



**PENDARIES VILLAGE MUTUAL  
DOMESTIC WATER CONSUMERS ASSOCIATION**

**REPORT OF INDEPENDENT ACCOUNTANTS  
ON THE APPLICATION OF  
AGREED-UPON PROCEDURES**

**OCTOBER 31, 2015**

**MOSS ADAMS<sub>LLP</sub>**

Certified Public Accountants | Business Consultants

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**OFFICIAL ROSTER  
October 31, 2015**

**Board of Directors**

Ron Kveton	President
Joel Bartels	Vice President
Susan Grohman	Secretary
Susan Kirtland	Treasurer

## Report of Independent Accountants on the Application of Agreed-Upon Procedures

To the Board of Directors  
Pendaries Village Mutual Domestic Water Consumers Association  
and  
Mr. Tim Keller  
New Mexico State Auditor  
Santa Fe, New Mexico

We have performed the procedures enumerated below, which were agreed to by Pendaries Village Mutual Domestic Water Consumers Association (Association) and the New Mexico State Auditor (the specified parties), solely to assist you in evaluating the Association's financial reporting relating to its Cash, Capital Assets, Debt, Revenue, Expenditures, Journal Entries, Budget and Capital Outlay Appropriations information for compliance with Section 12-6-3B (6) NMSA 1978 and Section 2.2.2.16 NMAC, as of and for the year ended October 31, 2015. The Association is responsible for its financial reporting to and compliance with the State Auditor rules 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 the parties specified in this 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 6 of the Audit Act – Section 12-6-3 B (6) NMSA 1978 and Section 2.2.2.16 NMAC, the procedures and the associated findings are as follows:

1. Verify the local public body's revenue calculation and tier determination documented on the form provided at [www.osanm.org](http://www.osanm.org) under "Tiered System Reporting Main Page.

### Results of Procedure 1

We obtained and recalculated the revenue calculation and determined that it was properly classified as Tier 6 of the Audit Act.

To the Board of Directors  
Pendaries Village Mutual Domestic Water Consumers Association  
and  
Mr. Tim Keller  
New Mexico State Auditor

## **2. 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. [For purposes of performing these procedures “timely” means completion of the bank reconciliations within one month after the last day of the reporting month and “complete” means that statements for bank and investment accounts are all accounted for by the Association.]
- 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 (DFA-LGD). [For the purpose of performing these procedures, “Accuracy” means that reconciling items agree to deposit slips and subsequent bank statements.]
- c) Determine whether the local public body’s financial institutions have provided it with 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 2(a) – 2(c)**

We obtained the bank statements and corresponding bank reconciliations for the Association’s bank accounts. We determined that bank reconciliations are performed in a timely manner and that all bank statements for the fiscal year are complete and on hand. The following are the Association’s bank accounts and related bank balances at October 31, 2015:

Community First – Restricted \$13,276  
Community First – RRF \$20,514

To the Board of Directors  
Pendaries Village Mutual Domestic Water Consumers Association  
and  
Mr. Tim Keller  
New Mexico State Auditor

We selected random samples of 2 months (June 2015 and August 2015) of the bank reconciliations and found the reconciliations accurate by selecting the largest reconciling items on the bank reconciliations (up to at least 50% coverage of deposits in transit and outstanding checks) and agreeing the items to deposit slips and/or subsequent bank statements. We also traced ending balances to the general ledger and supporting documentation. In addition, the Association submitted financial reports as required in procedure 2(b).

We requested whether the Association's financial institution provided it with 50% of pledged collateral on uninsured deposit balances. The Association did not have any uninsured funds as of October 31, 2015.

### **3. 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 3**

The Association did not complete a yearly inventory as required by Section 12-6-10 NMSA 1978. See Schedule of Findings and Responses on page 15.

### **4. Debt**

If the local public body has any debt, verify that the required payments were made during the year. If the debt agreement requires reserves, verify that the local public body is in compliance with those requirements. To verify whether required payments on debt were made, we will compare the payment amount and date (interest and principal) per amortization schedule to the year-end statements with the New Mexico Finance Authority.

