

STATE OF NEW MEXICO

CEDAR CREST MUTUAL DOMESTIC WATER  
CONSUMERS & SEWAGE WORKS ASSOCIATION

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING  
AGREED UPON PROCEDURES REPORT

YEAR ENDED DECEMBER 31, 2014

Cedar Crest Mutual Domestic Water Consumers  
& Sewage Works Association  
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December 31, 2014

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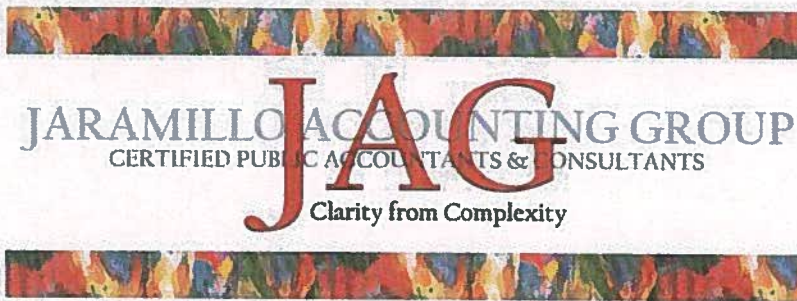
Cedar Crest Mutual Domestic Water Consumers  
& Sewage Works Association  
OFFICIAL ROSTER  
December 31, 2014

Board of Directors

Kevin Barr	President
Tito Manzanares	Vice President
Oscar Love	Secretary Treasurer
Chuck Van Gelder	Board Member
Kay Peterson	Board Member

Staff

Kristin Thacher	Contract Administrative Assistant
Carl Housman	Contract Water Operator



## Independent Accountants' Report on Applying Agreed Upon Procedures

Kevin Barr, President  
Cedar Crest Mutual Domestic Water Consumers  
& Sewage Works Association  
and  
Honorable Tim Keller  
New Mexico State Auditor

We have performed the procedures enumerated below for the Cedar Crest Mutual Domestic Water Consumers & Sewage Works Association (Association) for the year ended December 31, 2014. The Association was determined to be a Tier 5 entity under the Audit Act Section 12-6-3 (B) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by the Association through the Office of the New Mexico State Auditor. The Association's management is responsible for the organization'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 representations regarding the sufficiency of the procedures described below either for the purposes for which this report has been requested or for any other purpose.

The following procedures were performed without exceptions, unless noted in the Findings.

### 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.

- 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. *Not applicable.*

**Findings**

JAG performed the above procedures and noted that bank reconciliations were not kept on file and submitted to DFA until August 2014. See Finding 2014-001.

2. CAPITAL ASSETS

**Procedures**

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

**Findings**

JAG verified the yearly inventory was performed.

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.

**Findings**

JAG reviewed the revenue sources and sampled cash receipts and did not note any exceptions.

#### 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 canceled check, 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 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

##### Findings

JAG sampled cash disbursements and did not note any exceptions.

#### 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.

##### Findings

JAG sampled cash disbursements and did not note any findings.

#### 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 (cash, accrual or modified accrual basis) for each individual fund.

### Findings

JAG performed the above procedures and noted that budget adjustment requests were not submitted to DFA for approval. See Finding 2014-003.

## 7. CAPITAL OUTLAY APPROPRIATIONS

### Procedures

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. Test all capital outlay expenditures during the fiscal year to:

- 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 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 per terms of agreement and 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. Not applicable.
- g) If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor. Not applicable.
- 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.

Findings

JAG performed the above procedures and did not note any findings.

OTHER

Procedures

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.

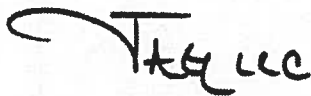
Prepare and submit to the Office of the State Auditor an agreed-upon procedures report that complies with AICPA SSAE, AT Section 201.

Findings

See Findings 2013-001 and 2014-002 below for other compliance matters noted. See Finding 2014-004 for an internal control deficiency noted.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. 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 Cedar Crest Domestic Water Consumers & Sewage Works Association, the New Mexico State Auditor's Office, DFA-Local Government Division and New Mexico State Legislature and is not intended to be and should not be used by anyone other than those specified parties.



