this process in a timely manner. The selection of an Independent Public Accountant (IPA) from the Office of the State Auditor’s approved list did not occur until March 2018.

Cause: The Association was unaware that they were required to select an IPA and complete an agreed-upon procedures contract by a specified date. As such, they did not meet the December 1, 2017, deadline.

Effect: The submission of the form and the contract to the State Auditor was late.

Auditor’s Recommendation: We recommend that the Association complete the IPA recommendation form and agreed-upon procedures contract by the statutory deadline.

Responsible Official’s Plan:

- Specific corrective action plan for finding:
This item will be placed on the action calendar in November so as to not miss the December 1 deadline.
- Timeline for completion of corrective action plan:
November 2018
- Employee position(s) responsible for meeting the timeline:
Secretary/Treasurer

STATE OF NEW MEXICO
NAVAJO DAM DOMESTIC WATER CONSUMERS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

Prior Year Findings:

None

STATE OF NEW MEXICO
NAVAJO DAM DOMESTIC WATER CONSUMERS
OTHER DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2017

Exit Conference

The contents of this report were discussed on May 29, 2018. The following individuals were in attendance at the exit conference.

Navajo Dam Domestic Water Consumers

Ruth Duval, Board President

Candy Barr, Secretary/Treasurer/Bookkeeper

Manning Accounting and Consulting Services, LLC

Byron R. Manning, CPA, Managing Partner