

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

December 31, 2014

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Navajo Dam Domestic Water Consumers

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Navajo Dam Domestic Water Consumers

Official Roster  
As of December 31, 2014

Board of Directors

Janie Gibbons	President
Ana Padilla	Vice President
Candy Barr	Secretary/ Treasurer
Dave Shepherd	Board Member
Troy Summers	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, 2014. 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.

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.

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

- Bank reconciliations were complete for 2014 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 eleven (11) bank reconciliations for review of accuracy and comparison to the general ledger and bank statement balances. Client reconciliation reports agree to the bank statements and the supporting documentation. See Schedule of Finding 2014-001 in regards to DFA reporting and cash flow reconciliations.

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

- 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 \$2,724 (2%). 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.

### **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.

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

- 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-five expenditures were selected based on a random sample from the general ledger in addition to a review of all transactions greater than \$50,000 which resulted in a single transaction. Total expenditures reviewed amounted to \$98,352.70 which was 46% 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.

- 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.

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

**Results of Procedures 6 (a) – (c)**

- The annual 2014 budget was approved by the local public body and the DFA office. One change was made to the original budget after DFA approval. No adjustments to the budget were filed with the DFA office for the period ending December 31, 2014.
- Our review of the 2014 budget and underlying documentation prepared and submitted by the board documented that total actual expenditures were less than budgeted by \$17,117 (12%). Approval from the board of directors was received when expenditures would significantly exceed the approved budget. Significant overage from approved budget was property tax expense due to the new plant put into service the prior year, all other line item differences were not material.
- 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 a 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.

*R. Shane Chavez CPA PC*

Aztec, New Mexico  
May 27, 2015

**Navajo Dam Domestic Water Consumers**  
**Statement of Financial Positions**  
**December 31, 2014**

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**Assets**

Current Assets	
Cash and cash equivalents	\$ 90,556
Accounts receivable, net of allowance for doubtful accounts of \$0	14,154
Total Current Assets	104,710
Property, Plant, and Equipment	
Property and equipment	741,081
Less: Accumulated depreciation - income tax basis	(213,799)
Property, plant and equipment (net of accumulated depreciation)	527,282
<b>Total Assets</b>	<b>\$ 631,992</b>

**Liabilities and Net Assets**

Current Liabilities	
Accrued liabilities	\$ 2,818
Current portion long-term debt	14,017
Total Current Liabilities	16,835
Long-Term Liabilities Less Current Portion	403,219
Total Liabilities	420,054
Members' capital	211,938
<b>Total Liabilities and Members' Equity</b>	<b>\$ 631,992</b>



**Navajo Dam Domestic Water Consumers**  
**Statement of Activities**  
**For the Year Ended December 31, 2014**

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<b>Revenues</b>	
Water sales	\$ 119,724
New Member, Transfer, Misc Fees	545
<b>Total revenues</b>	<u>120,269</u>
<b>Cost of goods sold:</b>	3,273
<b>Gross profit</b>	<u>\$ 116,996</u>
<b>Operating expenses:</b>	
<b>Management services</b>	
Salaries and wages	26,932
Depreciation expense	37,189
Dues and subscriptions	753
Office supplies and expenses	1,926
Training and education	309
Telephone and utilities	9,436
Insurance	7,115
Legal and professional fees	6,057
Repairs and maintenance	9,109
Mileage reimbursement	1,028
Taxes, licenses and fees	6,529
Penalties	9
<b>Total program services</b>	<u>106,392</u>
<b>Management and general</b>	
Salaries and wages	7,800
<b>Total management and general</b>	<u>7,800</u>
<b>Non-operating items:</b>	
Interest income	(55)
Loss on disposition of assets	0
Interest expense	14,560
<b>Total non-operating items</b>	<u>14,505</u>
<b>Net loss</b>	<u><u>\$ (11,701)</u></u>
Members' capital at beginning of year	216,639
Contributions from members	7,000
<b>Members' capital at end of year</b>	<u><u>\$ 211,938</u></u>

