

STATE OF NEW MEXICO

**TULAROSA COMMUNITY
DITCH CORPORATION**

**Independent Accountants' Report on
Applying Agreed-Upon Procedures**

**For the Year Ended
November 30, 2014**

James L. Hartogenesis, CPA LLC

Certified Public Accountants

STATE OF NEW MEXICO

**TULAROSA COMMUNITY
DITCH CORPORATION**

Table of Contents

	Page
Official Roster	1
Independent Accountants' Report on Applying Agreed-Upon Procedures	2
Schedule of Revenues and Expenditures – Budget and Actual (Cash Basis)	7
Year-End Financial Report Submitted to DFA	8-9
Schedule of Findings and Responses	10-11
Status of Prior Year Findings	12
Exit Conference	13

STATE OF NEW MEXICO

**TULAROSA COMMUNITY
DITCH CORPORATION**

OFFICIAL ROSTER
NOVEMBER 30, 2014

Board of Commissioners

<u>Name</u>	<u>Title</u>
Norval Bookout	Chairman
Maurice Hobson	Treasurer
Karen Lerner	Secretary

Administration

Robert Baca	Majordomo
Danielle Roberts	Bookkeeper

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

To: Board of Commissioners
Tularosa Community Ditch Corporation
and
Honorable Timothy M. Keller
New Mexico State Auditor
Santa Fe, New Mexico

We have performed the procedures enumerated below which were agreed to by Tularosa Community Ditch Corporation ("Corporation") and the New Mexico State Auditor (the specified parties), solely to assist users in evaluating the Corporation's financial reporting relating to its Cash, Capital Assets, Revenues, Expenditures, Journal Entries, and Budget information and its compliance with Section 12-6-3(B) NMSA 1978 and Section 2.2.2.16 NMAC, as of and for the year ended November 30, 2014. The Corporation is responsible for its financial reporting as described above. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

In accordance with Tier 4 of the Audit Act – Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC, our procedures and associated findings are as follows:

1. CASH

Procedures

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 my 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 Corporation.

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 Department of Finance & Administration - Local Government Division (DFA-LGD). For purposes of performing my procedures "accuracy" means that reconciling items agree to deposit slips and subsequent bank or investment statements, and the reconciliations are mathematically correct.

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.

Findings

6 of 12 bank reconciliations were not completed timely. See finding 2014-001. Bank reconciliations were accurate, and reconciled balances were agreed to the general ledger without exception. Pledged collateral was not required because the bank account was fully insured throughout the fiscal year.

2. CAPITAL ASSETS

Procedures

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

Findings

The Corporation does not have any moveable chattel or equipment that falls under Section 12-6-10 NMSA, therefore this step is not applicable.

3. REVENUE

Procedures

Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

a) Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

Select a sample of revenues based on accountant's judgment and test using the following attributes:

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

c) Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

Findings

The Corporation records revenues on the cash basis of accounting. Revenue was analytically reviewed and met expectations. Variances were adequately supported. 6 out of a total of 18 receipts were tested. Receipts were properly recorded in the general ledger, properly classified and were adequately supported.

4. EXPENDITURES

Procedures

Select a sample of cash disbursements based on accountant's judgment and test using the following attributes:

- a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and cancelled check, as appropriate.
- 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 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Findings

20 disbursements were tested and we determined that amounts recorded as disbursed agreed to adequate supporting documentation and the amounts, payees, dates and descriptions agreed to the vendor's invoice, purchase order, contract and cancelled check, as appropriate. Disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures. Procurement was not tested because the Corporation did not have any purchases that were subject to the NM Procurement Code or the Regulations Governing the Per Diem and Mileage Act.

5. JOURNAL ENTRIES

Procedures

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

Findings

The Corporation had one non-routine journal entry during the fiscal year. The entry was reasonable, adequately supported and authorized.

6. BUDGET

Procedures

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.

Findings

DFA approved the Corporation's original FY2014 budget. There were no budget amendments during the fiscal year. Actual expenses did not exceed budgeted expenses at the fund level, which is the legal level of budgetary control. The Schedule of Revenues and Expenses - Budget and Actual (Cash Basis) is presented on page 7 of this report.

7. OTHER

Procedures

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.

Findings

The Corporation did not complete an auditor recommendation or submit their annual agreed-upon procedures report to the Office of the State Auditor by the statutory deadline. See finding 2010-001 in the accompanying schedule of findings and responses.

