



**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURES - TIER 4**

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

DECEMBER 31, 2017

**STATE OF NEW MEXICO
POLVADERA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
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DECEMBER 31, 2017**

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STATE OF NEW MEXICO
POLVADERA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
OFFICIAL ROSTER
DECEMBER 31, 2017

Board Members

Robert Jaramillo	President
William Chavez	Vice President
Jose Vega	Treasurer
Robert Vega	Secretary
David DiBartolomeo	Member



INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Robert Jaramillo, President
Polvadera Mutual Domestic Water Consumers Association
Lemitar, New Mexico
&
Mr. Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico

We have performed the procedures enumerated below for the Polvadera Mutual Domestic Water Consumers Association (Association) for the year ended December 31, 2017, solely to assist the Association in demonstrating compliance with a Tier 4 entity under the Audit Act, Section 12-6-3 B (5) NMSA 1978, Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978, as set forth in the accompanying Exhibits A and B. 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. **Verify** the local public body’s revenue calculation and tier determination documented on the form provided at www.osanm.org under “Tiered System Reporting Main Page.”

Jaramillo Accounting Group LLC (JAG) verified the revenue calculation and tier determination. This resulted in a drop to a Tier 4 engagement from the Association’s initial determination of a Tier 6 engagement.

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.

JAG determined that bank reconciliations were complete and on-hand and appear to have been performed timely for the checking and savings accounts. They are also sent monthly to their contracted CPA for review.

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- b) Test at least 30% of the bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation, and the financial reports submitted to DFA-Local Government Division.

JAG selected four months of bank reconciliations for the checking account and two quarters for three savings accounts; tested the bank reconciliations for accuracy and traced ending balances to the general ledger, 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.

JAG noted that the Association's bank accounts did not exceed \$250,000 and thus pledged collateral was not required on any of its bank accounts.

3. Capital Assets

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

JAG noted that a yearly inventory is not performed as required by Section 12-6-10 NMSA 1978. See Finding 2016-003.

4. 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.

JAG performed an analytical review of budget to actual for each type of revenue.

- b) Select and test a sample of revenue equal to at least 30% of the total amount of revenues for the following attributes:

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

JAG reviewed the 25 highest dollar cash receipts and an additional 10 random cash receipts, and agreed them to supporting documentation, general ledger, and bank statements.

- ii. Proper recording of classification, amount, period per review of supporting documentation, and the general ledger. Perform this revenue work on the same accounting basis that the

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&
Mr. Wayne Johnson
New Mexico State Auditor

local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

JAG reviewed the 25 highest dollar cash receipts and an additional 10 random cash receipts, noting agreement with proper supporting documentation, proper classification, and recording in the general ledger.

5. Expenditures

Select a sample of cash disbursements equal to at least 30% of the total dollar amount 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, 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).

JAG reviewed the 15 highest dollar expenditures and an additional 10 random expenditures. Additionally, we haphazardly selected a sample of 12 payroll expenditures. We verified the disbursements agreed to the supporting documentation and that the transactions were properly authorized and approved. JAG also verified that the transactions were in compliance with the New Mexico Procurement Code, the State Purchasing Act and Regulations Governing the Per Diem and Mileage Act.

6. Journal Entries

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

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

JAG reviewed the QuickBooks listing of journal entries recorded during the year and determined that they were routine and appeared reasonable. JAG also noted the journal entry and supporting documentation to record the NMFA grant for \$37,500.

- b) The local public body has policies and procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

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JAG reviewed all journal entries made during the year, noting that a review is done during board meetings and is documented in the board minutes.

7. Budget

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

- 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.

JAG reviewed the board-approved original budget submitted to DFA-LGD for approval and noted DFA approval was provided in correspondence to the Association. We noted that the Association did not process any budget adjustment requests during the fiscal year. See Finding 2016-005. See Exhibit A.

8. 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 detailed in Section 2.2.10(L) NMAC.

No other information or findings came to our attention during the engagement.

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New Mexico State Auditor

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct an examination or a review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Tier Verification, Cash, Capital Assets, Revenue, Expenditures, Journal Entries, Budget and Other of the Association as of and for the year ended December 31, 2017, included in the accompanying information provided to us by management of the Association. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Polvadera Mutual Domestic Water Consumers Association, the New Mexico State Auditor's Office, the Department of Finance and Administration - Local Government Division, and the New Mexico Legislature. It is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink, appearing to read "JAG LLC", with a stylized flourish above the letters.

Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
May 3, 2018

STATE OF NEW MEXICO
POLVADERA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (INCOME TAX BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2017

EXHIBIT A

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
Revenues				
Fees and charges	\$ 254,520	\$ 254,520	\$ 232,583	\$ (21,937)
Miscellaneous (includes grants)	3	3	38,055	38,052
Total Revenues	254,523	254,523	270,638	16,115
Expenditures				
Salaries - Operator, Bookkeeper, etc.	95,520	95,520	98,723	(3,203)
Employee Benefits and Expenses	-	-	-	-
Electricity	24,000	24,000	27,215	(3,215)
Other Utilities - Gas, Water, Sewer, Telephone	3,301	3,301	3,481	(180)
System Parts and Supplies	11,040	11,040	11,681	(641)
System Repairs and Maintenance	2,400	2,400	142	2,258
Vehicle Expenses	-	-	344	(344)
Office and Administrative Expenses	64,294	64,294	62,546	1,748
Professional Services - Accounting, Engineering, Legal	4,640	4,640	7,609	(2,969)
Insurance	9,000	9,000	10,738	(1,738)
Dues, Fees, Permits and Licenses	5,160	5,160	5,717	(557)
Taxes	11,928	11,928	12,929	(1,001)
Training	-	-	-	-
Miscellaneous (includes grants)	9,720	9,720	43,386	(33,666)
Annual Debt Service - Loan 1	5,100	5,100	-	5,100
Total Expenditures	246,103	246,103	284,511	(38,408)
Excess revenues over (under) expenditures	\$ 8,420	\$ 8,420	\$ (13,873)	\$ (22,293)

Polvadera M.D.W.C. Association
Statement of Revenues & Expenses - Income Tax Basis
For the Period Ended

	Jan - Dec 17	Jan - Dec 16
Income		
Water Sales	232,083.01	206,422.42
Interest Income-op	24.76	10.67
Interest Income-CD	530.06	203.01
Dividends	0.00	2,966.63
Grants	37,500.00	0.00
Gain (Loss) Investments	0.00	4,696.40
Other Income		
Meter Transfer Fee	200.00	1,500.00
New Membership Fees	0.00	6,100.00
Other Income - Other	300.00	132.09
Total Other Income	500.00	7,732.09
Total Income	270,637.83	222,031.22
Gross Profit	270,637.83	222,031.22
Expense		
EMPLOYEE BENEFITS & EXPENSES		
Gross Wages	75,252.77	70,327.83
Payroll Taxes	6,035.33	5,703.12
Director Fees	6,650.00	7,220.00
Contract Labor	10,784.75	10,802.64
Total EMPLOYEE BENEFITS & EXPEN...	98,722.85	94,053.59
ELECTRICITY	27,215.25	23,958.70
OTHER UTILITIES		
Internet Service	69.02	66.60
Pest Control	1,072.80	1,072.80
Propane	379.00	742.28
Telephone	1,959.91	1,890.86
Total OTHER UTILITIES	3,480.73	3,772.54
SYSTEM Parts and Supplies	11,680.94	14,593.74
SYSTEM Repairs and Maintenance	141.84	49.60
Vehicle Expenses	344.13	1,901.24
OFFICE & ADMIN EXPENSES		
Annual Meeting Expenses	4,541.22	1,677.05
Bank Service Charges	38.54	673.16
Credit Card Merchant Fees	2,877.75	1,984.28
Depreciation Expense	49,656.96	49,838.37
Interest Expense	375.10	565.04
Meeting	16.06	90.48
Office Supplies	1,913.15	3,126.02
Office Building R&M	0.00	47.00
Postage and Delivery	3,126.85	3,095.73
Total OFFICE & ADMIN EXPENSES	62,545.63	61,097.13
PROFESSIONAL SERVICES		
Lab Expense	0.00	144.69
Legal & Professional	7,609.18	4,742.93
Total PROFESSIONAL SERVICES	7,609.18	4,887.62
Insurance	10,738.45	9,743.62
Dues Fees Permits & Licenses	5,725.67	5,408.40
Taxes		
Conservation fee	2,024.80	1,886.93
Gross Receipt Tax	10,905.06	10,018.34
Total Taxes	12,929.86	11,905.27
MISCELLANEOUS EXPENSES		
Fuel & Oil	742.62	0.00

Polvadera M.D.W.C. Association
Statement of Revenues & Expenses - Income Tax Basis
For the Period Ended

	Jan - Dec 17	Jan - Dec 16
Grant Expense	37,500.00	0.00
Miscellaneous	1,674.71	1,946.64
Penalties	15.12	210.29
Scholarship Fund	1,667.00	1,334.00
Travel	1,786.87	472.45
Total MISCELLANEOUS EXPENSES	43,386.32	3,963.38
Ads & Notifications	0.00	147.21
Total Expense	284,520.85	235,482.04
Net Income	-13,883.02	-13,450.82

Polvadera M.D.W.C. Association
Statement of Assets, Liabilities & Equity - Income Tax Basis
As of the Date