Jaramillo Accounting Group LLC (JAG)  
May 28, 2015



State of New Mexico  
 Cedar Crest Mutual Domestic Water Consumers  
 & Sewage Works Association  
 Agreed Upon Procedures  
 Schedule of Capital Outlay Award  
 Year Ended December 31, 2014

<u>Award No.</u>	<u>Awarded/Expended</u>	<u>Amount Received</u>	<u>Remaining Balance</u>	<u>Legislation</u>
12-1336-STB	\$ 100,000	\$ 33,581	\$ 0	Laws of 2012, Chapter 64, Section 11, Paragraph 6, to plan, design, and construct and equip water system improvements, including a water storage tank, well and supply lines, for the Cedar Crest Mutual Domestic Water Consumers & Sewage Works Association in Bernalillo County, NM. Effective until June 30, 2016.
13-1433-STB	\$ 151,000	\$ 151,000.00	\$ 0	Laws of 2013, Chapter 226, Section 23, Paragraph 1 to drill a supplemental well, construct and equip a well house, provide electric service to the site, build A security fence and gate, construct an access road, Site grading and development, to trench and lay Piping from well site and water tank to water system distribution line, including replacement of old 2 inch water line with 8 inch pipe, to finish work on new storage tank and disconnect old 30,000 gallon water tank, to install automatic controls between well and storage tank, surveys, Project contingencies, and project management for Cedar Crest Mutual Domestic Water Consumers & Sewage Works Association in Bernalillo County, NM. Effective until June 30, 2017.

<u>Award No.</u>	<u>Awarded/Expended</u>	<u>Amount Received</u>	<u>Remaining Balance</u>	<u>Legislation</u>
14-1597-STB	\$ 165,000	\$ 100,500	\$ 64,500	Laws of 2014, Chapter 66, Section 16, Paragraph 3, For site development and grading, for construction of well control and disinfection building and the Construction of 80,000 gallon water storage tank Includes building of an access road, installing security fencing, constructing the well control building with all equipment for controls, electric Service and plumbing. Trench and lay pipe from wells to well control house, storage tank and distribution system. Two fire hydrants will be installed on new 8 inch PVC water line that will Replace 1800 feet of old 2 inch steel pipe. The old 30,000 gallon water tank will be removed from system. For Cedar Crest Mutual Domestic Water Consumers & Sewage Works Association in Bernalillo County, NM. Effective until June 30, 2018.

State of New Mexico  
 Cedar Crest Mutual Domestic Water Consumers  
 & Sewage Works Association  
 Schedule Revenue and Expenses Budget and Actual (Cash Basis)  
 Year Ended December 31, 2014

	Original Budget	Final Budget	Actual Amount	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Meter Installation	\$ -	-	-	-
Bank Credit	-	-	777	777
Money Market Plus Interest	2	2	2	-
Bulk Water Sales	18,903	18,903	11,820	(7,083)
Security Deposit	200	200	-	(200)
Service Fees	54	54	-	(54)
Late Fees	580	580	287	(293)
Member Water Sales	6,658	6,658	5,998	(660)
Monthly Membership Fees	11,880	11,880	12,269	389
WTB Funding	24,441	24,441	24,441	-
Cost Sharing	-	-	22,657	22,657
Capital Outlay Funding	284,581	284,581	285,082	500
<b>Total revenues</b>	<b>\$ 347,299</b>	<b>347,299</b>	<b>363,333</b>	<b>16,034</b>
<b>EXPENDITURES</b>				
Water Meter Installation	\$ -	-	-	-
WTB Loan Payment	313	313	313	-
Rent	1,200	1,200	1,300	(100)
Mortgage Principal	2,385	2,385	4,425	(2,040)
Bank Fees	-	-	25	(25)
Interest Expense	5,084	-	3,789	(3,789)
Contract Water Operator	6,000	6,000	5,356	644
Sales Tax Payable	585	585	2,148	(1,564)
Filling Fee	10	10	445	(435)
Contract Admin Asst.	9,791	9,791	10,635	(844)
Dues	209	209	236	(27)
Insurance - Liability	758	758	783	(25)
Insurance D&O	687	687	644	44
Labor	-	-	-	-
Maintenance	472	472	516	(44)
Miscellaneous	2,485	2,485	1,412	1,074
Office Expenses	342	342	504	(162)
Postage/POB Rent	404	404	336	67
Professional Services	969	969	20,726	(19,757)
Property Tax	734	734	736	(1)
Repairs	675	675	-	675
Refund	-	-	50	(50)
Utilities	1,477	1,477	901	575
Water Conservation Fees	99	99	80	19
Water Tank Development	309,022	309,022	203,625	105,397
Water Treatment	388	388	48	340
<b>Total expenditures</b>	<b>\$ 344,089</b>	<b>339,005</b>	<b>259,032</b>	<b>79,973</b>
<b>BUDGETED CASH BALANCE</b>	<b>\$ 3,209</b>	<b>8,293</b>		

