

Accounting & Auditing Services, LLC

Financial Audits + Agreed Upon Procedures + Tax + Consulting

Abiquiu Mutual Domestic Water & Sewer Association

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the Fiscal Year Ended September 30, 2015

Abiquiu Mutual Domestic Water & Sewer Association
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Fiscal Year Ended September 30, 2015

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**Abiquiu Mutual Domestic Water & Sewer Association
Official Roster
Fiscal Year Ending September 30, 2015**

Board of Directors

Juan O. Lopez, President

Johnny E. Jaramillo, Vice-President

Delvin L. Garcia, Secretary

Virgil Trujillo, Treasurer

Velma F. Clevelle, Board Member

Administrative Staff

Ida Duran, Bookkeeper

Independent Accountant's Report on Applying Agreed-Upon Procedures

Juan O. Lopez, President
Abiquiu Mutual Domestic Water & Sewer Association
and
Timothy Keller, New Mexico State Auditor

I have performed the procedures enumerated below for the Abiquiu Mutual Domestic Water & Sewer Association (Association) for the year ended September 30, 2015, solely to assist in determining compliance with the provisions of the Audit Act for a Tier 4 entity per Section 12-6-3 B (4) NMSA 1978, Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978. The procedures were agreed to by the Association through the New Mexico Office of the State Auditor. The Association's management is responsible for its accounting records and the subject matter. 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. Our procedures and findings are as follows

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.

The bank reconciliations were performed on a monthly basis in a timely manner. All bank statements for the fiscal year were complete and on hand. As of September 30, 2015, the Association has one checking account, one savings accounts and one certificate of deposit at the Del Norte Credit Union in Los Alamos, NM.

- 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.

The randomly selected bank reconciliations were accurate, and the ending balances on the bank reconciliations agreed with the general ledger and supporting documentation. The ending cash balances on the bank reconciliation for the month

ending September 30, 2015 agreed with the year-end financial report submitted to DFA-LGD.

- 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.

The bank account balances of the Association were fully insured by the FDIC. Pledged collateral was not required since the Association's bank balances were well below \$250,000 during the fiscal year.

2. Capital Assets

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

For the fiscal year ending September 30, 2015, the Association performed and documented a capital asset inventory on August 30, 2015.

3. Revenues

- a. Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation and perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

The revenue sources of the Association consist of water and sewer fees, new memberships and other miscellaneous receipts like interest income and reimbursements. The variances between actual FY14 revenue and actual FY15 revenue were adequately explained by the Association's bookkeeper and President; no unusual or unexplained variances were noted.

- b. Select a sample of revenues based on auditor judgment and test using the following attributes:

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

A sample of cash receipts was judgmentally selected and tested which amounted to 46.7% of total revenues. The amount recorded in the general ledger agreed with the supporting documentation and the bank statement.

- ii. 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.

The cash receipts tested were properly classified and recorded in the general ledger on the cash basis of accounting.

4. Expenditures

- a. Select a sample of cash disbursements based on auditor judgment and test using the following attributes:

- i. Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to vendor's invoice, purchase order, contract and canceled check, as appropriate.

A sample of cash disbursements were tested which amounted to 65.9% of total expenditures. The amounts recorded as disbursed agreed with the supporting documentation. The amount, payee, date and description of the purchase agreed with the vendor's invoice, contract and canceled check. The Association does not use purchase order forms.

- ii. Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

The cash disbursements tested were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

- iii. 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), State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

None of the cash disbursements tested exceeded the amounts requiring sealed bids or requests for proposals. The cash disbursements tested were processed in accordance with applicable provisions of the State Procurement Code and State Purchasing Regulations.

5. Journal Entries

- a. If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:
 - i. Journal entries appear reasonable and have supporting documentation.

The Association's bookkeeper disclosed non-routine journal entries that she posted to the Association's general ledger during the fiscal year. Four journal entries totaling \$691.72 were posted to record checks returned from the bank for non-sufficient funds. Another journal entry was posted to reclassify \$39,617.05 of water sales revenue to sewer sales revenue at the end of the fiscal year. The journal entries noted above were reasonable based on the explanations and documentation from the bookkeeper. The last journal entry was posted to record an adjustment of \$269.11 to increase the cash balance reported in the general ledger to agree with the bank balance. The bookkeeper stated that this was a reconciliation discrepancy in the accounting system (Quickbooks), but could not provide any specific documentation to support the journal entry.

