

Purchasing, Contracting and Payment
Practice and Procedures

of

La Mesa Water Cooperative
P.O. Box 53
Placitas, NM 87043

Approved by the Board of Directors on _____

President:  date 1/25/05

Treasurer:  date 1/25/05

Secretary:  date 1/25/05

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PURPOSE

The purpose of this procedure is to establish a common understanding within the Cooperative and with the Cooperative's suppliers and customers for handling financial transactions, including purchases, payments, and contracting. This procedure is designed to provide clarification to the Corporate Bylaws and shall not be interpreted as replacing or changing the wording, letter or intent of the Bylaws.

DEFINITIONS

Term	Definition
Approved Budget	The budget submitted annually by the Board of Directors to the membership for approval and approved by them with changes if necessary.
Budgeted	Included within the Approved Budget -budgeted expenditures must be reasonably characterized by the budget line description.
Unbudgeted	Classified as "other" or "miscellaneous" or was not included in the Approved Budget.
Expenditure	A payment in full for services or materials that constitute a task or project
Task	Services and/or materials of a common (similar) type that separately or combined complete an element of a project.
Project	One or more tasks that are performed in a sequence or at the same time at one or more sites and have a common (similar) product or result.
Revenue	Income received in exchange for Cooperative services (delivery of water).

PURCHASES AND CONTRACTS

This section deals with acquisitions of services, equipment, materials and supplies by the Cooperative and identifies which officers have the authority to obligate the Cooperative financially. Payment of authorized obligations is covered in a separate section.

Schedule of Authorizations

Type	Amount	Purpose	Initiator	Notification or Approval
Unbudgeted Purchase	<\$2000	Administrative	President Treasurer or Secretary	Board Notified next Meeting
		Operations	VP Operat'ns	
		Projects	VP Projects	
	\$2,000 to <\$5,000	Administrative	President Treasurer or Secretary	Board of Directors approves issuing RFQ, contractor selection and contract award. OR Board approves Sole Source Procurement
		Operations	VP Operat'ns	
		Projects	VP Projects	
	>\$5000	Any non-emergency		Generally not allowed – must be submitted to the Cooperative membership for approval.
	Up to limit of reserve & operating funds	Water Supply Emergency	President VP Operat'ns VP Proj.	Action as necessary, Board notified within 24 hours.

Budgeted Purchases, Contracts for Services and Materials	<\$500	Any	Any Officer	None
	\$500 to <\$2000	Any	Any Officer	Board Notified next Meeting
	\$2,000 & up	Administrative	President, Treasurer or Secretary issues RFQ	Board of Directors approves contractor selection and contract award. OR Board approves Sole Source Procurement.
	<\$2,000	Operations	VP Operat'ns	Board Notified next Meeting
		Projects	VP Projects	Board Notified next Meeting
	\$2,000 to <\$10,000	Operations	VP Operat'ns issues RFQ	Board of Directors approves contractor selection and contract award. OR Board approves Sole Source Procurement.
		Projects	VP Projects issues RFQ	Board of Directors approves contractor selection and contract award. OR Board approves Sole Source Procurement.
	\$10,000 and up	Operations	VP Operat'ns issues RFQ	Board of Directors approves contractor selection and contract award. Sole Source Procurement not permitted.
		Projects	VP Projects issues RFQ	Board of Directors approves contractor selection and contract award. Sole Source Procurement not permitted.

CONTRACTS AND BIDS

All contracts for services or materials that are \$2,000 or greater should be competitively bid by requesting bids from at least three prospective contractors. The contract shall be awarded to the bidder that meets the bid specifications and provides the best value in providing the requested materials, services, etc. as determined by a Bid Review Committee of at least three persons, one of whom must be a Board Member. If the Bid Review Committee determines that none of the bids are satisfactory (or if no bids are received) the Cooperative may

1. Issue a new "Request for Bids" with different specifications (perhaps a narrowing of the scope of work) to broaden the number of qualified bidders
2. Seek additional qualified contractors to meet the original specifications. If one is found they may be awarded a sole source contract with Board approval.

It is recognized that in certain areas, such as construction-related endeavors, contracts of \$2,000 may not attract any bidders. If the contract amount is less than \$10,000, a sole source contract may be awarded with Board approval. The request for approval shall include a justification for the sole source award together with evidence that the contractor is able to perform the work satisfactorily.

Contracts for services or materials that are less than \$2,000 do not require competitive bids. However, several small contracts (less than \$2,000) may NOT be combined to accomplish a project or task that costs more than \$2,000.