To the Board of Directors  
Pendaries Village Mutual Domestic Water Consumers Association  
and  
Mr. Tim Keller  
New Mexico State Auditor

#### **Results of Procedure 4**

We noted total principal and interest payments in the amount of \$87,064 during the year in accordance with the amortization schedule. The debt agreement does not contain any reserve requirement. No instances of noncompliance were noted as a result of performing the procedures described in 4.

#### **5. 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. [For purposes of performing analytical procedures, we inquired of Association's management for explanations of all variances of budget to actual of more than 10%.]

Select a sample of revenues based on auditor judgment [for purposes of procedures in 5(b) and 5(c), we selected a random sample of recorded revenue transactions to achieve a minimum of 50% coverage], and tested for 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.

To the Board of Directors  
 Pendaries Village Mutual Domestic Water Consumers Association  
 and  
 Mr. Tim Keller  
 New Mexico State Auditor

**Results of Procedures 5(a) – 5(c)**

It was noted that a budget was approved by the Board of Directors. As a result of performing the analytical review procedures in 5(a), we noted the following variance of more than 10%:

Type	Actual Amount	Budgeted Amount	Variance	Percentage	Inquiry
4100 – Water Sales RPI	\$5,568	\$10,000	(\$4,432)	44%	Per management, the RV Park across from Pendaries did not use as much water as expected.
4400 – Late Fees, Penalties & Interest	\$ 106	\$ 1,000	(\$ 894)	89%	Budgeted amount includes water meter fees for new construction hookup. A meter fee is \$500. The association budgeted for two hookups and there were no new water hookups in 2015.
4700 – Irrigation Water Sales	\$5,134	\$22,500	(\$17,366)	77%	Per management, sales were lower as a result of having a wet year in which lower amounts of irrigation were needed.
4800 – PVCA Resort Water Sales	\$4,425	\$6,000	(\$1,575)	26%	Per management, sales were short of the predicted resort budget due to lower activity.



To the Board of Directors  
Pendaries Village Mutual Domestic Water Consumers Association  
and  
Mr. Tim Keller  
New Mexico State Auditor

The following items were selected for procedures 5(b) – 5(c), representing 54% coverage of revenues, as follows:

Type	Date	Number	Name	Memo	Amount
General Journal	02/28/2015	529	Pendaries RV Resort	Water Sales RPI, February 2015	190.00
General Journal	03/31/2015	544	Pendaries RV Resort	Pendaries RV Resort Water Sales	389.90
General Journal	04/30/2015	561	Pendaries RV Resort	RPI Water Sales	100.88
General Journal	09/30/2015	632	Pendaries RV Resort	Pendaries RV Park Water Sales/Sept 2015	838.70
General Journal	11/30/2014	477		Assessments to Income	18,950.33
General Journal	12/31/2014	499		Dec 14 Assessments	18,950.33
General Journal	03/30/2015	539		Assessment Allocation take to income Feb 2015	18,950.33
General Journal	07/31/2015	593		Assessment Allocation take to income July 2015	18,950.33
General Journal	08/31/2015	608		Assessment Allocation take to income Feb 2015	18,950.33
General Journal	09/30/2015	622		Assessment Allocation take to income Feb 2015	18,950.33
General Journal	10/31/2015	651		Assessment Allocation take to income	7,864.33
General Journal	05/31/2015	575		1,726,300 gallons @\$,00075, irrigation	1,294.73
General Journal	06/30/2015	587		1,309,300 Gallons @ .00075 irrigation	981.98
Deposit	12/31/2014			1120 - Community First-Restricted Cont	1.30
Deposit	01/31/2015			1120 - Community First-Restricted Cont	1.50
Deposit	01/31/2015			1115 - Community First - RRF	6.83
Deposit	01/31/2015			1110 - Community First - General Opera	0.55
Deposit	02/28/2015			1110 - Community First - General Opera	0.16
Deposit	02/28/2015			1115 - Community First - RRF	6.68
Deposit	03/31/2015			1110 - Community First - General Opera	0.99
Deposit	03/31/2015			1120 - Community First-Restricted Cont	1.62
Deposit	04/30/2015			1120 - Community First-Restricted Cont	1.58
Deposit	05/31/2015			1115 - Community First - RRF	6.87
Deposit	05/31/2015			1120 - Community First-Restricted Cont	1.66
Deposit	06/30/2015			1120 - Community First-Restricted Cont	1.62
Deposit	07/31/2015			1115 - Community First - RRF	6.92
Deposit	08/31/2015			1115 - Community First - RRF	6.58
Deposit	08/31/2015			1120 - Community First-Restricted Cont	1.30
Deposit	09/30/2015			1110 - Community First - General Opera	0.31
Deposit	10/31/2015			1120 - Community First-Restricted Cont	1.68
Deposit	10/31/2015			1115 - Community First - RRF	3.78
Deposit	10/31/2015			1110 - Community First - General Opera	0.38
General Journal	11/30/2014	465	water sales rest & bar	1323 - Intercompany Account-PVMD	50.00
Invoice	05/31/2015	8	Resort Water Sales, Golf Sho	1220 - Accounts Receivable - Misc	75.00
Invoice	06/30/2015	10	Resort Water Sales, Golf Sho	1220 - Accounts Receivable - Misc	75.00
Invoice	06/30/2015	10	Resort Water Sales, Restaura	1220 - Accounts Receivable - Misc	100.00
Invoice	07/31/2015	12	Resort Water Sales, Golf Sho	1220 - Accounts Receivable - Misc	175.00
Invoice	07/31/2015	12	Resort Water Sales, Restaura	1220 - Accounts Receivable - Misc	100.00
Invoice	09/30/2015	328	Resort Water Sales, Golf Sho	1220 - Accounts Receivable - Misc	150.00
Invoice	10/31/2015	332	Resort Water Sales, Golf Sho	1220 - Accounts Receivable - Misc	150.00
Invoice	10/31/2015	332	Resort Water Sales, Lodge	1220 - Accounts Receivable - Misc	150.00
Invoice	10/31/2015	332	Resort Water Sales, Restaura	1220 - Accounts Receivable - Misc	100.00
General Journal	11/30/2014	470	Lot Assessments	1323 - Intercompany Account-PVMD	216.00
General Journal	01/31/2015	506	Lot Assessments	1323 - Intercompany Account-PVMD	216.00