State of New Mexico  
 Cedar Crest Mutual Domestic Water Consumers  
 & Sewage Works Association  
 Copy of year-end Report Submitted to DFA -LGD (Page 1 of 3)  
 Year Ended December 31, 2014

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**CCMDWC & SWA**  
**Reconciliation Summary**  
 Checking, Period Ending 12/31/2014

	Dec 31, 14
<b>Beginning Balance</b>	17,915.73
<b>Cleared Transactions</b>	
Checks and Payments - 8 Items	-2,675.72
Deposits and Credits - 3 Items	2,589.05
<b>Total Cleared Transactions</b>	-66.67
<b>Cleared Balance</b>	17,849.06
<b>Uncleared Transactions</b>	
Checks and Payments - 1 Item	-100.00
<b>Total Uncleared Transactions</b>	-100.00
<b>Register Balance as of 12/31/2014</b>	17,749.06
<b>Ending Balance</b>	17,729.05

State of New Mexico  
 Cedar Crest Mutual Domestic Water Consumers  
 & Sewage Works Association  
 Copy of year-end Report Submitted to DFA -LGD (Page 2 of 3)  
 Year Ended December 31, 2014

**CCMDWC & SWA  
 Operating Budget**

	Opening Balance	January through December 2014								
	Budget	Jan	Feb	Mar	Apr	May	June			
<b>Income</b>										
Meter Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank Credit	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	777.36	777.36
Money Market Plus Interest	1.92	0.16	0.14	0.16	0.46	0.15	0.16	0.16	0.15	0.46
Bulk Water Sales	18,902.61	246.53	825.20	1,079.50	2,151.23	1,885.50	992.84	0.00	2,878.34	
Security Deposit	200.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Fees	54.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Late Fees	580.00	80.00	20.00	0.00	100.00	0.00	0.00	0.00	0.00	0.00
Member Water Sales	6,657.91	571.44	465.35	306.84	1,343.63	248.53	582.10	849.76	1,680.39	
Monthly Membership Fees	11,880.00	690.00	630.00	730.00	2,050.00	750.00	1,200.00	600.00	2,550.00	
WTB funding	24,440.55	0.00	0.00	0.00	0.00	11,552.66	0.00	0.00	11,552.66	
Cost Sharing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	22,161.40	22,161.40	
Capital Outlay funding	284,581.46	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Operating Revenue</b>	<b>384,220.12</b>	<b>1,588.13</b>	<b>1,940.69</b>	<b>2,116.50</b>	<b>5,645.32</b>	<b>14,436.84</b>	<b>2,775.10</b>	<b>24,388.67</b>	<b>41,600.61</b>	
<b>Expense</b>										
water meter installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
WTB loan payment	312.77	0.00	0.00	0.00	0.00	0.00	312.48	0.00	312.48	
Rent	1,200.00	200.00	100.00	100.00	400.00	100.00	100.00	100.00	300.00	
Mortgage principal	2,384.99	198.71	240.82	201.45	640.98	216.24	204.05	670.12	1,090.41	
Bank fees	0.00	0.00	0.00	0.00	0.00	12.00	0.00	0.00	12.00	
Interest Expense	0.00	423.70	381.59	420.96	1,226.25	406.17	418.36	40.44	864.97	
contract water operator	6,000.00	689.40	424.25	424.25	1,537.90	424.25	424.25	424.25	1,272.75	
Sales Tax Payable	584.68	398.64	0.00	0.00	398.64	0.00	0.00	0.00	0.00	
Filing fee	10.00	10.36	0.00	25.00	35.36	409.73	0.00	0.00	409.73	
Contract Admin Asst	9,791.19	791.22	1,198.50	1,144.56	3,134.28	1,096.68	1,223.96	0.00	2,320.64	
Dues	208.96	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Insurance - liability	758.00	0.00	0.00	0.00	0.00	0.00	24.00	0.00	24.00	
Insurance D & O	687.00	0.00	0.00	0.00	0.00	0.00	643.50	0.00	643.50	
Labor	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Maintenance	472.15	0.00	128.40	8.99	137.39	0.00	39.18	0.00	39.18	
Miscellaneous	2,485.44	0.00	0.00	0.00	0.00	160.57	0.00	745.00	905.57	
Office Expenses	342.01	0.00	67.25	44.51	111.76	51.49	67.41	98.68	217.58	
Postage/ POB rent	403.81	15.80	25.20	64.60	105.60	41.83	33.20	6.49	81.52	
Professional Services	988.74	0.00	0.00	0.00	0.00	440.49	791.80	2,118.60	3,350.89	
Property Tax	734.28	0.00	0.00	0.00	0.00	367.14	0.00	0.00	367.14	
Repairs	675.27	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Refund	0.00	0.00	0.00	0.00	0.00	50.00	0.00	0.00	50.00	
Utilities	1,476.55	67.40	107.42	58.91	233.73	71.33	62.95	63.47	197.75	
Water Conservation Fees	98.74	44.78	0.00	0.00	44.78	0.00	0.00	0.00	0.00	
Water tank development	309,022.01	0.00	0.00	960.00	960.00	0.00	0.00	1,700.00	1,700.00	
Water Treatment	388.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
<b>Total Expense</b>	<b>339,004.89</b>	<b>2,840.01</b>	<b>2,673.43</b>	<b>3,453.23</b>	<b>8,966.67</b>	<b>3,847.92</b>	<b>4,345.14</b>	<b>5,967.05</b>	<b>14,160.11</b>	
	<b>26,218.23</b>	<b>-1,261.88</b>	<b>-732.74</b>	<b>-1,336.73</b>	<b>-3,321.35</b>	<b>10,588.92</b>	<b>-1,570.04</b>	<b>18,421.62</b>	<b>27,440.50</b>	

