

**ALGODONES MUTUAL DOMESTIC
WATER ASSOCIATION
INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**ALGODONES MUTUAL DOMESTIC WATER ASSOCIATION
OFFICIAL ROSTER
DECEMBER 31, 2014**

Board of Directors

Michael Archibeque, President

Elias Archibeque, Vide-President

John Arango, Treasurer

Marvin Mendelow, Secretary

Robert Gonzales, Member

Principal Employees (On Contract)

Adrian Archibeque, Meter Reader

Lori Dominguez, Billing Assistant

Jacob Maes, System Operator



Independent Accountants' Report for Applying Agreed-Upon Procedures

To: Michael Archibeque, President
Algodones Mutual Domestic Water Association
and
Honorable Tim Keller
New Mexico State Auditor

We have performed the procedures enumerated below, which were agreed to by the Algodones Mutual Domestic Water Association (AMDWA), and the New Mexico State Auditor's Office, solely to assist in determining if AMDWA is in compliance with New Mexico State Audit Rule, Tier 4, as of December 31, 2014. AMDWA is the responsible party and the subject matter is the responsibility of AMDWA. 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.

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.
- 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 (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.

Results:

- a) Bank reconciliations are reviewed as part of the monthly board meetings. We reviewed them to ensure they were included in the directors' packets. No exceptions were noted. The reconciliations reviewed were all within 10 calendar days of the subsequent month. Reconciliations are completed timely.

b) Four months were selected for testwork: February, 2014, April, 2014, August, 2014, and October, 2014. Reconciliations for all four months were complete and tied to the general ledger. Pass further work.

c) It was determined that the average balance in all accounts is below \$250,000 in all accounts; therefore, additional procedures were not performed.

2. Capital Assets

Procedures:

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

Results:

The procedures performed showed that the annual physical inventory was taken.

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.

b) Select a sample of revenue based on auditor judgment using the following attributes:

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

2) 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.

Results:

a) All revenues are considered reasonable. However, no budget was adopted for FY 2014. See finding 2014-001.

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Water User Fees	\$ 61,600	\$ -	\$ 61,600
Interest and Dividends	1	-	1
Grants	-	-	-
Capital Appropriations	-	-	-
Total	<u>\$ 61,601</u>	<u>\$ -</u>	<u>\$ 61,601</u>

b) 1) & 2) We tested 10 revenue transactions, covering 50% of the total revenue for the year ended December 31, 2014. No exceptions were noted in testing the attributes shown above.

4. Expenditures

Procedures:

Select a sample of cash disbursements based on auditor judgment 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 checks, 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).

Results:

a), b) & c) We selected a sample of 10 expenditure transactions covering 50% of total expenditures for the year ended December 31, 2014. We tested for the attributes shown above; no exceptions were noted.

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.

Results:

a) & b) Our testwork of the agreed upon procedures showed no routine nor non-routine journal entries for the year ended December 31, 2014; therefore additional procedures were not performed.

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, in this case, cash basis, for each individual fund.

Results:

- a) There was no budget prepared nor approved for the year ended December 31, 2014. See finding 2014-001.
- b) There was no budget approved for the fiscal year. See finding 2014-001.
- c) See schedule of revenues and expenditures, budget and actual, cash basis, page 6.

Other Procedures:

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, disclose 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 (l) (3) (C) NMAC.

Results:

As reported in finding 2011-004, late submission of report, this report was not submitted to the Office of the State Auditor within five months of the end of the fiscal year, as required.

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 within the Algodones Mutual Domestic Water Association, the 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.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Albuquerque, New Mexico
January 25, 2016

**STATE OF NEW MEXICO
ALGODONES MUTUAL DOMESTIC WATER ASSOCIATION
SCHEDULE OF REVENUES AND EXPENDITURES –
BUDGET AND ACTUAL (CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual - Budget Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:				
Water User Fees	\$ -	\$ -	\$ 61,600	\$ 61,600
Interest and Dividends	-	-	1	1
Grants	-	-	-	-
Capital Appropriations	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>61,601</u>	<u>61,601</u>
Expenditures:				
Current:				
System Operation and Maintenance	-	-	35,844	(35,844)
Management	-	-	4,605	(4,605)
Board Expenses	-	-	360	(360)
Total Expenditures	<u>-</u>	<u>-</u>	<u>40,809</u>	<u>(40,809)</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,792</u>	<u>\$ 20,792</u>

**ALGODONES MUTUAL DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2014**

FS 2011-004 – Late submission of report. (Repeated).

Condition

The Tier 4 Agreed Upon Procedures report for the year ended December 31, 2014, was not submitted by the due date of June 1, 2015.

Management progress: The conditions are the same as in the previous year. No progress has been made.

Criteria

Tier 4 reports are required to be submitted to the Office of the State Auditor within five months after the end of the fiscal year per State Audit Rule 2.2.2.9 NMAC.

Cause

The Board did not contract with an IPA to conduct the Agreed Upon Procedures for 2014 until 2015.

Effect

The Agreed Upon Procedures report for the year ended December 31, 2014 is over five months late.

Recommendation

The Board should contract with an IPA on a yearly basis to ensure that the required annual report is submitted timely to the Office of the State Auditor

Management Response

The Board concurs with the finding. Currently, an IPA firm is under contract to complete the report for 2015. Responsible party is the Association Treasurer and the Board. Timeline is six months from the date of this report.

**ALGODONES MUTUAL DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2014**

FS 2014-001 – A budget for FY 2014 was never adopted or approved

Condition

No budget was ever adopted for the 2014 fiscal year.

Criteria

The criteria for Agreed Upon Procedures, Tier 4, require that the original budget and budget adjustments must be approved by the local public body's governing board and by the Local Government Division of the Department of Finance and Administration (DFA).

Cause

The Association's Board did not create nor approve of a budget for the fiscal year. Therefore the budget was never submitted to DFA for approval.

Effect

The Association had no way of knowing if the revenues received and expenditures made during the year were reasonable.

Recommendation

Management should create a budget and that budget should be approved by the Board. Then the budget should be sent to DFA for approval.

Management Response

The Board concurs with the finding. The Board will take the necessary steps to ensure that budget procedures and requirements are followed next fiscal year. Responsible party is the Association Treasurer. Timeline is six months from the date of this report.

**ALGODONES MUTUAL DOMESTIC WATER ASSOCIATION
STATUS OF PRIOR YEAR AUDIT FINDINGS
DECEMBER 31, 2014**

Finding	Status
FS 2011-01 Budget not approved by Board of DFA	Modified (see finding 2014-001)
FS 2011-03 Quarterly reports to DFA not submitted	Modified (see finding 2014-001)
FS 2011-04 Late submission of report	Repeated
FS 2011-05 Supporting documentation for expenditures	Resolved
FS 2012-01 Reconciled bank balance does not agree with trial balance	Resolved
FS 2013-01 Revenue transactions with no supporting documentation	Resolved

**ALGODONES MUTUAL DOMESTIC WATER ASSOCIATION
EXIT CONFERENCE
DECEMBER 31, 2014**

A telephonic exit conference was held on January 25, 2016 to discuss the agreed upon procedures.

Attending were the following:

John Arango, Treasurer, Algodones Mutual Domestic Water Association
Don Wittman, CPA, Kubiak Melton & Associates, LLC