

**ALTO DE LAS FLORES MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION**

**INDEPENDENT ACCOUNTANT'S REPORT
ON THE APPLICATION OF TIER 4
AGREED-UPON PROCEDURES
YEAR ENDED JUNE 30, 2018**

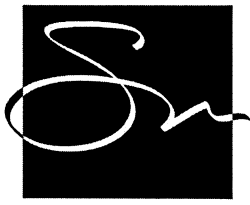
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WATER CONSUMERS ASSOCIATION
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JUNE 30, 2018**

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**ALTO DE LAS FLORES MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
OFFICIAL ROSTER
JUNE 30, 2018**

BOARD OF DIRECTORS

Name	Title
Antonio Chavez	President
Ofelia Luna	Vice President
Johnny Holguin	Secretary/Treasurer
Faustino Favela	Director



SCOTT NORTHAM, CPA, PC
Certified Public Accountants

**INDEPENDENT ACCOUNTANT'S REPORT ON THE
APPLICATION OF TIER 4 AGREED-UPON PROCEDURES**

Wayne Johnson, New Mexico State Auditor, and
Board of Directors of
Alto De Las Flores Mutual Domestic Water Consumers Association
Las Cruces, New Mexico

We have performed the procedures enumerated below for the Alto De Las Flores Mutual Domestic Water Consumers Association (Association) for the year ended June 30, 2018. The Association was determined to be a Tier 4 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed upon by the Association through the Office of the New Mexico State Auditor. The Association's management is responsible for the Association's accounting records. 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 those parties specified in the 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 results are detailed under Scope of Procedures and Results as noted in the table of contents.

Our findings related to the procedures in the Scope of Procedures and Results are presented in the accompanying Schedule of Findings and Responses as noted in the table of contents.

This agreed-upon procedures engagement 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 Association's financial position and operations as of and for the year ended June 30, 2018. 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 those parties specified in the report.

This report is intended solely for the information and use of the Alto De Las Flores Mutual Domestic Water Consumers Association, the New Mexico Office of the State Auditor, the New Mexico Legislature, and the Department of Finance and Administration-Local Government Division and is not intended to be and should not be used by anyone other than those specified parties.

Scott Northam, CPA, PC
Ruidoso, New Mexico
August 13, 2018

**ALTO DE LAS FLORES MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCOPE OF PROCEDURES AND RESULTS
JUNE 30, 2018**

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.”	
Tier 4 Requirements – Cash basis revenues of \$50,000 or more but less than \$250,000 with no legislatively appropriated capital outlay award expenditures.	The Association’s cash basis revenues totaled approximately \$135,031 before NMFA grant funding, and the Association did not expend any legislatively appropriated capital outlay awards. The Association qualified to be categorized as a Tier 4 agency.
2. Cash Procedures	
a. Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements are complete and on-hand.	All twelve fiscal year bank statements for the five accounts were on-hand and available for compliance examination. Reconciliations were timely performed within the a reasonable time after the end of the month.
b. Test at least 30% of the bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation, and the financial reports submitted to DFA-Local Government Division.	A review of 100% of bank reconciliations noted the reconciliations were accurate and agreed with the general ledger and DFA reports.
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 Association’s funds on deposit with the financial institution did not exceed the \$250,000 FDIC maximum insured coverage during the year. The financial institution was not obligated to provide any additional collateralization for uninsured deposits. Funds on deposit with Charles Schwab are protected under Securities Investor Protection Corporation's (SIPC) maximum insured coverage of \$500,000 during the year. The Association's funds on deposit with Charles Schwab are invested in a money market account, which is compliant with the requirements of the New Mexico Public Money Act.
3. Capital Assets	
Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.	The Association maintains and annually approves a capital asset inventory listing as required under Section 12-6-10 NMSA 1978.

**ALTO DE LAS FLORES MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCOPE OF PROCEDURES AND RESULTS
JUNE 30, 2018**

4. Revenue 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.	Analytical review and tests of actual revenue compared to budgeted revenue for the fiscal year noted no exceptions.
b. Select a sample of revenue equal to 30% of the total dollar amount and test whether the amount recorded in the general ledger agrees to the supporting documentation and the bank statement.	Amounts recorded in the general ledger agreed with deposit slips, utility reports and other supporting documentation provided and the bank statements with no exceptions.
c. Select a sample of revenue equal to 30% of the total dollar amount and test the 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.	A review of all twelve of the monthly billings and collections reports (100% of coverage) were reconciled to the general ledger revenue entries and noted the amounts were properly recorded on cash basis as to classification, amount and period.