State of New Mexico  
 Cedar Crest Mutual Domestic Water Consumers  
 & Sewage Works Association  
 Copy of year-end Report Submitted to DFA -LGD (Page 3 of 3)  
 Year Ended December 31, 2014

<b>CCMDWC &amp; SWA Operating Budget</b>										
	Opening Balance	January through December 2014								
	July	Aug	Sept		Oct	Nov	Dec			2014 Total
<b>Income</b>										
Meter Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank Credit	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	777.36
Money Market Plus Interest	0.16	0.16	0.15	0.47	0.16	0.15	0.16	0.47		1.86
Bulk Water Sales	2,109.20	74.00	1,830.80	4,014.00	57.21	1,005.00	1,714.10	2,776.31		11,819.88
Security Deposit	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00
Service Fees	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00
Late Fees	140.00	20.00	10.00	170.00	0.00	17.45	0.00	17.45		287.45
Member Water Sales	698.94	536.77	523.83	1,759.54	367.44	587.07	260.05	1,214.56		5,998.12
Monthly Membership Fees	1,400.00	900.00	750.00	3,050.00	1,107.35	937.33	2,574.15	4,618.83		12,268.83
WTB funding	0.00	0.00	12,887.89	12,887.89	0.00	0.00	0.00	0.00		24,440.55
Cost Sharing	0.00	495.41	0.00	495.41	0.00	0.00	0.00	0.00		22,656.81
Capital Outlay funding	0.00	20,898.61	163,682.85	184,581.46	0.00	100,500.26	0.00	100,500.26		285,081.72
<b>Total Operating Revenue</b>	<b>4,348.30</b>	<b>22,824.95</b>	<b>179,685.52</b>	<b>206,958.77</b>	<b>1,532.16</b>	<b>103,047.28</b>	<b>4,548.48</b>	<b>109,127.88</b>		<b>363,332.58</b>
<b>Expense</b>										
water meter installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00
WTB loan payment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		312.48
Rent	0.00	200.00	0.00	200.00	200.00	100.00	100.00	400.00		1,300.00
Mortgage principal	452.02	440.94	442.76	1,335.72	453.96	446.63	457.66	1,358.25		4,425.36
Bank fees	0.00	0.00	13.00	13.00	0.00	0.00	0.00	0.00		25.00
Interest Expense	279.93	291.01	289.19	860.13	277.99	285.32	274.29	837.60		3,788.95
contract water operator	424.25	424.25	424.25	1,272.75	424.25	424.25	424.25	1,272.75		5,356.15
Sales Tax Payable	1,749.65	0.00	0.00	1,749.65	0.00	0.00	0.00	0.00		2,148.29
Filing fee	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		445.09
Contract Admin Asst	816.68	816.68	918.50	2,551.86	816.68	689.40	1,122.14	2,628.22		10,635.00
Dues	0.00	0.00	0.00	0.00	0.00	0.00	236.06	236.06		236.06
Insurance - liability	0.00	0.00	0.00	0.00	0.00	759.00	0.00	759.00		783.00
Insurance D & O	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		643.50
Labor	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00
Maintenance	0.00	0.00	339.40	339.40	0.00	0.00	0.00	0.00		515.97
Miscellaneous	0.00	414.58	0.00	414.58	0.00	91.38	0.00	91.38		1,411.53
Office Expenses	47.99	0.00	24.78	72.77	65.98	0.00	35.54	101.52		503.63
Postage/ POB rent	29.90	33.20	0.00	63.10	41.44	0.00	44.70	86.14		336.36
Professional Services	995.41	2,893.90	6,803.40	10,692.71	4,813.00	1,869.00	0.00	6,682.00		20,725.60
Property Tax	0.00	0.00	0.00	0.00	0.00	368.59	0.00	368.59		735.73
Repairs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00
Refund	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		50.00
Utilities	83.91	80.15	82.19	246.25	73.29	69.11	81.08	223.48		901.21
Water Conservation Fees	35.23	0.00	0.00	35.23	0.00	0.00	0.00	0.00		80.01
Water tank development	0.00	20,898.61	180,065.99	200,964.60	0.00	0.00	0.00	0.00		203,624.60
Water Treatment	0.00	0.00	48.42	48.42	0.00	0.00	0.00	0.00		48.42
<b>Total Expense</b>	<b>4,914.97</b>	<b>26,493.32</b>	<b>189,451.88</b>	<b>220,860.17</b>	<b>7,166.59</b>	<b>5,102.68</b>	<b>2,775.72</b>	<b>15,044.96</b>		<b>259,031.94</b>
	<b>-666.67</b>	<b>-3,668.37</b>	<b>-8,766.36</b>	<b>-13,901.40</b>	<b>-6,634.43</b>	<b>97,944.59</b>	<b>1,772.74</b>	<b>94,082.89</b>		<b>104,300.64</b>