**Navajo Dam Domestic Water Consumers**  
**Schedules of Revenues and Expenses-Budget and Actual**  
**December 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actuals</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
<b>Operating Revenues</b>				
Residential Income	93,720	92,920	91,658	(1,262)
Commercial Income	28,628	28,628	26,203	(2,425)
Water Salesman (Coin-Op)	700	700	943	243
Late Fees	-	-	920	920
New Member, Transfer, Misc Fees	-	-	545	545
<b>Total operating revenues</b>	<u>123,048</u>	<u>122,248</u>	<u>120,269</u>	<u>(1,979)</u>
<b>Operating Expenses</b>				
Salaries and wages	37,000	37,000	34,732	2,268
Supplies and misc operating expenses	3,500	3,500	2,689	811
Repairs and maintenance	21,000	21,000	9,109	11,891
Water treatment supplies	5,500	5,500	3,272	2,228
Utilities	8,600	8,600	9,436	(836)
Insurance	7,000	7,000	7,115	(115)
Taxes	4,000	4,000	6,529	(2,529)
Mileage and travel	1,200	1,200	1,028	172
Professional fees	7,250	7,250	6,057	1,193
Education	500	500	309	191
Depreciation	37,099	37,099	37,189	(90)
<b>Total operating expenses</b>	<u>132,649</u>	<u>132,649</u>	<u>117,465</u>	<u>15,184</u>
<b>Non-Operating Items</b>				
Interest income	(100)	(100)	(55)	(45)
Interest expense	14,559	14,559	14,560	(1)
<b>Total non-operating items</b>	<u>14,459</u>	<u>14,459</u>	<u>14,505</u>	<u>(46)</u>
<b>Excess revenues over (under) expenses</b>	<u>(24,060)</u>	<u>(24,860)</u>	<u>(11,701)</u>	<u>(17,117)</u>

Navajo Dam Domestic Water User  
 PO Box 6308  
 Navajo Dam, NM 87419

OPERATING BUDGET 2014				INCOME & EXPENSES		
YEAR	2010 Actual	2011 Actual	2012 Actual	2013 Projected	2014 BUDGET	Year to Date
No. of Residential Connections	162	165	164	164	164	164
No. of Commercial Connections	20	19	19	18	17	17
Res. Base Rate					\$40.00	
Res. Overage Rate					\$4.50	
Com. Base Rate					\$57.00	
Com. Overage Rate					\$7.00	
Res. Overage Gallons (1000s)						
Com. Overage Gallons (1000s)						
Residential Base Income		\$64,581	\$65,208	\$78,064	\$78,720	
Residential Overage Income		\$11,392	\$15,329	\$15,702	\$15,000	
Commercial Base Income		\$11,700	\$11,250	\$12,738	\$11,628	
Commercial Overage Income		\$16,115	\$17,375	\$20,160	\$17,000	
WaterSalesman (Coin-Op)		\$880	\$921	\$580	\$700	
<b>TOTAL SALES INCOME</b>	<b>\$100,599</b>	<b>\$104,668</b>	<b>\$110,083</b>	<b>\$127,244</b>	<b>\$123,048</b>	
<b>OPERATING INCOME</b>						
Water Sales	\$100,179	\$104,668	\$110,083	\$127,244	\$140,748	
Fees for Service	\$420			\$0	\$0	
Late Fees		\$1,280	\$1,000	\$500	\$500	
New Member, Transfer, Misc. Fees		\$4,110	\$2,205	\$0	\$0	
Donations		\$80		\$0	\$0	
<b>TOTAL INCOME</b>	<b>\$100,599</b>	<b>\$110,138</b>	<b>\$113,288</b>	<b>\$127,744</b>	<b>\$141,248</b>	
<b>OPERATING EXPENSES</b>						
Salaries & Wages	\$17,150	\$15,165	\$15,809	\$35,856	\$37,000	
Payment on State Loan					\$33,000	
Maintenance Contract	\$1,336	\$1,395	\$1,328	\$313		
Supplies & Misc. Op. Exp.	\$6,099	\$2,175	\$2,290	\$3,100	\$3,500	
Repairs & Maintenance	\$17,063	\$21,896	\$6,624	\$19,000	\$21,000	
Water Treatment Supplies		\$3,793	\$3,233	\$5,200	\$5,500	
Utilities	\$5,782	\$5,779	\$5,284	\$8,400	\$8,600	
Insurance	\$3,169	\$3,265	\$4,441	\$6,371	\$7,000	
Taxes	\$7,852	\$3,729	\$3,721	\$3,800	\$4,000	
Mileage & Travel Expenses	\$1,155	\$176	\$0	\$0	\$1,200	
Professional Fees	\$6,502	\$3,470	\$7,249	\$7,000	\$7,250	
Education	\$770		\$60	\$446	\$500	
<b>TOTAL OPERATING EXPENSE</b>	<b>\$66,878</b>	<b>\$60,843</b>	<b>\$50,039</b>	<b>\$89,486</b>	<b>\$128,550</b>	
<b>NET OPERATING INCOME</b>	<b>\$33,721</b>	<b>\$49,295</b>	<b>\$63,249</b>	<b>\$38,258</b>	<b>\$12,698</b>	
<b>NON-OPERATING INCOME</b>						
Interest	\$15	\$121	\$172	\$110	\$100	
Grants				\$0	\$0	
<b>TOTAL NON-OP. INCOME</b>	<b>\$15</b>	<b>\$121</b>	<b>\$172</b>	<b>\$110</b>	<b>\$100</b>	
<b>NET INCOME PREVIOUS YEARS</b>	<b>\$33,736</b>	<b>\$49,416</b>	<b>\$63,421</b>			
<b>PROJECTED 2013 NET INCOME</b>				<b>\$38,368</b>	<b>\$12,798</b>	

