

**ALGODONES MUTUAL DOMESTIC
WATER ASSOCIATION
INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2016**

**ALGODONES MUTUAL DOMESTIC WATER ASSOCIATION
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DECEMBER 31, 2016**

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**ALGODONES MUTUAL DOMESTIC WATER ASSOCIATION
OFFICIAL ROSTER
DECEMBER 31, 2016**

Board of Directors

Michael Archibeque, President

Elias Archibeque, Vice-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 5, as of December 31, 2016. 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 beginning on the following page.

This engagement to apply agreed-upon procedures was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the financial statements of the Association as of December 31, 2016. Accordingly, we do not express such an opinion or conclusion. 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
May 9, 2018

**STATE OF NEW MEXICO
ALGODONES MUTUAL DOMESTIC WATER ASSOCIATION
AGREED-UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2016**

PROCEDURES PERFORMED AND RELATED RESULTS

1. Tier Status

Procedures:

Verify the Algodones Mutual Domestic Water Users Association's revenue calculation and tier determination documented on the "Tier System Reporting Main Page".

Results:

Because the Association had expenditures related to capital outlay appropriations during 2016, and the revenues received were less than \$250,000, the Association is classified as Tier 5 for the year ended December 31, 2016.

2. 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) Five months were selected for examination: January, 2016, March, 2016, May, 2016, September, 2016 and December, 2016. Five months of bank reconciliations equal 42% of the total. Reconciliations for all five 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.

**STATE OF NEW MEXICO
ALGODONES MUTUAL DOMESTIC WATER ASSOCIATION
AGREED-UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2016**

PROCEDURES PERFORMED AND RELATED RESULTS

3. 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.

4. 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 equal to at least 30% of the total dollar amount and test 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 three revenue transactions, covering 56% of the total dollar amount for the year ended December 31, 2016. No exceptions were noted in testing the attributes shown above.

**STATE OF NEW MEXICO
ALGODONES MUTUAL DOMESTIC WATER ASSOCIATION
AGREED-UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2016**

PROCEDURES PERFORMED AND RELATED RESULTS

5. Expenditures

Procedures:

Select a sample of cash disbursements, equal to at least 30% of the total dollar amount, 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 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 representative sample of five expenditure transactions covering 67% of total expenditures for the year ended December 31, 2016. We tested for the attributes shown above; no exceptions were noted.

6. 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, 2016; therefore additional procedures were not performed.

**STATE OF NEW MEXICO
ALGODONES MUTUAL DOMESTIC WATER ASSOCIATION
AGREED-UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2016**

PROCEDURES PERFORMED AND RELATED RESULTS

7. 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.
- 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 properly approved for the year ended December 31, 2016 both by the Board and the DFA Local Government Division. No exception.
- b) Actual expenditures did not exceed budgeted expenditures for the year ended. No exception.
- c) See schedule of revenues and expenditures, budget and actual, cash basis, page 8.

8. Capital Outlay Appropriations

The scope of the agreed-upon procedures engagement shall encompass any and all state-funded capital outlay appropriations of the New Mexico Legislature that meet Tier 5 criteria. Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the fiscal year that meet the Tier 5 criteria. Perform the following tests on all state-funded capital outlay expenditures:

- a) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.
- b) Determine that the cash disbursements were properly authorized and approved in accordance 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, 2016**

PROCEDURES PERFORMED AND RELATED RESULTS

Procurement Code and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).

- d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.
- e) Verify that status reports were submitted to the state agency charged with oversight per the terms of the agreement and verify that the amounts in the status report agree with the general ledger and other supporting documentation.
- f) If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.
- g) If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and the agreement with the grantor.
- h) Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.
- i) Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.

Results:

There were three transactions related to the capital grants outlay project in 2016, totaling \$80,237.

- a) The transactions were tested for these attributes; no exceptions noted.
- b) All transactions were authorized properly; no exceptions noted.
- c) There was one vendor involved for the three transactions. We obtained the signed contract and related bid documents; no exceptions noted.
- d) No capital assets were purchased using the capital outlay grant in 2016; Further work not considered necessary.
- e) The status reports submitted the New Mexico Environment Department were examined for authorization and to verify the amounts; no exceptions noted.
- f) The project is being funded on a cost-reimbursement basis; no issues noted.
- g) The project is not complete as of December 31, 2016.
- h) Cash received for the awarded was not accounted in a separate fund or separate bank account; this is not required by the capital outlay agreement, Further work not considered necessary.

