

CEDAR CREST MUTUAL DOMESTIC WATER
CONSUMERS & SEWAGE WORKS ASSOCIATION

December 31, 2016

Table of Contents

	<u>Page</u>
Official Roster	i
Independent Accountants' Report on Applying Agreed Upon Procedures	1
Schedule of Revenues and Expenditures – Budget and Actual	4
Year-End Profit and Loss Statement Submitted to DFA/LGD	5
Schedule of Findings and Responses	6
Status of Prior Year Findings	8
Exit Conference	9

CEDAR CREST MUTUAL DOMESTIC WATER CONSUMERS
& SEWAGE WORKS ASSOCIATION

Official Roster
December 31, 2016

Board of Directors

Oscar Love	President
Chuck Van Gelder	Vice President
Kevin Barr	Secretary/Treasurer
Mahlon Love	Board Member
Elizabeth Morantes	Board Member

Staff

Kristin Thacher	Contract Administrative Assistant
Carl Housman	Contract Water Operator

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by Cedar Crest Mutual Domestic Water Consumers & Sewage Works Association (the "Association") for the year ended December 31, 2016. The Association was determined to be a Tier 4 entity under the Audit Act Section 12-6-3 (B) NMSA 1978 and Section 2.2.2.16 NMAC. These procedures were agreed to by the Association through the Office of the New Mexico State Auditor ("OSA"). The Association's managements is responsible for the organization's accounting records. 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 findings are as follows:

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."

Findings – Burt & Company CPAs, LLC (B&C) verified the body's revenue calculation and noted it was documented on the OSA form.

2. Cash:
 - 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, if applicable.

Findings – B&C performed the above procedures and did not note any exceptions for a & b. Item c was not applicable as all deposits were FDIC insured and none required collateralization.

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

Findings – B&C performed the above procedure and did not note any exceptions.

4. Revenue – Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation. Select a sample of revenue based on auditor judgment using the following attributes:
 - a) Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.
 - 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 – B&C performed the above procedures and did not note any exceptions.

5. Expenditures – 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 – B&C performed the above procedures and did not note any findings.

6. Journal Entries – 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 – B&C examined the 3 non-routine journal entries, noting they were for bank reconciliation differences and all were \$5 or less. These were not deemed significant and no further testing was performed.

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 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 – B&C performed the above procedures and noted finding 2016-001.

8. If information comes to the Independent Public Accounts' 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.

Findings – B&C performed the above procedures and noted finding 2013-001.

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 and audit, examination or review, the objective of which would be the expression of an opinion or conclusion on the accounting records. 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 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.


Burt & Company CPAs, LLC
Albuquerque, New Mexico

April 7, 2017

**CEDAR CREST MUTUAL DOMESTIC WATER CONSUMERS
& SEWAGE WORKS ASSOCIATION**
Schedule of Revenues and Expenditures – Budget and Actual
December 31, 2016

	Original Budget	Final Budget	Actual	Variance
Income				
Meter Installation	\$ -	-	-	-
Money Market Plus Interest	2	2	3	1
Commercial Water Sales	18,250	18,250	25,564	7,314
Security Deposit	-	-	-	-
New Membership Fee	7,000	7,000	7,000	-
Late Fees	200	200	472	272
Member Water Sales	4,600	4,600	4,057	(543)
Monthly Membership Fees	17,280	17,280	17,312	32
WTB funding	-	-	-	-
Cost Sharing	-	-	-	-
Capital Outlay funding	-	-	-	-
Total Operating Revenue	<u>47,332</u>	<u>47,332</u>	<u>54,408</u>	<u>7,076</u>
Expense				
Water meter installation	3,000	3,000	3,296	(296)
WTB loan principal	300	300	300	-
WTB interest expense	13	13	13	-
Rent	1,200	1,200	1,100	100
BOW Mortgage principal	5,596	5,596	5,874	(278)
BOW Interest Expense	3,218	3,218	2,910	308
Contract water operator	7,637	7,637	7,648	(11)
Sales Tax Payable	620	620	826	(206)
Dues and Filing fees	150	150	443	(293)
Contract Admin Asst	6,500	6,500	5,559	941
Mission Communications fee	565	565	563	2
Insurance-General Liability	760	760	797	(37)
Insurance D & O	655	655	-	655
Insurance-Fidelity Bond	187	187	187	-
Maintenance	1,000	1,000	1,501	(501)
Miscellaneous	2,000	2,000	6,100	(4,100)
Office Expenses	300	300	476	(176)
Postage/ POB rent	250	250	261	(11)
Professional Services	2,000	2,000	2,754	(754)
Property Tax	742	742	751	(9)
Emergency Repairs	3,000	3,000	2,820	180
RIP Loan principal	793	793	793	-
RIP Loan Interest	475	475	475	-
Utilities-electric	765	765	1,024	(259)
Utilities-propane	250	250	-	250
Water Conservation Fees	75	75	141	(66)
Capital Improvements	2,000	2,000	-	2,000
Water Treatment	150	150	53	97
Total Expense	<u>44,201</u>	<u>44,201</u>	<u>46,665</u>	<u>(2,464)</u>
Excess of revenues over expenditures	<u>\$ 3,131</u>	<u>3,131</u>	<u>7,743</u>	<u>4,612</u>