5. Expenditures Select a sample of cash disbursements representative of the of the population equal to at least 30% of the total dollar amount and test the following attributes:	
a. Determine that the 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 canceled check, as appropriate.	A review of the semi-annual (January-June and July-December) expense disbursement files was conducted (100% of coverage) and no exceptions with respect to amount, payee, date and description were noted.
b. Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.	A review of the semi-annual (January-June and July-December) expense disbursement files was conducted (100% of coverage) and noted no exceptions as to authorization and approval for payment, budget compliance and compliance with 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) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).	Disbursement testwork revealed no exceptions to the process (or request for proposal process, if applicable), purchase orders, contracts and agreements being processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

**ALTO DE LAS FLORES MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCOPE OF PROCEDURES AND RESULTS
JUNE 30, 2018**

6. Journal Entries Test all non-routine journal entries, adjustments, and reclassifications are posted to the general ledger for the following attributes:	
a. Journal entries appear reasonable and have supporting documentation.	There were no non-routine journal entries posted to the general ledger and all reviewed journal entries had 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.	There were no non-routine journal entries posted to the general ledger. The Association has policies in place that require any journal entries made by the contract bookkeeper to be reviewed and approved by the Board of Directors at the monthly meeting.

7. Budget 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 body's governing body and DFA-LGD.	The original budget was approved by the Board of Directors and DFA-LGD. There were no subsequent budget adjustments for the fiscal year.
b. Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control. If the answer is "yes" report a compliance finding.	Total actual expenditures exceeded the final budget at the total fund level. See Finding 2018-001
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.	The Schedule of Revenue and Expenses – Budget and Actual on the cash basis follows these procedures and results.

8. Other	
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(I)(3)(C) NMAC.	No other or additional exceptions were noted when applying the procedures described above (regardless of materiality) indicating any fraud, illegal acts or internal control deficiencies.

**ALTO DE LAS FLORES MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL (CASH BASIS)
FOR THE YEAR ENDED JUNE 30, 2018**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES				
Charges for Service - Water and Sewer	\$ 100,000	\$ 100,000	\$ 119,670	\$ 19,670
Reconnect and Disconnect Fees	1,000	1,000	1,225	225
Gross Receipts Tax	5,000	5,000	5,990	990
Late Fees	3,670	3,670	3,837	167
Miscellaneous	69,900	69,900	49,878	(20,022)
Total Operating Revenues	<u>179,570</u>	<u>179,570</u>	<u>180,600</u>	<u>1,030</u>
OPERATING EXPENSES				
Electricity	16,000	16,000	14,325	1,675
System Parts and Supplies	6,000	6,000	7,698	(1,698)
System Repairs and Maintenance	26,000	26,000	42,989	(16,989)
Vehicle	800	800	-	800
Office and Administrative Expense	4,200	4,200	1,508	2,692
Professional Fees and Contracted Services	45,000	45,000	53,414	(8,414)
Insurance	2,000	2,000	2,207	(207)
Dues, Fees, Permits, and Licenses	700	700	339	361
Taxes	6,200	6,200	6,892	(692)
Miscellaneous	32,200	32,200	30,924	1,276
Debt Service - Principal	1,091	1,091	1,091	-
Debt Service - Interest	2,737	2,737	2,737	-
Total Operating Expenses	<u>142,928</u>	<u>142,928</u>	<u>164,124</u>	<u>(21,196)</u>
Change in Net Position	36,642	36,642	16,476	<u>\$ (20,166)</u>
Cash and Cash Equivalents - Beginning	<u>147,306</u>	<u>147,306</u>	<u>147,306</u>	
Cash and Cash Equivalents - Ending	<u>\$ 183,948</u>	<u>\$ 183,948</u>	<u>\$ 163,782</u>	

**ALTO DE LAS FLORES MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
YEAR-END FINANCIAL REPORT SUBMITTED TO DFA
YEAR ENDED JUNE 30, 2018**

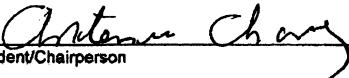
INSTRUCTIONS: Cells in which are meant to be filled out are explained below. All other columns are locked and not meant to be filled out.
Fill out the Approved Budget, 1st Qtr, 2nd Qtr, 3rd Qtr, 4th Qtr columns.
Enter Cash, Savings, CDs and Investments under the "APPROVED BUDGET" column, as of the beginning of year, July 1st. **THESE AMOUNTS DO NOT CHANGE THROUGHOUT THE YEAR.**
Fill out Reserves (if reserve amounts change throughout the year under the "Year to Date(YTD) Totals" column.