Navajo Dam Domestic Water Consumers  
 Schedule of Findings and Responses  
 Year Ended December 31, 2014

	<b>Type of Finding</b>	<b>Prior Year Finding Number</b>	<b>Current Year Finding Number</b>
<b>Current Year Findings:</b>			
Bank Reconciliation Accuracy	D	13-01	2014-001
Budget Submission/Approval and Quarterly Financial Reports	D	13-02	2014-002
<b>Follow-up on Prior Year Findings:</b>			
Bank Reconciliation Accuracy	D	13-01	Resolved
Budget Submission/Approval and Quarterly Financial Reports	D	13-02	2014-001

• **Legend for Findings:**

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

2014-001

**Bank Reconciliation Accuracy**

**Criteria**

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 the Department of Finance Administration-Local Government Division (DFA-LGD).

**Condition**

During our review of the bank reconciliation accuracy we found no exceptions. The prior year finding 13-01 was resolved during the current year and no exceptions were found in reference to changes in supporting documentation reconciling to the general ledger due to timing differences in the posting of electronic withdrawals. However, the client did not submit quarterly financial reports to the DFA-LGD for each quarter during the year and the budget does not contain a cash flow reconciliation that ties back to the general ledger and bank statements. See Schedule and Findings 2014-002 in references to DFA-LGD compliance.

**Cause**

Navajo Dam Domestic Water Consumers budget did not include cash flow reconciliation.

**Effect**

No cash flow reconciliation on budget. Client is not in compliance with DFA-LGD. See Schedule of Findings 2014-002 in reference to DFA compliance.

**Recommendation**

We recommend that Navajo Dam Domestic Water Consumers update their budget template to comply with reporting standards of the DFA-LGD.

**Management's Response**

The secretary is in communication with a member of the DFA-LGD to resolve this matter for future periods.

2014-002

**Budget Submission/Approval and Quarterly Financial Reports**

**Criteria**

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.

**Condition**

During our review of the budget, we determined that the Navajo Dam Domestic Water Consumers board approves the budget and references it in the minutes provided. The prior year recommendation to submit timely annual budgets was resolved and the annual budget was submitted and approved timely for 2014. Quarterly budgets as well as the cash flow reconciliation found this year are not in compliance with the DFA-LGD regulations. Written approval to change original approved budget was not received for the minor change to revenue and increase in property taxes.

**Cause**

The entity resolved the issue of complying with the annual reporting requirements of the DFA-LGD, but did not comply with the quarterly reporting requirements.

**Effect**

The Navajo Dam Domestic Water Consumers has not complied with Sections 6-6-2 and 6-6-3 NMSA 1978.

**Recommendation**

We recommend that Navajo Dam Domestic Water Consumers update their budget template to include the cash flow reconciliation analysis as requested by the DFA-LGD office and submit quarterly reports in a timely manner.

**Management's Response**

The Navajo Dam Domestic Water Consumers is working with a member of the DFA-LGD to update the budget template to comply with DFA regulations. A schedule was sent by the DFA office outlining reporting requirements for calendar year tax payers in order to correct the timeliness of all reporting.

Navajo Dam Domestic Water Consumers  
Exit Conference  
Year Ended December 31, 2014  
**Exit Conference**

The report contents were discussed at an exit conference held on May 27, 2015 with the following in attendance:

Representing Navajo Dam Domestic Water Consumer:

Candy Barr, Secretary/ Treasurer

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