CEDAR CREST MUTUAL DOMESTIC WATER CONSUMERS
& SEWAGE WORKS ASSOCIATION
Year-End Profit and Loss Statement Submitted to DFA/LGD
December 31, 2016

	Beginning Balance	15,852.65																	
	Budget		Jan	Feb	Mar		Apr	May	June		July	Aug	Sept		Oct	Nov	Dec		2016 Total
Income																			
Meter Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Money Market Plus Interest	1.50	0.12	0.11	0.12	0.35	0.19	0.26	0.26	0.26	0.71	0.26	0.26	0.25	0.77	0.26	0.25	0.26	0.77	2.60
Commercial Water Sales	18,250.00	2,053.20	1,828.87	2,355.94	6,238.01	1,703.80	1,716.61	1,757.99	5,178.40	2,997.05	2,370.19	2,607.91	7,975.15	2,237.96	2,706.44	1,228.37	6,172.77	25,564.33	
Security Deposit	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
New Membership Fee	7,000.00	0.00	0.00	7,000.00	7,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,000.00
Late Fees	200.00	19.94	206.08	0.00	226.02	10.12	30.64	40.87	81.63	10.00	23.10	16.26	49.36	68.10	0.00	47.38	115.48	472.49	
Member Water Sales	4,600.00	478.78	374.72	167.93	1,021.43	282.10	471.67	494.45	1,248.22	295.61	231.46	372.52	899.59	178.66	256.56	452.43	887.65	4,056.89	
Monthly Membership Fees	17,280.00	1,599.56	2,135.07	800.00	4,534.63	1,280.98	1,786.90	1,739.59	4,807.47	1,047.33	1,537.35	1,523.32	4,108.00	1,439.17	1,030.99	1,392.03	3,862.19	17,312.29	
WTB funding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cost Sharing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Outlay funding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Operating Revenue	47,331.50	4,151.60	4,544.85	10,323.99	19,020.44	3,277.19	4,006.08	4,033.16	11,316.43	4,350.25	4,162.36	4,520.26	13,032.87	3,924.15	3,994.24	3,120.47	11,038.86	54,408.60	
Expense																			
water meter installation	3,000.00	0.00	0.00	0.00	0.00	616.97	0.00	0.00	616.97	0.00	0.00	0.00	0.00	0.00	0.00	2,678.85	2,678.85	3,295.82	
WTB loan principal	300.00	0.00	0.00	0.00	0.00	0.00	300.00	0.00	300.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	300.00	
WTB interest expense	13.00	0.00	0.00	0.00	0.00	0.00	13.00	0.00	13.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13.00	
Rent	1,200.00	100.00	100.00	100.00	300.00	100.00	100.00	100.00	300.00	100.00	100.00	100.00	300.00	100.00	100.00	0.00	200.00	1,100.00	
BOW Mortgage principal	5,596.00	474.22	476.16	494.63	1,445.01	480.35	490.38	484.47	1,455.20	494.45	488.50	490.70	1,473.65	500.30	494.91	504.60	1,499.81	5,873.67	
BOW Interest Expense	3,218.00	257.73	255.79	237.32	750.84	251.60	241.57	247.48	740.65	237.50	243.45	241.25	722.20	231.65	237.04	227.35	696.04	2,909.73	
Contract water operator	7,637.00	636.38	636.38	637.50	1,910.26	637.50	637.50	637.50	1,912.50	637.50	637.50	637.50	1,912.50	637.50	637.50	637.50	1,912.50	7,647.76	
Sales Tax Payable	620.00	429.41	0.00	0.00	429.41	0.00	0.00	0.00	0.00	396.95	0.00	0.00	396.95	0.00	0.00	0.00	0.00	826.36	
