



STATE OF NEW MEXICO

**Polvadera Mutual Domestic Water Consumers
Association**

Independent Accountants' Report on Applying
Agreed-Upon Procedures-Tier 4

Year Ended December 31, 2015

STATE OF NEW MEXICO

Polvadera Mutual Domestic Water Consumers Association

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STATE OF NEW MEXICO
Polvadera Mutual Domestic Water Consumers Association

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**STATE OF NEW MEXICO
POLVADERA MUTUAL DOMESTIC CONSUMERS ASSOCIATION**

**Official Roster
at December 31, 2015**

<u>Name</u>	<u>Title</u>
<u>Board Members</u>	
Robert Jaramillo	President
William Chavez	Vice President
Jose Vega	Treasurer
Robert Vega	Secretary
David DiBartolomeo	Member



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES**

To: Robert Jaramillo
Polvadera Mutual Domestic Water Consumers Association
Board of Directors
and
Timothy Keller
New Mexico State Auditor

We have performed the procedures enumerated below for the Polvadera Mutual Domestic Water Consumers Association (Association) for the year ended December 31, 2015, solely to assist the Association in demonstrating compliance with the provisions of Laws of 2008, Chapter 83, as set forth in the accompanying Projects Schedules – Summary and Detail, Exhibits A and B. The Association was determined to be a Tier 4 entity under the Audit Act, Section 12-6-3 B (5) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by the Association through the Office of the New Mexico State Auditor. The Association's management is responsible for the organization's accounting records. 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. Our procedures and findings follow.

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.

Precision Accounting, LLC determined that bank reconciliations were complete and on-hand and appears to have been performed timely.

- 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.

Precision Accounting, LLC selected three months of bank reconciliations and tested them for accuracy and traced ending balances to the general ledger and other supporting documentation and financial reports.

- 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.

Precision Accounting, LLC noted that the Association did not exceed the \$250,000 FDIC insurance on its bank accounts. The Association does have an investment account that is not secured and therefore does not meet the requirements of the Public Monies Act.

2. Capital Assets

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

Precision Accounting, LLC verified that the Association has an inventory listing that is updated annually and that depreciation is being determined and recorded.

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.

Precision Accounting, LLC performed the analytical review of budget to actual, noting explanations for the differences.

Test a sample of the total amount of revenues for the following attributes:

- b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.

Precision Accounting, LLC reviewed revenues and agreed them to supporting documentation, the general ledger and the bank statements.

- 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.

Precision Accounting, LLC reviewed the revenues, noting agreement with supporting documentation, proper classification and recording in the general ledger.

4. Expenditures

Select a sample of cash disbursements and test the total amount of expenditures for 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.
- 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).

Precision Accounting, LLC reviewed expenditures, and verified the disbursement agrees to the supporting documentation and that the transactions were properly authorized and approved. Precision Accounting, LLC also verified that the transactions were in compliance with the New Mexico Procurement Code and the State Purchasing Act 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 items for the following attribute:

- a) Journal entries appear reasonable and have supporting documentation.

Precision Accounting, LLC reviewed all Journal Entries made during the year and determined that they were reasonable and had 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.

Precision Accounting, LLC reviewed all Journal Entries made during the year, noting that a review is done during board meetings and is documented in the board minutes.

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 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.

Precision Accounting, LLC reviewed the budget submitted to DFA for approval and noted DFA approval was provided in correspondence to the Association.

No other information has come to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance or any internal control deficiencies.

* * * *

We were not engaged to, and did not conduct an audit of financial statements or any part thereof, the objective of which would be the expression of an opinion on the financial statements or a part thereof, including the accompanying Projects Schedules – Summary and Detail, Exhibits A and B. 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 Polvadera Mutual Domestic Water Consumers Association, the New Mexico State Auditor's Office and the Department of Finance and Administration, Local Government Division and is not intended to be and should not be used by anyone other than those specified parties.