To the Board of Directors  
Pendaries Village Mutual Domestic Water Consumers Association  
and  
Mr. Tim Keller  
New Mexico State Auditor

No other instances of noncompliance were noted as a result of performing the procedures described in 5(b) – 5(c).

## **6. Expenditures**

Select a sample of cash disbursements based on auditor judgment [for purposes of steps 6(b) and 6(c), we randomly selected a sample of cash disbursements, to achieve 50% of total expenditures] 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 canceled check, as appropriate.
- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures. [For purposes of performing these procedures, disbursements were considered to be properly authorized if they contained evidence of review such as sign off on invoices or approval through correspondence.]
- 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).

To the Board of Directors  
 Pendaries Village Mutual Domestic Water Consumers Association  
 and  
 Mr. Tim Keller  
 New Mexico State Auditor

### Results of Procedures 6(a) – 6(c)

The following cash disbursements (representing 51% of the total expenditures) were selected and the procedures described in 6(a) – 6(c) above were performed:

Date	Vendor	Description	Amount
09/25/2015	Garcia Underground, Inc	Skyline Tank and Excavation	-17,304.86
06/01/2015	NMFA PPRF Project Funding	loan	-7,255.02
05/11/2015	NMFA PPRF Project Funding	loan	-7,255.62
07/02/2015	NMFA PPRF Project Funding	loan	-7,255.62
08/01/2015	NMFA PPRF Project Funding	loan	-7,255.62
10/31/2015	Pendaries Village	Water Loan	-7,255.62
11/07/2014	NMFA PPRF Project Funding	loan	-7,255.14
12/09/2014	NMFA PPRF Project Funding	loan	-7,255.14
12/31/2014	NMFA PPRF Project Funding	loan	-7,255.14
02/06/2015	NMFA PPRF Project Funding	loan	-7,255.14
03/05/2015	NMFA PPRF Project Funding	loan	-7,255.14
04/01/2015	NMFA PPRF Project Funding	loan	-7,255.04
10/31/2015	PVMD	Reimburse PVMD Operating for Loan Payment	-6,803.86
08/28/2015	Pendaries Village	Prepaid Insurance/Payroll	-3,007.00
10/01/2015	Garcia Underground, Inc	Locate Existing Water Service and Connect to New 2-inch Water Line	-2,852.45
09/18/2015	Pendaries Village	Payroll 9/15/15	-2,754.00
05/11/2015	Moss Adams LLP	Audit	-2,140.00
10/09/2015	Pacheco's "66"		-1,978.88
10/31/2015	Mora-San Miguel Electric Coop	14777-001, 14778-002, 16008-001, 16114-002	-1,846.14
08/14/2015	Hays Plumbing & Heating, Inc	Parts	-1,616.81
04/01/2015	Pendaries Village	Payroll 3/31/15	-1,536.00
03/31/2015	Pendaries Village		-1,069.84
05/20/2015	Pendaries Village	Payroll	-874.00
08/21/2015	Jamco Electric Motor Repair, Inc	Motor & Pump for Big Tank Booster Station to Skyline Tank	-491.33
04/10/2015	Drew Corp. DBA Indepth Water Testin	Sampling Service and Water Testing April-June 15	-330.00
03/18/2015	Pendaries Village	Payroll 3/15/15	-314.06
05/20/2015	Pendaries Village	Equipment usage 3 hours	-225.00
08/28/2015	Dominguez, Randolph	Chlorine & Bleach	-217.08
11/07/2014	Pendaries Village Mutual Domestic	Allocation of Assess Collection Aug, Sept, Oct 2014	-212.00
05/11/2015	Dominguez, Randolph		-146.28
