

State of New Mexico
Abiquiu Mutual Domestic Water & Sewer Association
2016 Tier 4 Agreed Upon Procedures Report
September 30, 2016

Abiquiu Mutual Domestic Water & Sewer Association

2016 Tier 4 Agreed Upon Procedures Report

Table of Contents

Official Roster..... 1

Independent Accountant’s Report on Applying Agreed-Upon Procedures..... 2

Schedule of Revenues and Expenditures – Budget to Actual 7

Year-end Financial Report Submitted to DFA 8

Schedule of Findings and Responses 9

Exit Conference 10

Abiquiu Mutual Domestic Water & Sewer Association

2016 Tier 4 Agreed Upon Procedures Report

Official Roster

As of September 30, 2016

Board of Directors

Juan O. Lopez, President

Delvin L. Garcia, Vice-President

Robin Dominguez, Secretary

Renee Cutter, Treasurer

Debbie B. Carrillo, Board Member

Administrative Staff

Ida Duran, Bookkeeper

Independent Accountant's Report on Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below for the Abiquiu Mutual Domestic Water & Sewer Association (Association) for the year ended September 30, 2016, solely to assist in determining compliance with, and pursuant to, Tier 4 of the Audit Act (Section 12-6-1 et seq., 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. 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."

The Accountant verified the Association's calculation and determination as a Tier 4 agreed upon procedures 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.

The bank reconciliations were performed on monthly basis and bank statements for the fiscal year were complete and on-hand.
 - 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 DF A-Local Government Division.

Each of the bank reconciliations tested had ending balances that traced to the general ledger, supporting documentation and financial reports submitted to DFA-Local Government Division; however, the association had not submitted the 3rd quarter and yearend financial report at the time the tests were performed. For further details see the Schedule of Findings and Responses listed in the table of contents.

- 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.

3. 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, 2016, the Association performed and documented a capital asset inventory.

4. Revenues

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.

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 revenue and budgeted revenue were adequately explained by the Association's bookkeeper and President; no unusual or unexplained variances were noted.

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

- b. 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. The amount recorded in the general ledger agreed with 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.

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

5. Expenditures

Select a sample of cash disbursements based on auditor 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 vendor's invoice, purchase order, contract and canceled check, as appropriate.

A sample of cash disbursements were tested. 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.

- b. 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.

- 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), 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.

6. Journal Entries

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

There were no non-routine journal entries noted. We reviewed the general ledger and inquired of the Association's bookkeeper.

7. Budgets

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.

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 May 12, 2016. The Association did not process any budget adjustments during the fiscal year.

- b. 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, 2016. See the Schedule of Revenues and Expenditures - Budget and Actual listed in the table of contents.

- 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.

See the Schedule of Revenues and Expenditures - Budget and Actual listed in the table of contents.

8. 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.

See the Schedule of Findings and Responses listed in the table of contents.

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 Schedule of Revenues and Expenditures - Budget and Actual. 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 management of Abiquiu Mutual Domestic Water & Sewer Association, the New Mexico State Auditor, the Department of Finance and Administration and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than those specified parties.

Zlotnick, Laws & Sandoval, P.C.

Zlotnick, Laws & Sandoval, PC

February 24, 2016

Abiquiu Mutual Domestic Water & Sewer Association**2016 Tier 4 Agreed Upon Procedures Report****Schedule of Revenues and Expenditures – Budget to Actual****Non-GAAP Cash Basis****For the Fiscal Year Ended September 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Water Fees	\$ 40,000	40,000	38,602	\$ (1,398)
Sewer Fees	40,000	40,000	38,790	(1,210)
Other	2,850	2,850	2,417	(433)
Investments	<u>150</u>	<u>150</u>	<u>127</u>	<u>(23)</u>
Total Revenues	<u>\$ 83,000</u>	<u>83,000</u>	<u>79,936</u>	<u>\$ (3,064)</u>
Expenditures				
Contractual Services	\$ 31,600	31,600	33,380	\$ (1,780)
Computer/Software	450	450	-	450
Facilities and Equipment	1,750	1,750	200	1,550
NMFA Loan Payments	9,200	9,200	7,935	1,265
Office Supplies	500	500	102	398
Postage and Mailing	700	700	394	306
Printing, Faxing and Copying	100	100	-	100
Sewer - Lab Tests	5,000	5,000	7,634	(2,634)
Sewer - Supplies and Equipment	32,000	32,000	23,354	8,646
Utilities	5,000	5,000	4,567	433
Taxes and Fees	2,200	2,200	785	1,415
Travel and Meetings	1,800	1,800	-	1,800
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 90,300</u>	<u>90,300</u>	<u>78,351</u>	<u>\$ 11,949</u>

See Independent Accountant's Report on Applying Agreed-Upon Procedures

Year-end Financial Report Submitted to DFA

**Abiquiu Water Association
Profit & Loss
October 2015 through September 2016**

	<u>Oct '15 - Sep 16</u>
Ordinary Income/Expense	
Income	
Investments	126.97
Other Income	2,417.81
Sewer Income	38,789.55
Water Income	38,602.08
Total Income	<u>79,936.41</u>
Gross Profit	79,936.41
Expense	
Contract Services	33,381.36
Facilities and Equipment	200.00
Loan	7,935.00
Operations	
Office Supplies	101.90
Postage, Mailing Service	393.84
Sewer Lab Tests	7,633.52
Sewer Supplies & Equipment	23,353.72
Utilities	4,566.68
Total Operations	<u>36,049.66</u>
Taxes & Fees	785.38
Total Expense	<u>78,351.40</u>
Net Ordinary Income	<u>1,585.01</u>
Net Income	<u><u>1,585.01</u></u>

See Independent Accountant's Report on Applying Agreed-Upon Procedures

Schedule of Findings and Responses

Prior Year Findings:

<u>Finding</u>	<u>Status</u>
2010-001: Non-compliance with Budget Laws and Regulations	Revised and Repeated

Current year Findings:

2010-001 – Non-compliance with Budget Laws and Regulations – Noncompliance

Condition: The Association does not have adequate controls in place to ensure the timely filing of budgets and financial reports to the DFA. Management has made some progress since the finding was first reported with the FY2010 report. They have begun working with DFA to better understand the nature of the filings how to appropriately report to the DFA; however, they continue to be late in making the filings.

Criteria: NMSA 6-6-2 Local government division; powers and duties, grants the local government division of the department of finance and administration the power to require each local public body to file a proposed budget and periodic financial reports before a given deadline.

Effect: Noncompliance with DFA reporting requirements.

Cause: The Association had not put controls in place, or has circumvented controls, that insure that all filings required by the local government division are submitted on time.

Recommendation: The Association needs to formalize controls that identify deadlines and require the timely filing of state reports.

Management Response: We agree with the above recommendation and will implement controls to ensure the timely filing of reports to DFA. Juan Lopez, President and Ida Duran, Bookkeeper will work together to formalize a process to ensure timely filings. The processes will be in place before the deadline to file the second filing of FY2017, or April 30, 2017.

Exit Conference

On February 24, 2017, an exit conference was held with the following individuals to discuss the results of the agreed upon procedures and the contents of this report in a closed meeting:

Abiquiu Mutual Domestic Water & Sewer Association

Juan O Lopez, President

Ida Duran, Bookkeeper

Zlotnick, Laws & Sandoval, PC

Brian Laws, CPA

Richard Sandoval, CPA