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

The non-routine journal entries posted by the bookkeeper were reviewed and approved by a member of the governing body.

6. Budgets

- a. Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:
 - i. 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.

The original budget was adopted and approved by the Association's Board of Directors on August 30, 2015. The budget was approved by DFA-LGD on September 28, 2015. The Association did not process any budget adjustments during the fiscal year. See Finding 2010-1 on p. 6.

- ii. Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.

Actual expenditures did not exceed the approved budget. For the fiscal year ending September 30, 2015, actual expenditures were \$6,642 less than budgeted expenditures. See Exhibit 1 on p. 8.

- iii. 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.

See Exhibit 1 on p. 8. The year-end financial report the Association submitted to DFA-LGD is presented on p. 9-10.

7. Other

- a. 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 (1)(3)(C) NMAC.

No other findings were noted during the agreed-upon procedures.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the Tier 4 agreed upon procedures. 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 management and others with the Association, the New Mexico State Auditor, the Department of Finance and Administration – Local Government Division, and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Accounting & Auditing Services, LLC

Accounting & Auditing Services, LLC
Santa Fe, New Mexico
February 29, 2016

**Abiquiu Mutual Domestic Water & Sewer Association
Schedule of Findings and Responses
Fiscal Year Ending September 30, 2015**

Status of Prior Year Findings

Finding 2010-0001. Non-compliance with Budget Laws and Regulations - **Modified and Repeated.**

Finding 2010-0002. Incomplete Capital Asset Inventory Listing and No Board Certification of Inventory at Fiscal Year-End – **Resolved.**

Finding 2010-0003. Late Submission of Firm Recommendation Form and Agreed-Upon Procedures Contract, and Late Agreed-Upon Procedures Report – **Resolved.**

Current Year Findings

Finding 2010-0001. Non-compliance with Budget Laws and Regulations

Condition

The Association adopted a budget for FY15, but did not submit it to the NM Department of Finance & Administration's Local Government Division (DFA-LGD) for review and approval by August 31, 2014. DFA/LGD approved the Association's budget for FY15 on September 28, 2015. Also, the Association did not establish budget categories and amounts for each major source of revenue; the FY15 budget only included total revenues of \$83,000. Furthermore, the Association did not submit its FY15 quarterly financial reports to DFA-LGD as required; only the annual financial report for FY15 was submitted to DFA/LGD.

Criteria

Pursuant to Section 6-6-2.A NMSA 1978, each local public body is required to furnish and file with DFA-LGD, on or before June 1 of each year, a proposed budget for the next fiscal year. Since the Association's fiscal year end is September 30, the Association is required to submit its proposed budget to DFA-LGD by August 31 of each year. Also, each local public body is required to submit quarterly financial reports and budget adjustments to DFA-LGD per Section 6-6-2.F and 6.6.2.G NMSA 1978, respectively. Furthermore, per Section 6-6-5 NMSA 1978, upon receipt of any budget approved by DFA-LGD, the local public body shall cause such budget to be made a part of the minutes of such body.

Effect

For FY15, the Association was not in full compliance with the State's budget laws and regulations.

Abiquiu Mutual Domestic Water & Sewer Association
Schedule of Findings and Responses
Fiscal Year Ending September 30, 2015

Cause

The Association was not aware of the State of New Mexico's budget laws and reporting requirements for local governments until May 2015.

Recommendation

The Association should adopt and submit its annual budget for the next fiscal year to DFA-LGD by August 31 of each fiscal year. The Association should establish budgeted amounts for each major source of revenue it collects. After the Association receives the budget certification letter from DFA-LGD, the Association's Board of Directors should make record of the approval in the minutes of its meetings. The Association should submit its budget adjustments and quarterly financial reports to DFA-LGD by the established due dates.

Management's Response

The Abiquiu MDWSA will adopt, approve and submit its annual budget for the next fiscal year to DFA-LGD by August 31. The adopted budget will reflect categories for each major source of revenue including water sales, sewer sales, interest and other. After the budget is approved by DFA-LGD, the Board of Directors will make record of the approval in the minutes of its meetings. The Association will also submit its financial reports to DFA-LGD on a quarterly basis.