10/01/2015	Hacienda Home Centers	Bulbs, Misc Tools, Bit, Clamp Hose, Flashlight, Shovel, Faucet	-111.60
12/09/2014	Dominguez, Randolph	Chemicals	-99.73
10/09/2015	Taxation and Revenue Department	Sept 2015 GRT	-79.54
02/06/2015	Dominguez, Randolph	Repairs & Chemicals	-51.50
12/09/2014	Mora-San Miguel Electric Coop	Electric	-22.07
04/23/2015		Check order	-15.12
03/16/2015		MVD check for Edward Fernandez	-9.99

To the Board of Directors  
Pendaries Village Mutual Domestic Water Consumers Association  
and  
Mr. Tim Keller  
New Mexico State Auditor

No instances of noncompliance were noted as a result of performing the procedures described in 6(a) – 6(c).

## **7. Journal Entries**

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

- a) Journal entries appear reasonable and have supporting documentation. [A journal entry is considered reasonable if: i. explanation is consistent with the nature of the adjustment, and the general ledger accounts affected, ii. Supporting documentation (invoices, contracts, correspondence, calculations, etc.) agrees with the journal entry details.]
- 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 7(a) – 7(b)**

All entries were routine journal entries such as assessments, debt service payments, depreciation, etc. QuickBooks is used for accounting processing, which was obtained and reviewed. Journal entries are reviewed in conjunction with the approval of disbursements, and during the review of monthly financial statements.

No instances of noncompliance were noted as a result of performing the procedures described in 7(a) – 7(b).

To the Board of Directors  
Pendaries Village Mutual Domestic Water Consumers Association  
and  
Mr. Tim Keller  
New Mexico State Auditor

## **8. 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 budget at the legal level of budgetary control; if so, report a compliance finding.
- c) From the original and 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 8(a) – 8(c)**

It was noted that a budget was approved by the Board of Directors and submitted to DFA-LGD. However, we noted that the Association overspent its budget by \$19,922. See Schedule of Findings and Reponses on page 16.

No other instances of noncompliance were noted as a result of performing the procedures described in 8(a)-8(c). See Schedule of Revenues and Expenditures – Budget and Actual (Cash Basis) on page 14 of this report.

## **9. Capital Outlay Appropriations**

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.

To the Board of Directors  
Pendaries Village Mutual Domestic Water Consumers Association  
and  
Mr. Tim Keller  
New Mexico State Auditor

Test all capital outlay expenditures during the fiscal year to:

- 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 costs were paid by the local public body prior to the request for reimbursement.

To the Board of Directors  
Pendaries Village Mutual Domestic Water Consumers Association  
and  
Mr. Tim Keller  
New Mexico State Auditor

### **Results of Procedures 9(a) - 9(i)**

The Association did not expend any capital outlay for the year ended October 31, 2015. Hence, procedures for Capital Outlay Appropriations are not applicable.