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Status of Prior Year Findings  
Year Ended December 31, 2014

2013-001	IPA Recommendation Form and Contract – Other Matters	Repeated
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State of New Mexico  
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2013-001 IPA Recommendation Form and Contract – Compliance

Condition: The Association submitted the IPA recommendation form and the signed contract to the Office of the State Auditor (OSA) subsequent to the regulatory due date of 30 days prior to year end. We also noted the Tier determination form was completed with the cumulative expenditures instead of the annual 2014 expenditures.

Criteria: Pursuant to 2.2.2.8(G)(6)(c)(ii) NMAC, the Association is required to submit the IPA recommendation and signed audit contract to OSA no later than 30 days prior to fiscal year end, based on an accurate Tier determination form.

Effect: The Association is not in compliance with the New Mexico Administrative Code and the NM State Audit Rule. The Tier form amount error did not have an effect on the Tier 5 determination.

Cause: Due to receiving only two quotes the first time quotes were requested, the Association needed more time to obtain additional quotes to make a decision on an IPA.

Auditors' Recommendation: The Association should ensure they prepare the IPA recommendation form and contract with sufficient time to have the approval of all required parties and submit the information to OSA by the required deadline. Forms should be reviewed to prevent errors or omissions.

Management's Response: The Association will strive to ensure that forms are submitted timely and accurately for the fiscal year 2015.



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2014-001 Bank Reconciliations – Compliance

Condition: Although cash is reconciled in QuickBooks, the Association did not keep on file and submit bank reconciliations to the NM Department of Finance and Administration (DFA) until August of 2014.

Criteria: Sound accounting principles and proper handling of public monies requires bank reconciliations to be kept on file. Capital appropriation reporting to DFA includes the budget and bank reconciliations.

Effect: The Association is not in compliance with DFA's local governance reporting requirements.

Cause: Due to lack of training available, the Administrator was unaware of this requirement and DFA did not ask for the bank reconciliations until the third quarter reporting.

Auditors' Recommendation: The Association should ensure they document bank reconciliations each month and continue to pursue training through DFA.

Management's Response: The Association will take whatever steps within their power that are necessary to address any problems addressed in the findings and to ensure compliance in the future.

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2014-002 Governmental Conduct Act – Compliance

Condition: During our review of the Association's minutes, we noted that a board member seconded a motion to approve an A/P check to himself for contractual services provided to the Association.