**STATE OF NEW MEXICO
ALGODONES MUTUAL DOMESTIC WATER ASSOCIATION
AGREED-UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2016**

PROCEDURES PERFORMED AND RELATED RESULTS

i) It was verified for the three invoices that the reimbursement requests were properly supported by costs incurred by the recipient. The costs were paid by the local public body prior to the request for reimbursement.

9. Other

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, 2016**

	Original Budget	Final Budget	Actual - Budget Basis	Variance - Favorable (Unfavorable)
Revenues:				
Water User Fees	\$ 70,000	\$ 70,000	\$ 62,007	\$ (7,993)
Interest and Dividends	1	1	1	-
Grants	640,000	640,000	80,194	(559,806)
Capital Appropriations	-	-	-	-
Prior Year Cash Balance Budgeted	<u>26,044</u>	<u>26,044</u>	<u>-</u>	<u>(26,044)</u>
Total Revenues	<u>736,045</u>	<u>736,045</u>	<u>142,202</u>	<u>(593,843)</u>
Expenditures:				
Current:				
System Operation and Maintenance	491,343	491,343	46,527	444,816
Management	164,465	164,465	15,647	148,818
Grant - Project Design	80,237	80,237	80,237	-
Depreciation Expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>736,045</u>	<u>736,045</u>	<u>142,411</u>	<u>593,634</u>
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (209)</u>	<u>\$ (209)</u>

Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:

Expenditures, Actual on a Budget Basis	\$ 142,411
Adjustment for Deprecation Expense	<u>1,394</u>
Expenditures, Actual on a Modified Accrual Basis	<u>\$ 143,805</u>

**STATE OF NEW MEXICO
 ALGODONES MUTUAL DOMESTIC WATER ASSOCIATION
 CAPITAL GRANT OUTLAY SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2016**

Grant #	Amount Awarded	Cumulative Amount Received	Cumulative Amount Expended	Remaining Balance	Legislation / Description	Effective Dates
SAP-14-1729-STB	\$ 650,000	\$ 80,194	\$ 80,237	\$ 569,763	Tally Capital Improvement Grant Subsection 138, Section 16, Ch. 66, Laws of 2014 Arsenic Treatment System.	FY 2014 Through to FY 2020

Pay Request	Purpose	Date	Amount
1	Project Design	2/9/2016	\$ 60,983
2	Project Design	3/31/2016	3,572
3	Project Design	8/30/2016	<u>15,682</u>
Total Expended to Date			<u>\$ 80,237</u>

Algodones Domestic Water Association
2016 Annual Report (January 1 thru December 31, 2016)

2016 Calendar Year Revenue			First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Annual
Final			Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Actual
Fees		\$ 70,000	\$ 17,500	\$ 14,238.76	\$ 17,500	\$ 15,914.97	\$ 17,500	\$ 16,145.49	\$ 17,500	\$ 15,707.36	\$ 62,006.58
Water Service	\$ 70,000										
Fines and Penalties		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Interest Income		\$ 1	\$ 0.25	\$ 0.14	\$ 0.25	\$ 0.14	\$ 0.25	\$ 0.14	\$ 0.25	\$ 0.13	\$ 0.55
Contributions		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Sales-Other		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Federal Grant		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Grants-Capital Outlay*		\$ 640,000	\$ 160,000	\$ 60,940.27	\$ 160,000	\$ -	\$ 160,000	\$ 19,254.22	\$ 160,000	\$ -	\$ 80,194.49
Miscellaneous		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Revenue		\$ 710,001		\$ 75,179.17		\$ 15,915.11		\$ 35,399.85		\$ 15,707.49	\$ 142,201.62