Contracts are required for all purchases of services and/or materials over \$2,000 or for a performance time of greater than 30 days. The contract shall:

1. Describe the project or task
2. Specify the service or materials to be delivered, including a delivery schedule
3. State that the contractor accepts all liability arising from the contract
4. Contractor shall deliver an insurance certificate showing an appropriate level of liability and automobile insurance
5. Specify an end to the contract
6. Specify payment terms and conditions
7. State that contractor is NOT an employee of La Mesa Water Cooperative and is not eligible for LMWC benefits or insurance coverage.
8. Be signed by the owner, officer, principal or authorized officer of the contractor's firm and accepted by the President and Treasurer of La Mesa Water Cooperative
9. Include the contractor's Federal Tax Identification Number

All contracts shall be signed by the President or a person delegated to do so by the President.

PAYMENT PROCEDURE

All requests for payment shall be submitted to the Bookkeeper. The request for payment shall include the

1. Date,
2. Purpose for the payment,
3. Total amount for payment,
4. Project name-(if applicable),
5. Account or account name, and
6. The submitting persons statement, with signature and date, that "*The [services/materials/equipment supplies] covered by the expenditure have been received and the expense [is within the approved budget was approved by]*". (brackets enclose options – pick one or more as appropriate)
7. All receipts or invoices shall be attached to match the total payment requested.

Only the Bookkeeper may issue checks for signature, and only when the above information has been provided.

The Treasurer shall sign all checks. Checks for more than \$2,000 require a second signature.[†]

Checks will generally be issued twice monthly unless extraordinary circumstances are involved.

* See the By-Laws, Article VII, Section 6.a "The President ... shall sign all written instruments ... on behalf of the Cooperative"

† See the By-Laws, Article VII, Section 6.d "The Treasurer ... shall sign all checks and promissory notes of the Cooperative ..." The second signature is required by the bank.

Note that the Treasurer is able to disburse funds only as directed by the Board of Directors. The following constitute Board directions by resolution: 1) all payments pursuant to a contract approved by the Board, including payments to the Bookkeeper and Secretary; 2) purchases, less than \$2,000, that are part of a project authorized by the Board through inclusion in the Annual Budget; 3) individual purchases, less than \$250, that are required for the administrative functions of the Cooperative, and 4) other purchases for which payment is approved through a Board resolution.

INCOME AND RECEIVABLES

All Cooperative revenue shall be sent to the Cooperative Bookkeeper and promptly deposited in the Cooperative accounts. All revenue shall be in accordance with the Cooperatives pricing schedule, as approved by the Board of Directors. Members who are delinquent shall be notified by the Cooperative Bookkeeper and dealt with in accordance with the By-Laws.

Any other payments to the Cooperative shall be provided to the Bookkeeper or Treasurer and promptly deposited to the Cooperative accounts.

CLASSIFICATION OF EXPENSES

All expenses shall be classified as capital or operating expenses. Capital expenses shall be all expenses that are for the purchase and/or installation of durable equipment that is expected to last 3 or more years in service. The equipment shall be to provide LMWC with new types of capabilities or services or to replace existing capital equipment that has reached its end of life. The equipment use, function and life shall be in accordance with IRS and FASB standards as capital equipment. A depreciation life shall be established consistent with the IRS and FASB.

All equipment that is NOT capital equipment shall be expensed on the income statement.

AUTHORIZED ACCOUNTS

The attached are the authorized accounts for La Mesa Water Cooperative, and shall not be changed without the approval of the President and Treasurer. In the table, when a major account has sub-accounts, those are shown below and to the right in the Sub-Account column. Entries that are in capital letters (but not bold face) are titles, not accounts. Entries in bold are totals for the sections with titles.

See the By-Laws, Article VII, Section 6.d "The Treasurer ... shall disburse such funds as directed by resolution of the Board of Directors ..."

CHART OF ACCOUNTS

Acc. #	Major Account	Sub-Account
1000	ASSETS	
1010	CURRENT ASSETS	
1050	Checking-First State Bank	
1060		Operating Fund
1070		Current Projects Fund
1080		Future Projects Fund
1100	CDs - First State Bank	
1110		Reserve Fund
1200	Accounts Receivable	
1400	Total Current Assets	
1450	FIXED ASSETS	
1460	Control System	
1461		Automatic Pump Control
1470	Distribution System	
1471		Distribution System - LM
1472		Distribution System - SM
1473		Engineering
1474		Tanks, Pump House, Piping
1480	Wells	
1481		Well #
1482		Well #2
1483		Well #3
1484		Well #4
1490	Land & Erosion Control	
1491		Well Site #1
1492		Well Site #2
1493		Retaining Wall
1494		Landscaping
1495		Well Site #4 Easement
1500	Water Rights	
1510	Office Equip. & Furniture	
1511		Office Equipment
1512		Office Furniture
1600	Accumulated Depreciation	
1650	Total Fixed Assets	
1700	OTHER ASSETS	
1750	Prepaid Insurance	
1900	Deposit - La Mesa ACC	
1950	Total Other Assets	
1990	TOTAL ASSETS	
2000	LIABILITIES & EQUITY	
2010	CURRENT LIABILITIES	
2050	Accounts Payable	
2150	Notes Payable - Bank	
2360	Gross Rec'pt Tax Payable	
2400	Suspense	
2450	Total Current Liabilities	
2500	LONG TERM LIABILITIES	
2550	Notes Payable - Bank	
2640	Total Long Term Liab.	