Precision Accounting, LLC

Precision Accounting, LLC
Albuquerque, NM
May 1, 2016

STATE OF NEW MEXICO
 Polvadera Mutual Domestic Water Consumers Association
 Enterprise Fund
 Statement of Revenues and Expenditures
 Budget and Actual (Non-GAAP Basis)
 For the Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Fees and charges	\$ 228,000	\$ 228,000	\$ 200,150	\$ (27,850)
Miscellaneous	18,611	18,611	2,056	(16,555)
<i>Total revenues</i>	246,611	246,611	202,206	(44,405)
<i>Expenditures:</i>				
Current:				
Annual Meeting Expenses	1,742	1,742	3,778	(2,036)
Refreshments	216	216	121	95
Bank Service Charges	72	72	53	19
Credit Card Merchant Fees	2,100	2,100	2,243	(143)
Contract Labor	4,800	4,800	7,115	(2,315)
Depreciation Expense	50,124	50,124	50,132	(8)
Director Fees	5,700	5,700	6,935	(1,235)
Dues and Subscriptions	3,000	3,000	5,049	(2,049)
Electric	21,000	21,000	23,992	(2,992)
Fuel & Oil	2,172	2,172	1,499	673
Insurance - Other	8,184	8,184	8,928	(744)
Interest Expense	4,092	4,092	1,768	2,324
Internet Service	65	65	65	-
Lab Expense	-	-	440	(440)
Legal & Professional	9,396	9,396	4,743	4,653
Licenses and Permits	83	83	118	(35)
Miscellaneous	1,392	1,392	3,664	(2,272)
Office Supplies	1,560	1,560	2,472	(912)
Gross Wages	66,996	66,996	73,447	(6,451)
Payroll Taxes	5,400	5,400	5,887	(487)
Pest Control	1,073	1,073	1,073	-
Propane	777	777	358	419
Postage and Delivery	3,300	3,300	3,641	(341)
Repairs	600	600	2,168	(1,568)
Supplies-Field	12,000	12,000	10,558	1,442
Scholarship Fund	2,000	2,000	3,000	(1,000)
Gross Receipt Tax	9,276	9,276	9,707	(431)
Conservation fee	1,896	1,896	1,836	60
Telephone	1,692	1,692	1,851	(159)
Travel	504	504	2,160	(1,656)
Uncategorized Expenses	24,624	24,624	-	24,624
<i>Total expenditures</i>	245,836	245,836	238,801	7,035
Operating income	775	775	(36,595)	(37,370)
Non-operating revenues:				
Beginning cash balance	(204,903)	(204,903)	-	204,903
Interest income	-	-	9	9
Non-operating income	(204,903)	(204,903)	9	204,912
Change in Net assets (Non-GAAP basis)	\$ (204,128)	\$ (204,128)	\$ (36,586)	\$ 167,542

Polvadera M.D.W.C. Association
Balance Sheet
As of December 31, 2015

Dec 31, 15

ASSETS

Current Assets

Checking/Savings

Checking	3,322.68
Savings	1,839.03
Mainstay Funds-Checking-48	147.28
Mainstay Funds - 643	55,464.60
Mainstay Funds - 1940	139,460.87
Mainstay Funds - 2542	4,668.93

Total Checking/Savings 204,903.39

Other Current Assets

Petty Cash	250.00
Water Receivables	
Customer Receivables	40,146.27
Allowance for Uncolletable	-10,212.00

Total Water Receivables 29,934.27

Total Other Current Assets 30,184.27

Total Current Assets 235,087.66

Fixed Assets

Buildings & Office Equip	114,919.30
System and Storage	1,442,427.74
Pumps & Testment Equipment	177,305.97
Wells	211,332.14
Water Rights	171,159.00
Accumulated Depreciation	-954,930.04