No other findings were noted.

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

James L. Hartogensis, CPA LLC

Albuquerque, New Mexico
February 23, 2016

**SCHEDULE OF REVENUES &
EXPENSES - BUDGET AND
ACTUAL (CASH BASIS)**

STATE OF NEW MEXICO
TULAROSA COMMUNITY DITCH CORPORATION
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (Cash Basis)
FOR THE YEAR ENDED NOVEMBER 30, 2014

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
REVENUES:				
Water rights	\$ 25,168	\$ 25,168	\$ 28,120	\$ 2,952
Water usage	11,726	11,726	11,463	(263)
Cleaning and maintenance	840	840	465	(375)
Other	6,680	6,680	14,405	7,725
Total revenues	<u>44,414</u>	<u>44,414</u>	<u>54,453</u>	<u>10,039</u>
EXPENSES:				
Salaries and taxes	26,847	26,847	29,122	(2,275)
Legal fees	9,450	9,450	4,300	5,150
Contract labor	5,250	5,250	2,576	2,674
Travel	4,000	4,000	3,736	264
Repairs and maintenance	2,625	2,625	-	2,625
Debt service	1,538	1,538	1,463	75
Telephone	960	960	1,499	(539)
Equipment rental	525	525	-	525
Publications	420	420	40	380
Supplies and postage	315	315	1,060	(745)
Printing	315	315	-	315
Other	613	613	691	(78)
Total expenses	<u>52,858</u>	<u>52,858</u>	<u>44,487</u>	<u>8,371</u>
Excess (deficiency) of revenues over expenses	<u>(8,444)</u>	<u>(8,444)</u>	<u>\$ 9,966</u>	<u>\$ 18,410</u>
Prior year cash available to balance budget	<u>\$ 8,444</u>	<u>\$ 8,444</u>		

STATE OF NEW MEXICO
TULAROSA COMMUNITY DITCH CORPORATION
YEAR-END FINANCIAL REPORT SUBMITTED TO DFA
FOR THE YEAR ENDED NOVEMBER 30, 2014

Tularosa Community Ditch Corporation
Balance Sheet
As of November 30, 2014

	Nov 30, 14
ASSETS	
Current Assets	
Checking/Savings	
First National Bank	7,950.79
Petty Cash	308.30
Edward Jones	
Corporate Account	79,682.38
Money Market Fund	2,500.01
Mutual Funds	8,571.68
Unrealized Gain/Loss	(15,940.23)
Total Edward Jones	74,813.84
Total Checking/Savings	83,072.93
Accounts Receivable	
Accounts Receivable	1,459.59
Total Accounts Receivable	1,459.59
Total Current Assets	84,532.52
TOTAL ASSETS	84,532.52
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Payroll Liabilities	622.68
Total Other Current Liabilities	622.68
Total Current Liabilities	622.68
Total Liabilities	622.68
Equity	
Unrestricted Net Assets	72,481.23
Net Income	11,428.61
Total Equity	83,909.84
TOTAL LIABILITIES & EQUITY	84,532.52

STATE OF NEW MEXICO
TULAROSA COMMUNITY DITCH CORPORATION
YEAR-END FINANCIAL REPORT SUBMITTED TO DFA - CONTINUED
FOR THE YEAR ENDED NOVEMBER 30, 2014

Tularosa Community Ditch Corporation
Profit & Loss YTD Comparison
September through November 2014

	Sep - Nov 14	Dec '13 - Nov 14
Ordinary Income/Expense		
Income		
Ditch Repairs & Maintenance	0.00	105.92
Upper Pipeline Clean Out	0.00	359.34
Water Right Income	105.55	28,119.87
Water Usage Income	37.00	11,463.19
Village Extra Water Diverted	59.54	756.67
Village % of Expenses		
% of Current Year Expenses	0.00	3,216.28
% of Previous Years Expenses	0.00	9,495.68
Total Village % of Expenses	0.00	12,711.96
Total Income	202.09	53,516.95
Gross Profit	202.09	53,516.95
Expense		
Bank Service Charges	258.76	535.05
Contract Labor	0.00	2,576.00
Dues and Subscriptions	0.00	40.00
Mileage	702.80	3,735.60
Office Supplies	398.77	1,060.31
Payroll Expenses		
Wages	6,384.00	21,504.00
Taxes	488.38	2,461.43
Payroll Expenses - Other	0.00	0.00
Total Payroll Expenses	6,872.38	23,965.43
Professional Fees		
Accounting	1,291.50	5,157.00
Legal	560.20	4,300.07
Total Professional Fees	1,851.70	9,457.07
Rent Expense		
Post Office Box	106.00	106.00
Total Rent Expense	106.00	106.00
Taxes	0.00	50.00
Telephone Expense	144.65	1,499.32
Total Expense	10,335.06	43,024.78
Net Ordinary Income	(10,132.97)	10,492.17
Other Income/Expense		
Other Income		
Dividend Income	375.90	936.44
Total Other Income	375.90	936.44
Other Expense		
Other Expense	0.00	0.00
Total Other Expense	0.00	0.00
Net Other Income	375.90	936.44
Net Income	(9,757.07)	11,428.61