Abiquiu Mutual Domestic Water and Sewer Association Exhibit 1
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP Cash Basis)
For the Fiscal Year Ending September 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Revenues	\$ 83,000	\$ 83,000	\$ -	\$ (83,000)
Water Sales	-	-	24,923	24,923
Sewer Sales	-	-	33,175	33,175
Other	-	-	2,734	2,734
Investments	-	-	121	121
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>\$ 83,000</u>	<u>\$ 83,000</u>	<u>\$ 60,952</u>	<u>\$ (22,048)</u>
Expenditures				
Contractual Services	\$ 26,400	\$ 26,400	\$ 25,039	\$ 1,361
Computer/Software	-	-	210	(210)
Facilities and Equipment	1,750	1,750	100	1,650
NMFA Loan	9,200	9,200	9,184	16
Office Supplies	240	240	157	83
Postage and Mailing	700	700	466	234
Printing, Faxing and Copying	87	87	36	51
Sewer Lab Tests	5,000	5,000	4,227	773
Sewer Supplies & Equipment	30,600	30,600	28,263	2,337
Utilities	4,620	4,620	4,909	(289)
Taxes and Fees	2,500	2,500	2,127	373
Travel and Meetings	1,800	1,800	1,800	-
Miscellaneous	-	-	(264)	264
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>\$ 82,897</u>	<u>\$ 82,897</u>	<u>\$ 76,255</u>	<u>\$ 6,642</u>

**Copy of Year-End Financial Report Submitted to DFA-LGD
Abiquiu Water Association**

Profit & Loss

October 2014 through September 2015

Cash Basis

	<u>Oct '14 - Sep 15</u>
Ordinary Income/Expense	
Income	
Investments	120.80
Other Income	2,733.57
Sewer Income	33,175.29
Water Income	24,922.66
	<hr/>
Total Income	60,952.32
	<hr/>
Gross Profit	60,952.32
Expense	
Computer/ Software	210.20
Contract Services	
Accounting Fees	6,219.47
Sewer Services	17,480.00
Water Services	1,340.00
	<hr/>
Total Contract Services	25,039.47
Facilities and Equipment	
Rent	100.00
	<hr/>
Total Facilities and Equipment	100.00
Loan	9,184.00
Miscellaneous	5.00
Operations	
Office Supplies	157.16
Postage, Mailing Service	466.21
Printing, Faxing, and Copying	36.20
Sewer Lab Tests	4,227.19
Sewer Supplies & Equipment	28,262.94
Utilities	4,909.38
	<hr/>
Total Operations	38,059.08
Other Types of Expenses	
Other Costs	0.00
	<hr/>
Total Other Types of Expenses	0.00
Reconciliation Discrepancies	-269.11
Taxes & Fees	
Fees	1,727.42
NSF Fees	399.11
	<hr/>
Total Taxes & Fees	2,126.53
Travel and Meetings	
Travel/Perdiem	1,800.00
	<hr/>
Total Travel and Meetings	1,800.00
	<hr/>
Total Expense	76,255.17
	<hr/>
Net Ordinary Income	-15,302.85
	<hr/>
Net Income	-15,302.85
	<hr/> <hr/>

**Copy of Year-End Financial Report Submitted to DFA-LGD
Abiquiu Water Association**

Balance Sheet

As of September 30, 2015

	Sep 30, 15
ASSETS	
Current Assets	
Checking/Savings	
18 Month Share Certificate	36,162.93
DNCU	853.05
Share Account	5.00
Total Checking/Savings	<u>37,020.98</u>
Accounts Receivable	
Accounts Receivable	844.66
Total Accounts Receivable	<u>844.66</u>
Total Current Assets	<u>37,865.64</u>
TOTAL ASSETS	<u><u>37,865.64</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
NM Tax Liability	3,278.39
Total Other Current Liabilities	<u>3,278.39</u>
Total Current Liabilities	<u>3,278.39</u>
Total Liabilities	3,278.39
Equity	
Opening Balance Equity	198,803.25
Unrestricted Net Assets	-150,698.12
Net Income	-13,517.88
Total Equity	<u>34,587.25</u>
TOTAL LIABILITIES & EQUITY	<u><u>37,865.64</u></u>

Abiquiu Mutual Domestic Water & Sewer Association
Exit Conference
Fiscal Year Ending September 30, 2015

On February 29, 2016, an exit conference was held with the following individuals to discuss the results of the agreed upon procedures and the contents of this report:

Abiquiu MDWSA

Juan O. Lopez, President
Robin F. Dominguez, Secretary-Elect
Ida Duran, Bookkeeper

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, Engagement Manager