### **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 Section 2.2.2.10(I)(3)(C) NMAC.

### **Results of Procedure - Other**

Schedule of Findings and Responses are included on pages 15 through 16 of this report.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the Association'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 the Association, Office of the State Auditor, New Mexico Legislature and the Department of Finance and Administration and is not intended to be and should not be used by anyone other than those specified parties.

*Mess Adams LLP*

Albuquerque, New Mexico  
March 29, 2016

**PENDARIES VILLAGE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**  
**SCHEDULE OF REVENUES and EXPENDITURES -**  
**BUDGET AND ACTUAL (CASH BASIS)**  
**Year Ended October 31, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Assessments	\$ 229,278	\$ 229,278	\$ 216,318	\$ (12,960)
Water sales	39,500	39,500	17,826	(21,674)
<b>Total revenues</b>	<u>268,778</u>	<u>268,778</u>	<u>234,144</u>	<u>(34,634)</u>
<b>Expenditures</b>				
General government	132,299	132,299	152,221	(19,922)
<b>Total expenditures</b>	<u>132,299</u>	<u>132,299</u>	<u>152,221</u>	<u>(19,922)</u>
<b>Change in net position</b>	136,479	136,479	81,923	<u>\$ (54,556)</u>
Adjustments to GAAP				
Depreciation			(76,024)	
Others			<u>(10,000)</u>	
			<u>(86,024)</u>	
GAAP Basis Change in Net Position			(4,101)	
Net position, beginning of year	<u>292,960</u>	<u>292,960</u>	<u>292,960</u>	
<b>Net position, end of year</b>	<u>\$ 429,439</u>	<u>\$ 429,439</u>	<u>\$ 288,859</u>	



**PENDARIES VILLAGE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended October 31, 2015**

**2013-002 Capital Assets (Repeat)**

CONDITION

The Association did not complete an annual inventory as required by Section 12-6-10 NMSA 1978. Management has not made any significant progress to address this issue. However, there is already an ongoing discussion on how to correct this issue going forward.

CRITERIA

Section 12-6-10 NMSA 1978 (Annual inventory) requires local public bodies to conduct physical inventory of movable chattels and equipment costing more than \$5,000 or more. The inventory shall list the chattels and equipment and the date and cost of acquisition. Upon completion, the inventory shall be certified by the governing body as to correctness.

CAUSE

The Association failed to perform an annual inventory.

EFFECT

The Association is not in compliance with the Annual inventory requirement under Section 12-6-10 NMSA 1978.

RECOMMENDATION

Management should complete an annual inventory in accordance with Section 12-6-10 NMSA 1978.

MANAGEMENT'S RESPONSE

The Business Manager will ensure that the required annual inventory will be performed during 2016.

**PENDARIES VILLAGE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
Year Ended October 31, 2015**

**2014-001 Budgeted Expenditures (Repeated)**

CONDITION

It was noted that total actual expenditures exceeded the final budget by \$19,922. Management has made a progress monitoring the budget during the fiscal year. However, some late expenses were not budgeted and adjusted during the year.

CRITERIA

In accordance with NMSA 6-3-1 through 6-3-25, expenditures are to be within the budgeted amounts.

CAUSE

The Association under budgeted their total expenditures for fiscal year 2015.

EFFECT

The Association is not in compliance with the budget requirements under NMSA 6-3-1 through 6-3-25.

RECOMMENDATION

Management should monitor their budget throughout the year and submit any budget adjustments to DFA-LGD.

MANAGEMENT'S RESPONSE

Management under budgeted their expenditures by a minimal amount. The Business Manager will monitor our budget more closely and seek approval for adjustments from DFA-LGD for the year ending October 31, 2016.

**PENDARIES VILLAGE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
EXIT CONFERENCE  
Year Ended October 31, 2015**

An exit conference was held on March 22, 2016.