Acc. #	Major Account	Sub-Account
2650	TOTAL LIABILITIES	
2700	EQUITY	
2710	Contributions	
2711		KGA Contribution
2712		KGA Depreciation
2713		LMHOA Contribution
2714		SMHOA Contribution
2720	Reserve Project Funds	
2730	Reserve Operating Fund	
2800	Retained Earnings	
2850	Current Earnings	
2980	Total Equity	
2990	TOTAL LIAB. & EQUITY	
3000	INCOME	
3050	Water Assessments	
3051		Metered
3052		Standby
3100	Connection Fees	
3110		Hookups - Sundance Mesa
3120		Membership Transfers
3130		Subdivided Lot Hookups
3200	Remote Meters	
3300	Interest & Late Charges	
3310		Late Charges
3320		Interest Income
3450	Miscellaneous Income	
3990	TOTAL INCOME	
5000	EXPENSES	
5100	Administrative Expense:	
5110	Bookkeeping & Billing	
5120	Secretarial	
5130	Professional Services	
5131		Computer Services
5132		Consultants
5133		Legal
5140	Postage, Copies, Supplies	
5141		Annual Meeting
5142		Board Meetings
5143		Office
5150	Dues & Subscriptions	
5160	Insurance	
5170	Licenses, Fees & Taxes	
5171		Public Regulation Comm.
5172		Real Estate Taxes
5173		Water Conservation Fee
5174		Office of State Engineer
5180	Miscellaneous Expense	
5190	Telephone & Internet Exp.	
5200	Travel	
5260	Total Administ'tive Exp.	

Acc. #	Major Account	Sub-Account
5270	Operating Expenses:	
5271	Electric	
5272		Booster Pump
5273		Well #1
5274		Well #2
5275		Well #3
5300	System Monitoring	
5310		Monthly Monitoring Fee
5320		Supplies & Equipment
5330		Meter Reading
5400	Routine Maintenance	
5410		System Flushing
5411		Hydrant Maintenance
5412		Valve Exercise
5413		PRV Maintenance
5414		Air Release Valve Maint.
5420		Chlorine Pump Maint/Calib
5430		Well/House Testing/Maint.
5431		Booster System Test/Maint
5432		Level System Maint/Calib.
5433		Tank Inspections
5440		Water Line Locates
5441		Investigate Cust. Complts.
5450		Buy, Deliv, Dilute Chlorine
5451		Miscellaneous Supplies
5460		Irrigation Maintenance
5500	Emergency Repairs	
5510		Underground Repairs
5560	Erosion Control/Landscape	
5561		Erosion Control/Landscape
5562		Irrigation Monitoring
5600	Meters	
5610		Purchase Meters
5611		Install Meters
5612		New Conn'n Meter & Can
5613		Test Meters
5671	Repairs	
5700		Clean Out Valve Cans
5710		Repair Valve Cans
5711		Repair Hydrants
5720		Booster System Repairs
5730		Wells & Well Houses
5740		Controls & Instruments
5750		Repair Air Release Valves
5760		Recondition 4-PRV
5770		Reconnect Corvo Loop
5780		Rem'Ve XconnPress/Gravity
5781		Locate Valves VIIG 3CB/CM
5782		Replace V-148
5783		Clean Well #1
5790		

Acc. #	Major Account	Sub-Account
5800	Bill to Others	
5810		Sanitize Lines
5820		Repair Lines
5830		Relocate Water Service
5840		Replace Meters
5990	Total Operat'g Expense	
6000	Projects:	
6100	System Assessment	
6110		Assessment
6120		As Built Dwg/Oper. Manual
6200	Tank Site	
6210		Tank Site Fence
6220		Tank Site Bldg Addition
6230		Tower Removal
6231		Easement Deed
6240	Miscellaneous	
6250	Underground Piping	
6300	Well #2	
6310		Well #2 - Access
6320		Stucco Repair
6330		Earthwork
6400	Chlorine System Upgrade	
6410		Purchase Equipment
6420		Labor & All Other
6500	Miscellaneous	
6510		North Ranchos Tie
6520		Arsenic Removal - Testing
6600	PRV Manhole Replace'nt	
6610		#1
6620		#2
6630		#3
6640		#4
6650		Bid Documents
6660		Engineering
6700	New Fire Hydrants	
6710		End of Piñon Court
6720		Tank Site
6800	Slabs @ Roadway Valves	
6810		La Mesa (15) - Do Part
6820		Sundance (28) - Do Part.
6900	Well #4	
6910		Permits, Engr, Prep
6920		Drill & Test
6980	Total Projects	
7100	NET INCOME	
7200	Depreciation Expense	
9990	NET RESERVE CONTRIB'N	