

**ALGODONES MUTUAL DOMESTIC  
WATER ASSOCIATION  
INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**ALGODONES MUTUAL DOMESTIC WATER ASSOCIATION  
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DECEMBER 31, 2015**

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**ALGODONES MUTUAL DOMESTIC WATER ASSOCIATION  
OFFICIAL ROSTER  
DECEMBER 31, 2015**

**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 on Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by the Algodones Mutual Domestic Water Association (Association), and the New Mexico State Auditor's Office, solely to assist in determining if Association is in compliance with New Mexico State Audit Rule, Tier 4, as of December 31, 2015. Association is the responsible party and the subject matter is the responsibility of Association. 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.

The procedures we performed and the associated findings are included in a supplemental attachment.

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 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  
February 13, 2018

**STATE OF NEW MEXICO  
ALGODONES MUTUAL DOMESTIC WATER ASSOCIATION  
AGREED-UPON PROCEDURES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**PROCEDURES PREFORMED AND RELATED RESULTS**

**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) Test at least 30% 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 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 examination: January, 2015, March, 2015, May, 2015 and December, 2015. Four months of bank reconciliations are 33% of the total. Reconciliations for all four months were complete and tied to the books of record.
- c) It was determined upon review of monthly bank statements and reconciliations that the Association maintained an account balance below the \$250,000 Federal Deposit Insurance Corporation coverage limit; 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 Association's capital assets consist of meters used to measure water consumption. The procedures performed showed that the annual physical inventory was taken.

**STATE OF NEW MEXICO  
ALGODONES MUTUAL DOMESTIC WATER ASSOCIATION  
AGREED-UPON PROCEDURES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**PROCEDURES PREFORMED AND RELATED RESULTS**

**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 revenue based on auditor judgment 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.

**Results:**

a) We performed an analytical review of the change in current year revenue from prior year and compared current year actual revenues with budgeted. We noted not unusual or unexplained variances.

b) & c) We tested 10 revenue transactions, covering 27% of the total revenue for the year ended December 31, 2015. No exceptions were noted in testing the attributes shown above.

**4. Expenditures**

**Procedures:**

Select a sample of cash disbursements, equal to at least 30% of the population, and test the following attributes (the sample must be representative of the population):

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

**STATE OF NEW MEXICO  
ALGODONES MUTUAL DOMESTIC WATER ASSOCIATION  
AGREED-UPON PROCEDURES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**PROCEDURES PREFORMED AND RELATED RESULTS**

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 16 expenditure transactions covering 39% of total expenditures for the year ended December 31, 2015. 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) The Association does not have a formal general ledger accounting system. The Association uses Excel files and manual account registers to record transactions. Journal entries are not prepared. Our examination of the financial records showed no routine nor non-routine journal entries for the year ended December 31, 2015; 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 testwork:

- 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.

**STATE OF NEW MEXICO  
ALGODONES MUTUAL DOMESTIC WATER ASSOCIATION  
AGREED-UPON PROCEDURES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**PROCEDURES PREFORMED AND RELATED RESULTS**

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) The budget was approved for the year ended December 31, 2015. However, no documentation was found that the budget was submitted to DFA and approved. See Finding 2015-001.

b) Actual expenditures did not exceed budgeted expenditures for the year ended December 31, 2015. No exception.

Note: The Association has access to a state grant of \$650,000 for infrastructure. Although \$226,250 was budgeted in 2015, nothing was spent due to delays and other issues. The Board intends for the grant to be budgeted and expended in future years.

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 (I) (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. No other information came to our attention concerning any fraud, illegal acts, noncompliance, or any internal control deficiencies



**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, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual - Budget Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Water User Fees	\$ 62,000	\$ 62,000	\$ 79,938	\$ 17,938
Interest and Dividends	1	1	1	-
Grants	226,250	226,250	-	(226,250)
Capital Appropriations	<u>500</u>	<u>500</u>	<u>-</u>	<u>(500)</u>
<b>Total Revenues</b>	<u>288,751</u>	<u>288,751</u>	<u>79,939</u>	<u>(208,812)</u>
<b>Expenditures:</b>				
Current:				
System Operation and Maintenance	258,950	258,950	48,535	210,415
Management	11,570	8,070	8,692	(622)
Board Expenses	360	360	120	240
Depreciation Expense	<u>-</u>	<u>-</u>	<u>1,394</u>	<u>(1,394)</u>
<b>Total Expenditures</b>	<u>270,880</u>	<u>267,380</u>	<u>58,741</u>	<u>208,639</u>
<b>Excess of Revenues Over Expenditures</b>	<u>\$ 17,871</u>	<u>\$ 21,371</u>	<u>\$ 21,198</u>	<u>\$ (173)</u>

**ALGODONES MUTUAL DOMESTIC WATER ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2015**

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

**Condition:** The Tier 4 Agreed Upon Procedures report for the year ended December 31, 2015, was not submitted by the due date of June 1, 2016.

**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 2015 until 2017.

**Effect:** The Agreed Upon Procedures report for the year ended December 31, 2015 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 2016. Responsible party is the Association Treasurer and the Board.

**Timeline:** Subsequent to catching up with the 2016 AUP engagement. We anticipate having the FY2017 AUP engagement completed per the requirement of the Audit Rule.

**ALGODONES MUTUAL DOMESTIC WATER ASSOCIATION  
STATUS OF PRIOR YEAR FINDINGS  
DECEMBER 31, 2015**

**FS 2015-001 – Unable to Verify DFA Approval of Budget**

**Condition:** We were unable to identify any correspondence from DFA that indicated their acceptance and approval of the Association's 2015 budget.

**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:** Although the Association's Board created and approved the budget for the fiscal year, there was no documentation that it was submitted to DFA and approved.

**Effect:** Proper reporting to DFA was not made.

**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.

**Timeline:** The Board will make sure that the Treasurer oversees all communication with DFA and that the all budget process requirements are met by June 30, 2018.

**ALGODONES MUTUAL DOMESTIC WATER ASSOCIATION  
STATUS OF PRIOR YEAR FINDINGS  
DECEMBER 31, 2015**

<b>Finding</b>	<b>Status</b>
FS 2011-004 Late submission of report	Repeated
FS 2014-001 Budget not adopted by Board	Resolved

**ALGODONES MUTUAL DOMESTIC WATER ASSOCIATION  
EXIT CONFERENCE  
DECEMBER 31, 2015**

A telephonic exit conference was held on February 14, 2018 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