

Navajo Dam Domestic Water Consumers  
Independent Accountants' Report on  
Applying Agreed Upon Procedures

December 31, 2016

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Navajo Dam Domestic Water Consumers

Official Roster  
As of December 31, 2016

Board of Directors

Ruth Duval	President
Marc Wethington	Vice President
Candy Barr	Secretary/ Treasurer
Eugene Valencia	Board Member
Marion Smith	Board Member

## **Independent Accountants' Report on Applying Agreed-Upon Procedures**

To the Board of Directors  
Navajo Dam Domestic Water Consumers  
Navajo Dam, New Mexico  
And  
Mr. Timothy Keller  
New Mexico State Auditor  
Santa Fe, New Mexico

We have performed the procedures enumerated below, which were agreed to by Navajo Dam Domestic Water Consumers and New Mexico State Auditor; (State Auditor), solely to assist the users in evaluating the District's financial reporting to the State Auditor relating to its Cash, Capital Assets, Revenue, Expenditures, Journal Entries and Budget information and its compliance with Section 12-6-3B(4) NMSA 1978 and Section 2.2.2.16 NMAC as of and for the year ended December 31, 2016. Navajo Dam is responsible for its financial reporting to the State Auditor as described above. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

### **Capital Outlay Appropriations**

Navajo Dam Domestic Water Consumers was awarded state grant funding in the amount of \$60,000 on February 18, 2016 from the State of New Mexico Department of Environment. No funds were received or expended from the grant during the year.

### **Tier 4 of the Audit Act Procedures**

In accordance with Tier 4 of the Audit Act- Section 12-6-3 B (4), and Section 2.2.2.16 NMAC, we performed the following procedures:

#### **1. Cash**

- 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) Perform a random test 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.

## **Independent Accountants' Report on Applying Agreed-Upon Procedures - (continued)**

### **Results of Procedures 1(a) - 1(c)**

- Bank reconciliations were complete for 2016 and readily available for the checking, savings repay, and the savings emergency fund accounts. Reconciliations were performed in a timely manner in accordance with the board policies.
- We randomly selected seven (7) bank reconciliations for review of accuracy and comparison to the general ledger and bank statement balances. No current year exceptions found. See Schedule of Findings for resolution to the prior year finding 2015-001.
- After examination of the bank accounts, we found that average daily bank account balances do not exceed FDIC insured limits and additional collateral under the Public Money Act is not necessary at this time.

### **2) Capital Assets**

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

### **Results of Procedure 2**

- Capital assets were inventoried and reconciled at year end. We performed a physical inspection and review of capital assets located at the plant address reported and determined that the inventory is consistent with the assets inspected.

### **3) Revenue**

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 based on auditor judgment 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 of Procedures 3 (a) – (c)**

As a result of performing the analytical review procedures in 3(a), we noted the following:

- Total revenues were under budgeted by \$7,658 (7%). There were no significant differences between actual and budgeted amounts for individual budget categories.

As a result of performing the analytical review procedures in 3(b) and (c), we noted the following:

- We randomly selected approximately 95 (10%) sales entries during the period reviewed supporting documentation for propriety and accuracy in recording. Sales invoices were properly classified and recorded in the general ledger. Cash receipts applied to sales invoices were recorded and deposited into the bank account on a timely basis. No exceptions were noted.

## **Independent Accountants' Report on Applying Agreed-Upon Procedures - (continued)**

### **4) Expenditures**

Select a sample of cash disbursements based on auditor judgment 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).

### **Results of Procedures 4(a) – (c)**

- Twenty-seven (27) expenditures were selected based on a random sample from the general ledger. Total expenditures reviewed amounted to \$49,148.65 which was 38% of total expenditures. No exceptions were noted.
- All disbursements examined were properly authorized and approved in compliance with the budget and the established policies and procedures.
- Navajo Dam does not issue per diem. The bid process and mileage reimbursement methods used by Navajo Dam were reviewed and found to be in accordance with the New Mexico Procurement Code and State Purchasing Regulations and Regulations Governing the Per Diem and Mileage Act.

### **5) Journal Entries**

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant item 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 of Procedures 5(a) – (b)**

- The Navajo Dam Domestic Water Consumers uses a bookkeeping software to record cash receipts and cash disbursements. After review of their database all journal entries recorded within the system were reasonable and agree to supporting documentation.