MDWCA Name : Alto De Las Flores MDWCA
Mailing Address : P. O. Box 16216, Las Cruces, NM 88004
Email Address : info@granitemnaccounting.com
Phone Number : (575) 526-2445

Fiscal Year : 2017-2018

		Due Oct. 31	Due Jan 31	Due April 30	Due July 31			
	APPROVED BUDGET	1st QR: July - Sept	2nd QR: Oct - Dec	3rd QR: Jan - March	4th QR: April - June	Year to Date(YTD) Totals	YTD (over)/under BUDGET	% of Budget
Beginning balances:								
Cash	147,306							
Savings	-							
CDs	-							
Investments	-							
Beginning Balance TOTAL	147,306							
REVENUES								
Water Sales (Water Use Fees)	100,000	30,483	26,362	22,751	40,074	119,670	(19,670)	120%
Connection/Reconnection Charges	1,000	175	750	200	100	1,225	(225)	123%
Membership and Meter Sales (Utility Service Fees)	600	9,100	600	150	450	10,300	(9,700)	1717%
Late Fees and Penalties (Other Fines and Forfeits)	3,670	957	1,127	1,025	727	3,837	(167)	105%
Gross Receipts Tax (Other State shared taxes)	5,000	1,526	1,319	1,139	2,006	5,990	(990)	120%
Other Operating Revenue (miscellaneous - other)	69,300	-	39,534	-	44	39,578	29,722	57%
TOTAL	179,570	42,241	69,692	25,265	43,401	180,600	(1,030)	101%
EXPENDITURES								
Salaries - Operator, Bookkeeper, etc.	-	-	-	-	-	-	-	-
Employee Benefits and Expenses	-	-	-	-	-	-	-	-
Electricity	16,000	4,211	3,354	2,965	3,795	14,325	1,675	90%
Other Utilities - Gas, Water, Sewer, Telephone	-	-	-	-	-	-	-	-
System Parts and Supplies	6,000	1,747	1,891	1,368	2,692	7,698	(1,698)	128%
System Repairs and Maintenance	26,000	13,082	17,445	5,294	7,168	42,989	(16,989)	165%
Vehicle Expenses	800	-	-	-	-	-	800	0%
Office and Administrative Expenses	4,200	767	625	-	116	1,508	2,692	36%
Professional Services - Accounting, Engineering, Legal	45,000	17,276	14,507	10,762	10,869	53,414	(8,414)	119%
Insurance	2,000	471	471	471	794	2,207	(207)	110%
Dues, Fees, Permits and Licenses	700	33	203	47	56	339	361	48%
Taxes - Gross Receipts Tax, Water Conservation Fee	6,200	1,942	1,771	1,364	1,815	6,892	(692)	111%
Training	-	-	-	-	-	-	-	-
Miscellaneous	32,200	17,161	767	1,057	11,939	30,924	1,276	96%
Loans								
Annual debt service - Loan 1	3,828	957	957	957	957	3,828	-	100%
Annual debt service - Loan 2	-	-	-	-	-	-	-	-
TOTAL	142,928	57,647	41,991	24,284	40,202	164,124	(21,196)	115%
Ending Balance	183,948					163,781		
LESS: Operating Reserve	20,000					20,000		
Emergency Reserve	25,000					25,000		
Capital Improvement Reserve	25,600					110,600		
Debt Reserve	5,761					5,761		
Ending Available Cash Balance	107,587					2,420		

I HEREBY CERTIFY THE CONTENTS IN THIS REPORT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND THAT THIS REPORT DEPICTS ALL FUNDS.



President/Chairperson

7-19-2018
Date

**ALTO DE LAS FLORES MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

CURRENT YEAR FINDINGS:

2018-001 - Expenses in Excess of Authorized Budget

CONDITION – The Association exceeded its authorized budget approximately \$21,196.

CRITERIA – Section 6-6-6 of the New Mexico State Statutes prohibits any payments in excess of the approved budget unless budget adjustments are made and approved by Department of Finance and Administration's Local Government Division.

CAUSE – The Association prepared its budget on the cash basis but did not properly adjust the budget for additional unanticipated expenses during the fiscal year.

EFFECT – The Association is not in compliance with state statute. The Association's board is provided a monthly budget to actual comparison to review during its monthly board meetings but did not act on adjusting the budget for repairs and maintenance items or contract services during the year.

RECOMMENDATION – We recommend the Board utilize the reports provided by the outside fee accountant to evaluate the budget position at least quarterly and adjust the budget as necessary to acknowledge and accommodate any overages in the line item expenditures.

MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION – The Treasurer will coordinate with the outside fee accountant to provide a more comprehensive analysis of budget to actual to the board members and recommend the necessary budget adjustments for approval. This finding should be resolved by the Association's 2019 June fiscal year end.

**ALTO DE LAS FLORES MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

PRIOR YEAR FINDINGS:

NONE

**ALTO DE LAS FLORES MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
EXIT CONFERENCE
JUNE 30, 2018**

The contents of this report were discussed with the Alto De Las Flores Mutual Domestic Water Consumers Association representatives on August 13, 2018. The following individuals were present for the conference:

**Alto De Las Flores Mutual Domestic
Water Consumers Association**

Scott Northam, CPA, PC

Antonio Chavez - President
Ruby Hernandez - Granite Mountain Accounting
(Contract Accountant)

Scott Northam, CPA

The agreed-upon procedures of the Alto De Las Flores Mutual Domestic Water Consumers Association were prepared by Scott Northam, CPA, PC, from original books and records provided by and with assistance from the management of the Association.