Criteria: Per the Governmental Conduct Act 10-16-4, "Official act for personal financial interest prohibited; disqualification from official act; providing a penalty: A. It is unlawful for a public officer or employee to take an official act for the primary purpose of directly enhancing the public officer's or employee's financial interest or financial position."

Effect: The board member is not in compliance with the Governmental Conduct Act and susceptible to the consequences thereof.

Cause: Lack of knowledge of the Act and the Association struggles to have a quorum at meetings.

Auditors' Recommendation: The Association should ensure board members are aware of the Act, that conflicts of interest or related party transactions are monitored and documented closely, and that board members recuse themselves from any votes deemed necessary to stay in compliance.

Management's Response: The Association will take whatever steps within their power that are necessary to address any problems addressed in the findings and to ensure compliance in the future.

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2014-003 DFA Approval of Budget Adjustment Requests – Compliance

Condition: During our review of the Association's budget, we noted that the New Mexico Department of Finance and Administration – Local Government Division's (DFA-LGD) did not approve the budget adjustment requests (BARs) submitted by the Association.

Criteria: Per the DFA-LGD Memorandum #BFB-15-01 to Mutual Domestic Water Consumers Associations & Acequias, regarding Budget Adjustments:

- a. When a local public body increases or decreases revenues and/or expenditures, a signed resolution indicating the details of the adjustment should be submitted for approval.
- b. The resolution should include each revenue and/or expenditure line item affected and the dollar amount of each adjustment.

Although this is the current memo with clear language on the criteria, the DFA-LGD Memorandum #BFB-13-01 for the fiscal year 2013-14 also mentions that "Additional information or corrections to the proposed budget may be required by the DFA-LGD in order to meet the requirements of law and grant certification of the final budget."

Additionally, approval by the DFA-LGD is required by Section 6-6-2 (G) (H) NMSA 1978, of all transfers between funds and all budget increases.

Effect: The Association is not in compliance with Section 6-6-2 (G) (H) NMSA 1978, which requires that the DFA-LGD approve all transfers between funds and all budget increases.

Cause: The Association was not aware of the requirement to provide the DFA-LGD budget adjustment requests.

Auditors' Recommendation: The Association should ensure future budgets are adjusted via resolutions by the board and approvals from the DFA-LGD.

Management's Response: The Association will take whatever steps within their power that are necessary to address any problems addressed in the findings and to ensure compliance in the future.

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2014-004 Depreciable Assets Not Being Depreciated– Internal Control Deficiency

Condition: During our review of the Association's capital asset detail, we noted that the general ledger balance of depreciable assets was \$124,434 higher than the depreciable assets used in the Association's calculation of capital assets. This has resulted in \$124,434 in depreciable assets not being depreciated.

This difference arose before January 1, 2014. Thus, all depreciable capital assets added during fiscal year 2014 are being depreciated.

Criteria: All capital assets with a limited useful life (depreciable assets) must be depreciated over the expected useful life.

Per GASB 34, paragraph 161, governments may use any established depreciation method. Depreciation may be based on the estimated useful life of a class of assets, a network of assets, a subsystem of a network, or individual assets. For estimated useful lives, governments can use (a) general guidelines obtained from professional or industry organizations, (b) information for comparable assets of other governments, or (c) internal information. In determining estimated useful life, a government also should consider an asset's present condition and how long it is expected to meet service demands.

Effect: The Association is not in compliance with generally accepted accounting principles over the establishment of depreciation for certain limited life capital assets (\$124,434 in capital assets noted above). The amount of annual depreciation expense may be understated.

Cause: The Association has not reconciled the amount of depreciable assets capitalized in its general ledger to its detail of assets that are being depreciated and thus has not known of the difference.

Auditors' Recommendation: The Association should periodically (at least annually) reconcile the detail of its depreciable capital assets recorded in its general ledger back to the schedule of capital assets being depreciated to ensure completeness in its calculation of depreciation expense. The Association should identify those depreciable assets not being depreciated, add to the schedule of depreciable assets, and depreciate the assets over their estimated useful life.

Management's Response: The Association will take whatever steps within their power that are necessary to address any problems addressed in the findings and to ensure compliance in the future.

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Exit Conference

An exit conference was held with the Association on May 28, 2015. The following were in attendance:

Cedar Crest Mutual Domestic Water Consumers & Sewage Works Association

Kevin Barr, President  
Kris Thacher, Contract Administrator

Jaramillo Accounting Group LLC (JAG)

Audrey J. Jaramillo, CPA, CFE, Managing Partner