STATE OF NEW MEXICO
TULAROSA COMMUNITY DITCH CORPORATION
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED NOVEMBER 30, 2014

Current Year Findings

2010-001 **Late Agreed-Upon Procedures Report and Recommendation (Significant Deficiency, Other Noncompliance)**

Condition: The Corporation did not submit their 2014 agreed-upon procedures report to the Office of the State Auditor by April 30, 2015, the due date of the report. In addition, the independent public accountant (I.P.A.) recommendation for 2014 was not submitted to the State Auditor until November 2015.

Criteria: 2.2.2 NMAC (State Audit Rule) requires submission of the I.P.A. recommendation at least 30 days prior to year-end, or by October 31, 2014. 2.2.2 NMAC also requires submission of audit reports within five months after year-end, or April 30, 2015.

Cause: The Corporation was not aware of the reporting requirements until 2015 and did not recommend and contract with an I.P.A. until November, 2015.

Effect: The Corporation was not in compliance with the State Audit Rule, which could impact its ability to receive grants from federal and state sources.

Recommendation: The Corporation should prepare the annual I.P.A. recommendation by November 1 of each year and submit it to the Office of the State Auditor. The Corporation should also institute policies and procedures that will enable it to complete their annual State Auditor reporting within five months after year-end.

Management's Response: As to the initial reason for not complying with any audits heretofore, we now know that it is our yearly duty to comply with one each year we surpass the financial parameters of Tier 2 descriptions. We will comply with that ruling each and every year we are so fortunate to receive government assistance for infrastructure which raises our income to the Tiers 3-5. As we need to continue this format of renovation of pipeline and other improvements to our ditch, we will be vigilant to initiate the request for an independent audit in a timely manner.

STATE OF NEW MEXICO
TULAROSA COMMUNITY DITCH CORPORATION
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
YEAR ENDED NOVEMBER 30, 2014

Current Year Findings - continued

2014-001 Bank Reconciliations Not Completed Timely (Significant Deficiency)

Condition: Six out of twelve bank reconciliations were not completed within one month after month-end.

Criteria: Internal control and proper stewardship requires timely and accurate bank reconciliations each month.

Cause: The Corporation was not able to complete the reconciliations accurately or timely.

Effect: If cash is not reconciled and reported in a timely manner, it may be difficult to properly safeguard the Corporation's assets. Errors may be undetected until it is too late to correct.

Recommendation: We recommend the Corporation implement policies and procedures that require timely completion of the bank reconciliation each month. The procedures should provide for proper review and approval of the reconciliation by a person independent of the accounting function.

Management's Response: As Commissioners we agree to the timely and correct implementation of banking procedures, to include monthly reconciliations. This is to be acted upon by our accountant within the first 10 after the closing date of our monthly statement. It is to be reviewed by our Commissioner/Treasurer for verification.

**STATE OF NEW MEXICO
TULAROSA COMMUNITY
DITCH CORPORATION**
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED NOVEMBER 30, 2014

Prior Year Findings

2010-001	Late Agreed-Upon Procedures Report and Recommendation	Repeated and modified
----------	---	-----------------------

STATE OF NEW MEXICO
TULAROSA COMMUNITY DITCH CORPORATION
EXIT CONFERENCE
YEAR ENDED NOVEMBER 30, 2014

The report contents were discussed at an exit conference held on March 1, 2016 with the following in attendance:

Tularosa Community Ditch Corporation

Karen Lerner	Secretary
Danielle Roberts	Bookkeeper

James L. Hartogenesis, CPA LLC

James Hartogenesis, CPA, CGFM	Principal
-------------------------------	-----------