Total Fixed Assets 1,162,214.11

TOTAL ASSETS 1,397,301.77

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Other Current Liabilities

Accounts Payable	98.31
Gross Receipts Payable	707.84

Payroll Liabilities

941 Payable	1,629.13
State Withholding	141.72

Total Payroll Liabilities 1,770.85

Total Other Current Liabilities 2,577.00

Total Current Liabilities 2,577.00

Long Term Liabilities

Membership Acct. Deposits	22,214.58
Loan Payable	
GEC #01	14,968.19
GEC #02	2,940.42

Total Loan Payable 17,908.61

Total Long Term Liabilities 40,123.19

Total Liabilities 42,700.19

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Accrual Basis

Polvadera M.D.W.C. Association
Balance Sheet
As of December 31, 2015

	<u>Dec 31, 15</u>
Equity	
Contributed Capital	513,278.12
Retained Earnings	878,610.30
Net Income	<u>-37,286.84</u>
Total Equity	<u>1,354,601.58</u>
TOTAL LIABILITIES & EQUITY	<u><u>1,397,301.77</u></u>

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01/23/16

Accrual Basis

Polvadera M.D.W.C. Association
Profit & Loss Budget Performance
 January through December 2015

	Jan - Dec 15	Budget	Jan - Dec 15	YTD Budget	Annual Budget
Income					
Water Sales	200,150.35	228,000.00	200,150.35	228,000.00	228,000.00
Returned Checks	-119.06	0.00	-119.06	0.00	0.00
Interest Income-op	8.98	11.06	8.98	11.06	11.06
Dividends	4,373.28		4,373.28		
Unrealized Gain (Loss) Inv...	-9,200.86		-9,200.86		
Other Income					
Meter Transfer Fee	800.00	2,400.00	800.00	2,400.00	2,400.00
New Membership Fees	2,000.00	14,400.00	2,000.00	14,400.00	14,400.00
Other Income - Other	3,501.39	1,800.00	3,501.39	1,800.00	1,800.00
Total Other Income	6,301.39	18,600.00	6,301.39	18,600.00	18,600.00
Total Income	201,514.08	246,611.06	201,514.08	246,611.06	246,611.06
Gross Profit	201,514.08	246,611.06	201,514.08	246,611.06	246,611.06
Expense					
*Payroll Expenses	0.00		0.00		
Annual Meeting Expenses	3,777.80	1,741.57	3,777.80	1,741.57	1,741.57
Refreshments	121.16	216.00	121.16	216.00	216.00
Bank Service Charges	52.53	72.00	52.53	72.00	72.00
Credit Card Merchant Fees	2,242.95	2,100.00	2,242.95	2,100.00	2,100.00
Contract Labor	7,115.00	4,800.00	7,115.00	4,800.00	4,800.00
Depreciation Expense	50,132.04	50,124.00	50,132.04	50,124.00	50,124.00
Director Fees	6,935.00	5,700.00	6,935.00	5,700.00	5,700.00
Dues and Subscriptions	5,048.98	3,000.00	5,048.98	3,000.00	3,000.00
Electric	23,992.27	21,000.00	23,992.27	21,000.00	21,000.00
Fuel & Oil	1,499.44	2,172.00	1,499.44	2,172.00	2,172.00
Insurance					
Employee Health Insura...	0.00	0.00	0.00	0.00	0.00
Insurance - Other	8,928.15	8,184.00	8,928.15	8,184.00	8,184.00
Total Insurance	8,928.15	8,184.00	8,928.15	8,184.00	8,184.00
Interest Expense	1,767.64	4,092.00	1,767.64	4,092.00	4,092.00
Internet Service	64.92	64.56	64.92	64.56	64.56
Lab Expense	439.50		439.50		
Legal & Professional	4,742.93	9,396.00	4,742.93	9,396.00	9,396.00
Licenses and Permits	118.20	83.20	118.20	83.20	83.20
Miscellaneous	3,664.34	1,392.00	3,664.34	1,392.00	1,392.00
Office Supplies	2,472.43	1,560.00	2,472.43	1,560.00	1,560.00
Payroll Expenses					
Gross Wages	73,446.60	66,996.00	73,446.60	66,996.00	66,996.00
Payroll Taxes	5,887.18	5,400.00	5,887.18	5,400.00	5,400.00
Total Payroll Expenses	79,333.78	72,396.00	79,333.78	72,396.00	72,396.00