2016 Calendar Year Expenditures			First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Annual
Final			Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Actual
Equipment*		\$ 220,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Maintenance		\$ 7,500	\$ 1,875	\$ 4,308.21	\$ 1,875	\$ 651.86	\$ 1,875	\$ 1,122.81	\$ 1,875	\$ 164.37	\$ 6,247.25
Contractor	\$ 7,500										
Office Supplies		\$ 1,000	\$ 250	\$ 147.00	\$ 250	\$ 233.98	\$ 250	\$ 182.40	\$ 250	\$ 211.38	\$ 774.76
Insurance*		\$ 2,205	\$ -	\$ -	\$ -	\$ -	\$ 2,205	\$ 1,681.00	\$ -	\$ -	\$ 1,681.00
Postage		\$ 800	\$ 200	\$ 200.00	\$ 200	\$ 19.60	\$ 200	\$ 14.10	\$ 200	\$ 141.00	\$ 374.70
Supplies-Field		\$ 7,200	\$ 1,800	\$ 6,438.49	\$ 1,800	\$ 873.41	\$ 1,800	\$ 1,314.07	\$ 1,800	\$ 1,373.73	\$ 9,999.70
Electrical Service	\$ 3,700										
Maintenance: Parts	\$ 3,500										
Subscription/Dues*		\$ 180	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 189.00	\$ 189.00
Labor*		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equipment Rental*		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contract Labor		\$ 310,480	\$ 77,620	\$ 12,687.04	\$ 77,620	\$ 3,876.50	\$ 77,620	\$ 4,588.92	\$ 77,620	\$ 3,695.75	\$ 24,848.21
Billing	\$ 4,200										
Meter Reading	\$ 4,200										
System Operator	\$ 6,080										
Arsenic Removal Facility	\$ 281,000										
Well & delivery imprmns	\$ 15,000										
Transportation		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

4/18/2016

Algodones Domestic Water Association
2016 Annual Report (January 1 thru December 31, 2016)

Debt Service-Principal		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service-Interest		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Training*		\$ 500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equipment/Machinery*		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
AUP or Audit		\$ 8,280	\$ -	\$ 4,437.56	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,437.56
PS-Attorney*		\$ 3,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 708.26	\$ -	\$ 364.86	\$ 1,073.12
PS-Design*		\$ 149,000	\$ 37,250	\$ 65,142.94	\$ 37,250	\$ 19,254.22	\$ 37,250	\$ -	\$ 37,250	\$ -	\$ 84,397.16
Commission*		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous		\$ 25,900	\$ 6,475	\$ 1,912.39	\$ 6,475	\$ 1,400.30	\$ 6,475	\$ 63.73	\$ 6,475	\$ 5,012.00	\$ 8,388.42
Lease*	\$ 1,000										
Bank Charges	\$ 100										
NM GR Tax	\$ 4,000										
Easement*	\$ 20,000										
Meeting Expenses	\$ 360										
Permits and Fees	\$ 440										
Total Expenditures		\$ 736,045		\$ 95,273.63		\$ 26,309.87		\$ 9,675.29		\$ 11,152.09	\$ 142,410.88
Revenue less Expenditures		\$ (26,044)									\$ (209.26)

Cash Balance, 12/31/2015		\$ 80,709
Checking	\$ 78,861	
Savings	\$ 1,848	
Projected Cash Balance 12/31/2016	\$ 54,665	

Actual Cash Balance 12/31/2016	\$ 78,652
Checking	\$ 76,802.75
Savings	\$ 1,848.87

4/18/2016

**ALGODONES MUTUAL DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2016**

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

Condition: The Tier 5 Agreed Upon Procedures report for the year ended December 31, 2016, was not submitted by the due date of June 1, 2017.

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

Criteria: Tier 5 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 2016 until 2018.

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

Timeline: The Board will takes steps by June, 2018 to make sure the 2017 report is submitted by the due date.

**ALGODONES MUTUAL DOMESTIC WATER ASSOCIATION
STATUS OF PRIOR YEAR FINDINGS
DECEMBER 31, 2016**

Finding	Status
FS 2011-004 Late submission of report	Repeated
FS-2015-001 DFA Budget Approval	Resolved

**ALGODONES MUTUAL DOMESTIC WATER ASSOCIATION
EXIT CONFERENCE
DECEMBER 31, 2016**

A telephonic exit conference was held on May 9, 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