### **6) Budget**

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

**Independent Accountants’ Report on Applying Agreed-Upon Procedures - (continued)**

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

**Results of Procedures 6 (a) – (c)**

- The 2016 budget was approved by the local public body and the DFA office as well as subsequent financial report submissions. No changes were made to the budget during the year.
- Our review of the 2016 budget and underlying documentation prepared and submitted by the board documented that total actual expenditures were less than budgeted by \$22,305 (14%). There were no significant overages found between actual and budgeted amounts for individual budget categories.
- A schedule of revenues and expenses – budget and actual was prepared from records on the accrual budgetary basis. This schedule is included in the Schedule of Revenues and Expenditures, page 10.

**Other**

If information comes to the IPA’s attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Sections 2.2.2.10(T)(3)(C) NMAC.

**Results of Procedure-Other**

No exceptions were found as result of applying the procedures described above, regardless of materiality indicating any fraud or illegal acts. However, see the Schedule of Findings and Responses for internal control deficiencies and noncompliance issues related to the Bank Reconciliation Accuracy and Cash and Budget findings above.

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We are not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on Navajo Dam’s financial reporting to the State Auditor as described above. Accordingly, we do not express such an opinion. 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 Navajo Dam Domestic Water Consumers, the State of New Mexico, the Department of Finance and Administration – Local Government Division, and the Office of the State Auditor and their designees, and is not intended to be and should not be used by anyone other than those specified parties.



**Navajo Dam Domestic Water Consumers**  
**Statement of Financial Positions**  
**December 31, 2016**  
**See Independent Accountant's Compilation Report**

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**Assets**

Current Assets

Cash and cash equivalents \$ 86,129

Accounts receivable, net of allowance for doubtful accounts  
of \$0 11,144

Total Current Assets 97,273

Property, Plant, and Equipment

Property and equipment 755,163

Less: Accumulated depreciation - income tax basis (290,109)

Property, plant and equipment (net of accumulated depreciation) 465,054

**Total Assets** \$ 562,327

**Liabilities and Net Assets**

Current Liabilities

Accrued liabilities \$ 4,910

Current portion long-term debt 20,567

Total Current Liabilities 25,477

Long-Term Liabilities Less Current Portion 344,998

Total Liabilities 370,475

Members' capital 191,852

**Total Liabilities and Members' Equity** \$ 562,327

**Navajo Dam Domestic Water Consumers**  
**Statement of Activities**  
**For the Year Ended December 31, 2016**  
**See Independent Accountant's Compilation Report**

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<b>Revenues</b>	
Water sales	\$ 117,594
Coin-Op Sales	649
Meters and misc fees	5,907
<b>Total revenues</b>	124,150
<b>Cost of goods sold:</b>	4,917
<b>Gross profit</b>	119,233
<b>Operating expenses:</b>	
<b>Management services</b>	
Depreciation expense	38,472
Dues and subscriptions	926
Insurance	7,791
Legal and professional fees	6,195
Mileage reimbursement	739
Office supplies and expenses	3,211
Penalties	5
Repairs and maintenance	14,732
Salaries and wages	26,337
Taxes, licenses and fees	8,040
Telephone and utilities	7,477
<b>Total program services</b>	113,925
<b>Management and general</b>	
Salaries and wages	8,190
<b>Total management and general</b>	8,190
<b>Non-operating items:</b>	
Interest income	(42)
Loss on disposition of assets	2,600
Interest expense	11,604
<b>Total non-operating items</b>	14,162
<b>Net loss</b>	<b>\$ (17,044)</b>
Members' capital at beginning of year	207,846
New memberships	1,050
<b>Members' capital at end of year</b>	<b>\$ 191,852</b>

**Navajo Dam Domestic Water Consumers**  
**Schedules of Revenues and Expenses-Budget and Actual**  
**December 31, 2016**