Attending were the following:

Representing Pendaries Village Mutual Domestic Water Consumers Association:

Ron Kveton, President  
Susan Kirtland, Treasurer  
Kim Corcoran, General Manager  
Linda Apodaca, Business Manager

Representing Moss Adams LLP:

Jaime Rumbaoa, Senior Manager



**PENDARIES VILLAGE MUTUAL  
DOMESTIC WATER CONSUMERS ASSOCIATION**

**COMPILATION REPORT OF INDEPENDENT  
ACCOUNTANTS AND FINANCIAL STATEMENTS**

**OCTOBER 31, 2015**

**MOSS-ADAMS<sub>LLP</sub>**

Certified Public Accountants | Business Consultants

**PENDARIES VILLAGE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**OFFICIAL ROSTER  
October 31, 2015**

**Board of Directors**

Ron Kveton	President
Joel Bartels	Vice President
Susan Grohman	Secretary
Susan Kirtland	Treasurer

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## COMPILATION REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors  
Pendaries Village Mutual Domestic Water Consumers Association  
and  
Mr. Tim Keller  
New Mexico State Auditor  
Santa Fe, New Mexico

We have compiled the accompanying Statement of Net Position of Pendaries Village Mutual Domestic Water Consumers Association (the "Association") as of October 31, 2015 and the related Statement of Revenues, Expenses and Changes in Net Position for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit the statement of cash flows required by accounting principles generally accepted in the United States of America. If the omitted statement of cash flows were included in the financial statements, they might influence the user's conclusions about the Association's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Management has omitted management's discussion and analysis information that accounting principles generally accepted in the United States of America require 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

*Moss Adams LLP*

Albuquerque, New Mexico  
March 29, 2016

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**PENDARIES VILLAGE MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
STATEMENT OF NET POSITION  
October 31, 2015**

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**ASSETS**

<b>CURRENT ASSETS</b>	
Cash	\$ -
Replacement reserve funds	20,515
Accounts receivable, net	<u>3,258</u>
Total current assets	<u>23,773</u>
 <b>CAPITAL ASSETS, at cost</b>	
Equipment	35,037
Production	119,564
Storage tanks	196,332
Water distribution	<u>638,101</u>
	989,034
Accumulated depreciation	<u>(223,412)</u>
	<u>765,622</u>
 <b>RESTRICTED CASH FUNDS</b>	
	<u>13,276</u>
Total assets	<u>\$ 802,671</u>

**LIABILITIES AND NET POSITION**

<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 2,274
Accrued liabilities	4,187
Current portion of long-term debt	<u>71,874</u>
Total current liabilities	<u>78,335</u>
 <b>LONG-TERM LIABILITIES</b>	
Long-term debt, less current portion	<u>435,477</u>
Total long-term liabilities	<u>435,477</u>
 <b>NET POSITION</b>	
Net investment in capital assets	258,271
Unrestricted	<u>30,588</u>
Total net position	<u>288,859</u>
Total liabilities and net position	<u>\$ 802,671</u>

**PENDARIES VILLAGE MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
Year Ended October 31, 2015**

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OPERATING REVENUES	
Water sales	\$ 17,720
Late fees, penalties and interest	106
Assessments	216,318
Total operating revenues	<u>234,144</u>
OPERATING EXPENSES	
Payroll expenses	27,901
Utilities	20,850
Repairs and maintenance	17,863
Equipment charges	4,688
Chemicals and supplies	3,052
Insurance	7,680
Interest/fee expense	17,613
Travel Expense	160
Taxes - property	996
Outside services	10,114
Other expenses	41,304
Uncollected assessments	10,000
Depreciation	76,024
Total operating expenses	<u>238,245</u>
CHANGE IN NET POSITION	(4,101)
NET POSITION	
Beginning of year	<u>292,960</u>
End of year	<u>\$ 288,859</u>

# **PENDARIES VILLAGE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION NOTES TO FINANCIAL STATEMENTS**

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## **Note 1 – Nature of Organization**

**Organization** – Pendaries Village Mutual Domestic Water Consumers Association (Association) a corporation began its operations in November 2012 for the purpose of forming a non-profit association in accordance with the provisions of the Sanitary Projects Act, Sections 3-29-1 through 3-29-21, NMSA 1978, as amended. The Association maintains and operates a water system for the supplying and distribution of water for domestic users.

## **Note 2 – Summary of Significant Accounting Policies**

**Basis of accounting** – The financial statements of the Association are prepared on the basis of an enterprise fund as defined by the Governmental Accounting Standards Board (GASB). Enterprise funds are used to account for operations (a) that are financial and operated in a manner similar to private business enterprises where the intent of the entity is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the entity has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Association's government-wide financial statements are designed to be corporate-like in that all business-type activities are consolidated into one column, and consist of Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position. No component units exist in which the organization has any oversight responsibilities, which would require inclusion in the Organization's financial statements. It has neither fiduciary funds nor component units that are fiduciary in nature.

Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenue is recorded when earned, and expenses are recorded at the time liabilities are incurred.

Enterprise funds distinguish operating revenues and expenses from non-operating items. All of the Association's revenue streams and expenses are considered operating in nature.

When both restricted and unrestricted net position are available to cover designated expense, it is the Association's policy to use restricted resources first, then unrestricted resources as they are needed.

**Uses of estimates** – The accompanying financial statements have been prepared in conformity with generally accepted accounting principles. This requires management to make estimates and assumptions that affect certain reported amounts of 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. Significant estimates and assumptions made by management include the reserve for delinquent assessments and useful lives of property and equipment.

**PENDARIES VILLAGE MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS**

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**Note 2 – Summary of Significant Accounting Policies (continued)**

**Cash and cash equivalents** – The Association maintains cash accounts with federally insured financial institutions, and such deposits do not exceed federally insured limits. The Association considers all highly liquid temporary investments of cash to be cash equivalents.

**Accounts receivable** – Accounts receivable consist of amounts due from members and others who have used the Association’s water system. Management has not recorded an allowance as the receivables are considered to be fully collectible.

**Delinquent assessments receivable – members** – Association members are subject to annual assessments to provide funds for the Association’s operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from property owners. The Association’s credit risk is minimized by its policy of retaining legal counsel and placing liens on the lots of members whose assessments are 120 or more days delinquent. Interest at the rate of 15% per annum is also added to the delinquent assessments for any account delinquent more than 120 days. The Association has a reserve of \$30,057 at October 31, 2015, against the delinquent assessments receivable.

The Association assesses dues annually in November for the following year. In 2015, annual assessments are \$590 for improved lots and \$144 for unimproved lots.

**Capital assets** – All acquisitions of capital assets in excess of \$500 and all expenses for repairs, maintenance and betterments that materially prolong the useful lives of assets are capitalized at cost. Depreciation is provided principally on the straight-line method over the assets estimated useful lives, which range from five to forty years.

**Valuation of long-lived assets** – The Association periodically evaluates the carrying value of long-lived assets to be held and used, including intangible assets, when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such an asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized in the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved.

**PENDARIES VILLAGE MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS**

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**Note 2 – Summary of Significant Accounting Policies (continued)**

**Subsequent events** – Subsequent events are events or transactions that occur after year end but before the financial statements are issued. The Association recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the financial statements, including the estimates inherent in the process of preparing the financial statements. The Association’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the financial statements but arose after the financial statement date and before the financial statements are issued. The Association has evaluated subsequent events for potential recognition and disclosure through March 29, 2016, the date the financial statements were issued.

**Note 3 – Capital Assets**

	Balance 10/31/2014	Transfers in	Additions	Deletions	Balance 10/31/2015
Equipment	\$ 31,313	\$ -	\$ 3,724	\$ -	\$ 35,037
Production	109,070	-	10,494	-	119,564
Storage tanks	196,332	-	-	-	196,332
Water distribution	617,944	-	20,157	-	638,101
	<u>954,659</u>	<u>-</u>	<u>34,375</u>	<u>-</u>	<u>989,034</u>
Accumulated depreciation	<u>(147,388)</u>	<u>-</u>	<u>(76,024)</u>	<u>-</u>	<u>(223,412)</u>
Capital assets, net	<u>\$ 807,271</u>	<u>\$ -</u>	<u>\$ (41,649)</u>	<u>\$ -</u>	<u>\$ 765,622</u>

**Note 4 – Long-term Debt**

Long-term debt consists of the following as of October 31, 2015:

New Mexico Finance Authority, payable monthly at \$7,283 per month until April 1, 2022, including interest at 2.75% and administrative fees of 0.25%. Pledged revenues are required to be maintained sufficient to pay an amount representing 130% of the combined maximum Aggregate Annual Debt Service. Requirements due in the subsequent year.