	Dec 31, 17	Dec 31, 16
ASSETS		
Current Assets		
Checking/Savings		
Washington Federal (CD # 66...	58,572.79	58,338.97
Nusenda Credit Union	129,618.66	129,322.42
Checking	25,851.64	9,866.44
Savings	14,554.35	13,042.50
Total Checking/Savings	228,597.44	210,570.33
Other Current Assets		
Petty Cash	250.00	250.00
A/R Other	0.00	4,554.39
Water Receivables		
Customer Receivables	46,598.64	43,446.90
Allowance for Uncollectable	-10,212.00	-10,212.00
Total Water Receivables	36,386.64	33,234.90
Total Other Current Assets	36,636.64	38,039.29
Total Current Assets	265,234.08	248,609.62
Fixed Assets		
Buildings & Office Equip	114,919.30	114,919.30
System and Storage	1,442,427.74	1,442,427.74
Pumps & Testment Equipment	177,305.97	177,305.97
Wells	211,332.14	211,332.14
Water Rights	186,409.00	171,409.00
Construction in Progress	12,500.00	12,500.00
Accumulated Depreciation	-1,054,425.37	-1,004,768.41
Total Fixed Assets	1,090,468.78	1,125,125.74
TOTAL ASSETS	1,355,702.86	1,373,735.36
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Other Current Liabilities		
Accounts Payable	131.32	130.80
Gross Receipts Payable	867.72	704.70
Payroll Liabilities		
941 Payable	1,737.22	1,660.56
State Withholding	169.94	158.21
Total Payroll Liabilities	1,907.16	1,818.77
Total Other Current Liabilities	2,906.20	2,654.27
Total Current Liabilities	2,906.20	2,654.27
Long Term Liabilities		
Membership Acct. Deposits	24,422.97	23,724.58
Loan Payable		
GEC #01	0.00	5,099.80
Total Loan Payable	0.00	5,099.80
Total Long Term Liabilities	24,422.97	28,824.38
Total Liabilities	27,329.17	31,478.65
Equity		
Contributed Capital	513,278.12	513,278.12
Retained Earnings	828,978.59	842,429.41
Net Income	-13,883.02	-13,450.82
Total Equity	1,328,373.69	1,342,256.71

Polvadera M.D.W.C. Association
Statement of Assets, Liabilities & Equity - Income Tax Basis
As of the Date

	Dec 31, 17	Dec 31, 16
TOTAL LIABILITIES & EQUITY	<u>1,355,702.86</u>	<u>1,373,735.36</u>

**STATE OF NEW MEXICO
POLVADERA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2017**

2016-001	LATE REPORT	Resolved
2016-002	BANK RECONCILIATIONS	Resolved
2016-003	YEARLY PHYSICAL INVENTORY	Repeated
2016-004	SUPPORTING DOCUMENTATION FOR EXPENDITURES	Resolved
2016-005	ACTUAL EXPENDITURES EXCEEDED BUDGETED AMOUNTS	Repeated

**STATE OF NEW MEXICO
POLVADERA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2017**

2016-003 Yearly Physical Inventory – Compliance

Condition

The Association did not perform a yearly physical inventory of capital assets at or near year end. The Association did not make progress with corrective action on this finding from last year.

Criteria

Section 12-6-10 NMSA 1978 requires an annual physical inventory of capital assets.

Effect

The Association is not in compliance with applicable statutes, thus creating a risk that assets may not be accurately tracked and reported.

Cause

The Association has not historically performed a physical inventory and was not aware of the requirement to do so.

Auditor's Recommendation

The Association should ensure that in the future a yearly physical inventory is performed.

Management's Response

The Association will ensure in the future that a physical inventory is performed yearly.

Person responsible

Board and Association Office Manager.

Timeline of corrective action

By the end of fiscal year 2018.

STATE OF NEW MEXICO
POLVADERA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
YEAR ENDED DECEMBER 31, 2017

2016-005 Actual Expenditures Exceeded Budgeted Amounts – Compliance

Condition

Actual expenditures exceeded the approved budget by \$38,417 for the fiscal year. The Association did not make progress with corrective action on this finding from last year.

Criteria

New Mexico State Statutes Section 6-6-6 states that all approved budgets shall bind all officials and governing authorities and no official can pay claims in excess of the approved budget.

Effect

The Association is not in compliance with DFA-LGD approved budget.

Cause

The Association did not process budget adjustments to cover anticipated expenditures.

Auditor's Recommendation

The Association should ensure that in the future all budget adjustments are processed in order to be in compliance with the approved budget.

Management's Response

The Association will ensure in the future all accounts are reconciled in a timely manner.

Person responsible

Board and Association Office Manager.

Timeline of corrective action

By the end of fiscal year 2018.

**STATE OF NEW MEXICO
POLVADERA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
EXIT CONFERENCE
YEAR ENDED DECEMBER 31, 2017**

The contents of this report were discussed on May 3, 2018. The following individuals were in attendance.

Polvadera Mutual Domestic Water Consumers Association

Robert Jaramillo, Board President
Theresa Chavez, Office Manager

Jaramillo Accounting Group LLC (JAG)

Audrey J. Jaramillo, CPA, CFE, Managing Partner