**See Independent Accountant's Compilation Report**

Beginning Cash 01/01/2016	88,161	88,161		
Ending Cash 12/31/16	103,281	81,677		
				<b>Variance</b>
				<b>Favorable</b>
				<b>(Unfavorable)</b>
	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actuals</b>	
<b>Operating Revenues</b>				
Residential Income	88,280	88,280	90,147	1,867
Commercial Income	27,312	27,312	27,447	135
Water Salesman (Coin-Op)	900	900	649	(251)
Late Fees	-	-	910	910
New Member, Transfer, Misc Fees	-	-	4,997	4,997
<b>Total operating revenues</b>	<b>116,492</b>	<b>116,492</b>	<b>124,150</b>	<b>7,658</b>
<b>Operating Expenses</b>				
Salaries and wages	40,089	40,089	34,527	5,562
Supplies and misc operating expenses	3,500	3,500	4,137	(637)
Repairs and maintenance	15,000	15,000	15,931	(931)
Water treatment supplies	3,000	3,000	3,718	(718)
Utilities	12,000	12,000	7,477	4,523
Insurance	7,250	7,250	7,791	(541)
Taxes	22,600	22,600	8,040	14,560
Mileage and travel	1,200	1,200	739	461
Professional fees	6,750	6,750	6,195	555
Education	500	500	0	500
Penalties	-	-	5	(5)
Depreciation	37,000	37,000	38,472	(1,472)
<b>Total operating expenses</b>	<b>148,889</b>	<b>148,889</b>	<b>127,032</b>	<b>21,857</b>
<b>Non-Operating Items</b>				
Interest income	(40)	(40)	(42)	2
Interest expense	12,052	12,052	11,604	448
Loss on disposition of fixed assets	-	-	2,600	(2,600)
<b>Total non-operating items</b>	<b>12,012</b>	<b>12,012</b>	<b>14,162</b>	<b>450</b>
<b>Excess revenues over (under) expenses</b>	<b>(44,409)</b>	<b>(44,409)</b>	<b>(17,044)</b>	<b>(14,649)</b>
<b>Cash Balances</b>				
4 Corners Checking	5,155			
Emergency Fund	28,661			
Loan Repay/ Savings	51,039			
Total December 31, 2016	<b>84,855</b>			

**2016 4th Quarter Budget  
Navajo Dam Water Consumers**

	<u>Approved Budget</u>	<u>Year to Date Actuals</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
<b>Beginning Cash 1/1/2016</b>	88,161	88,161		
<b>Ending Cash 12/31/2016</b>	103,281	81,677		
<b><u>Revenue</u></b>				
Residential Income	88,280	90,170	1,890	102%
Commercial Income	27,312	27,447	135	100%
Coin Op Sales	900	649	-251	72%
Fees for Service	0	100	100	
Late Fees and NSF	0	910	910	
New Member, Transfer, Mi	0	1,186	1,186	
Donations	0	0	0	
Interest	40	42	2	105%
Grants	0	0	0	
<b>Total Revenue</b>	<b>116,532</b>	<b>120,504</b>	<b>3,972</b>	<b>103%</b>
<b><u>Expenses</u></b>				
Salaries and Wages	40,089	35,212	-4,877	88%
Supplies and Misc. Op.	3,500	4,137	637	118%
Repairs & Mntc.	15,000	16,115	1,115	107%
Water Treatment Supplies	3,000	3,718	718	124%
Utilities	12,000	7,477	-4,523	62%
Insurance	7,250	7,791	541	107%
Taxes	22,600	8,046	-14,554	36%
Mileage & Travel Expenses	1,200	1,253	53	104%
Professional Fees	6,750	6,195	-555	92%
Education	500	0	-500	0%
Depreciation	37,000	0	-37,000	0%
Interest Expense	12,052	11,597	-455	96%
<b>Total Operating Expense</b>	<b>160,941</b>	<b>101,542</b>	<b>-59,399</b>	<b>63%</b>
<b>Net P/L</b>	<b>-44,409</b>	<b>18,962</b>		
4 Corners Checking		5,155		
Emergency Fund		28,661		
Loan Repay/Savings		51,039		
<b>End Balance: 12/31/16</b>		<b>84,855</b>		

State of New Mexico  
 Navajo Dam Domestic Water Consumers

Schedule of Findings and Responses  
 Year Ended December 31, 2016

	<u>Type of Finding</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
<b>Current Year Findings:</b>			
None			
<b>Follow-up on Prior Year Findings:</b>			
Bank Reconciliation Accuracy	C	2015-001	Resolved

• **Legend for Findings:**

- A. Fraud
- B. Illegal Act(s)
- C. Internal Control Deficiency(ies)
- D. Noncompliance

**State of New Mexico**  
**Navajo Dam Domestic Water Consumers**

**Exit Conference**  
**Year Ended December 31, 2016**

**Exit Conference**

The report contents were discussed at an exit conference held on August 8, 2017 with the following in attendance:

Representing Navajo Dam Domestic Water Consumer:

Ruth Duval (President), Candy Barr (Secretary/ Treasurer), Cindy Hunstman, Bill Eaves, Gene Valencia, Tommy Ross, Marion Smith, Marc Wethington.

Representing R Shane Chance CPA PC:

R Shane Chance, CPA, President

The Schedules of Revenues and Expenditures were prepared with the assistance of R Shane Chance, CPA PC