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Accrual Basis

Polvadera M.D.W.C. Association
Profit & Loss Budget Performance
January through December 2015

	Jan - Dec 15	Budget	Jan - Dec 15	YTD Budget	Annual Budget
Pest Control	1,072.80	1,072.80	1,072.80	1,072.80	1,072.80
Propane	357.64	776.81	357.64	776.81	776.81
Postage and Delivery	3,640.80	3,300.00	3,640.80	3,300.00	3,300.00
Repairs	2,168.43	600.00	2,168.43	600.00	600.00
Supplies-Field	10,558.41	12,000.00	10,558.41	12,000.00	12,000.00
Scholarship Fund	3,000.04	2,000.00	3,000.04	2,000.00	2,000.00
Taxes					
Gross Receipt Tax	9,707.31	9,276.00	9,707.31	9,276.00	9,276.00
Conservation fee	1,836.06	1,896.00	1,836.06	1,896.00	1,896.00
Total Taxes	11,543.37	11,172.00	11,543.37	11,172.00	11,172.00
Telephone	1,850.64	1,692.00	1,850.64	1,692.00	1,692.00
Travel	2,159.73	504.00	2,159.73	504.00	504.00
Uncategorized Expenses	0.00	24,624.00	0.00	24,624.00	24,624.00
Total Expense	238,800.92	245,834.94	238,800.92	245,834.94	245,834.94
Net Income	-37,286.84	776.12	-37,286.84	776.12	776.12

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current Year Findings: Noncompliance with Public Monies Act	D	N/A	2015-001

Prior Year Findings:
None

*** Legend for Findings:**

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

2015-001 Noncompliance with Public Monies Act

CONDITION: During the application of the agreed upon procedures, we noted that the Association has an investment account that does not meet the requirements of 1978 NMSA 6-10-17, the Public Monies Act.

"CRITERIA: NMSA 1978 section 6-10-17 states ""Any bank or savings and loan association designated as a depository of public money shall deliver securities of the kind specified in Section 6-10-16 NMSA 1978 to a custodial bank described in Section 6-10-21 NMSA 1978 and shall then deliver a joint safekeeping receipt issued by the custodial bank to the public official from whom or the public board from which the public money is received for deposit. The securities delivered shall have an aggregate value equal to one-half the amount of public money to be received in accordance with Subsection B of Section 6-10-16 NMSA 1978. However, any such bank or savings and loan association may deliver a depository bond executed by a surety company as provided in Section 6-10-15 NMSA 1978 as security for any portion of a deposit of public money."

CAUSE: The Association has had this account for fifteen (15) years. Until recently, the Association was not aware that it was considered a local public body and was unaware of the requirement to comply with the public monies act.

EFFECT: The effect is that the Association is at 100% risk of loss on the investments. These monies are public monies and cannot bear more than a 50% risk of loss according to the Public Monies Act.

RECOMMENDATION: The Association should immediately transfer the monies to an account that is in compliance with 1978 NMSA 6-10-17. The NM State Treasurer as well as other financial institutions can meet the requirement. The Association should notify the institution that it is a local public body subject to governmental regulations.

CLIENT RESPONSE: Effective immediately, the Office Manager will take this issue to the Association's Board who will review its investments and will transition these funds to an account that meets the public monies act. It is anticipated that this will be remediated by June 30, 2016.

EXIT CONFERENCE

The report contents were discussed at an exit conference held on April 30, 2016 with the following in attendance:

Polvadera Mutual Domestic Water Consumers Association

Theresa Chavez, Office Manager

Accounting Firm

Melissa R. Santistevan, CPA, CFE, CICA, CGMA