	\$ 507,351
Current portion of long-term debt	<u>(71,874)</u>
	<u>\$ 435,477</u>

**PENDARIES VILLAGE MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS**

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**Note 4 - Long-term Debt (continued)**

Principal payments are due as follows for the years ended October 31:

2016	\$ 71,874
2017	74,035
2018	76,262
2019	78,555
2020	80,918
2021 and thereafter	<u>125,707</u>
	<u>\$ 507,351</u>

On November 1, 2012, Pendaries Village Community Association (PVCA) conveyed, at PVCA book values, to the Association the related indebtedness, evidenced by Drinking Water State Revolving Fund Loan Agreement dated August 16, 2002 by and between the New Mexico Finance Authority ("NMFA") as lender and PVCA as borrower, with the remaining unpaid balance of approximately \$710,000, and secured by pledged revenues of PVCA assessments to its members, along with an adequate amount of PVCA assessments to provide for the ongoing operation and maintenance of the Pendaries Village Water System (PVWS).

Long-term liabilities for the year ended October 31, 2015 were as follows:

	<u>Balance 10/31/2014</u>	<u>Transferred in</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 10/31/2015</u>
NMFA Note	<u>\$ 576,802</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (69,451)</u>	<u>\$ 507,351</u>

**Note 5 - Related Parties**

A new entity, Pendaries Village Mutual Domestic Water Consumers Water Association (PVMD) was incorporated by the Pendaries Village Community Association (PVCA) Board of Directors on July 10, 2012. The PVCA water system assets and related indebtedness were conveyed, at PVCA book values, to PVMD on November 1, 2012, at which time the operation of the water system was assumed by PVMD.

PVCA and PVMD entered into a cost sharing agreement on November 1, 2012. According to the agreement all costs and expenses for the operation of the separate entities, that can be separately identified will be billed to and paid by each entity. Certain expenses, necessary for the effective and efficient operation of each, will continue to be paid by PVCA, and the portion of such costs and expenses incurred for the benefit of PVMD, will be billed to and reimbursed by PVMD on a monthly basis. PVCA billed PVMD \$32,953 for administrative costs during the fiscal year ending October 31, 2015.

**PENDARIES VILLAGE MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS**

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**Note 5 - Related Parties (continued)**

PVCA and PVMD entered into a Water Service Agreement on November 1, 2012 setting forth terms for the sale of water by PVMD to PVCA for 1) the production of water to PVCA Laguna and Spring Lake Reservoirs for golf course irrigation, and 2) the providing of water to PVCA's commercial facilities, pro-shop, snack bar, restaurant and bar, and lodge and community center. Water produced for golf course irrigation purposes was separately metered from wells number 2 and 3 and was billed on a monthly basis at a rate of \$.00075 per gallon. Water produced for domestic commercial use was billed at a flat monthly rate of \$200 for the pro-shop, \$171 for the snack bar, \$100 for the restaurant and bar, and \$150 for the lodge and community center. PVMD billed PVCA \$5,134 for golf course irrigation sales during the fiscal year ending October 31, 2015. PVMD billed PVCA \$4,425 for domestic commercial use during the fiscal year ended October 31, 2015.

PVMD and PVCA entered into an agreement on November 1, 2012 for water assessments on PVCA owned lots. Under the agreement PVMD shall bill PVCA the annually established amount of \$154 for water assessments to members, on each undeveloped lot PVCA has listed for sale. PVMD billed PVCA \$2,592 during the fiscal year ended October 31, 2015.

PVMD and PVCA entered into a water rights lease on October 18, 2012. PVCA leased to PVMD the exclusive right to the use of certain water rights as evidenced by Declaration of Owner of Underground Water Right No. CR-2380, No. CR-2381, No. CR-2382 and No. CR-2382 all dated March 31, 1993. The ownership of such rights remained with PVCA, PVMD was entitled to the full benefit from the use of the Declared Water Rights in the operation of the Pendaries Village Water System in accordance with the terms of the Agreement for Conveyance of Pendaries Village Water System, Assignment of the PVCA/RPI water rate agreement and the Cost Sharing Agreement, during the term of the lease. The term of the lease is ten (10) years, but may be revoked by PVCA for good cause, which may include, but not be limited to failure to uphold the provisions of the Agreement for Conveyance of Pendaries Village Water System, Assignment of the PVCA/RPI Water Rate Agreement, the Costs Sharing Agreement or any other action which places PVCA water rights in jeopardy with the OSE. The lease may be extended for additional ten (10) year terms.