Dues and Filing fees	150.00	146.38	0.00	12.50	158.88	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	135.00	0.00	148.91	283.91	442.79	
Contract Admin Asst	6,500.00	359.12	537.62	524.87	1,421.61	575.87	550.37	524.87	1,651.11	333.62	461.12	308.12	1,102.86	308.12	512.12	563.12	1,383.36	5,558.94	
Mission Communications fee	565.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	563.40	563.40	0.00	0.00	0.00	0.00	563.40	
Insurance-General Liability	760.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	797.00	0.00	0.00	0.00	797.00	
Insurance D & O	655.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Insurance-Fidelity Bond	187.00	187.00	0.00	0.00	187.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	187.00	
Maintenance	1,000.00	269.04	0.00	0.00	269.04	157.20	250.25	0.00	0.00	434.56	71.57	0.00	506.13	0.00	318.25	0.00	318.25	1,093.42	
Miscellaneous	2,000.00	0.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00	0.00	6,000.00	0.00	6,000.00	0.00	0.00	0.00	0.00	6,000.00	
Office Expenses	300.00	51.32	51.41	18.17	120.90	0.00	0.00	0.00	0.00	24.97	0.00	55.57	80.54	0.00	25.00	250.00	275.00	476.44	
Postage/ POB rent	250.00	33.60	0.00	34.31	67.91	32.40	0.00	25.27	57.67	16.32	38.40	14.04	68.76	32.40	15.16	18.80	66.36	260.70	
Professional Services	2,000.00	286.88	0.00	0.00	286.88	0.00	0.00	0.00	0.00	235.40	2,231.25	0.00	2,466.65	0.00	0.00	0.00	0.00	2,753.53	
Property Tax	742.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	751.14	0.00	751.14	751.14	
Emergency Repairs	3,000.00	0.00	0.00	850.00	850.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,970.15	1,970.15	2,820.15	
RIP Loan principal	792.84	0.00	792.84	0.00	792.84	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	792.84	
RIP Loan Interest	475.00	0.00	475.00	0.00	475.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	475.00	
Utilities-electric	765.00	56.83	182.40	132.05	371.28	71.96	66.28	78.32	216.56	80.12	78.77	88.50	247.39	81.62	60.15	47.43	189.20	1,024.43	
Utilities-propane	250.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Water Conservation Fees	75.00	52.63	0.00	0.00	52.63	0.00	0.00	0.00	0.00	88.63	0.00	0.00	88.63	0.00	0.00	0.00	0.00	141.26	
Capital Improvements	2,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Water Treatment	150.00	0.00	0.00	0.00	0.00	0.00	0.00	53.13	53.13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	53.13	
Total Expense	44,200.84	3,340.54	3,507.60	3,041.35	9,889.49	2,923.85	2,749.35	2,151.04	7,316.79	3,080.02	10,350.56	2,499.08	15,929.66	2,823.59	3,151.27	7,046.71	13,021.57	46,157.51	
Ending Balance	3,130.66	811.06	1,037.25	7,282.64	9,130.95	353.34	1,256.73	1,882.12	3,999.64	1,270.23	-6,188.20	2,021.18	-2,896.79	1,100.56	842.97	-3,926.24	-1,982.71	8,251.09	

CEDAR CREST MUTUAL DOMESTIC WATER CONSUMERS
& SEWAGE WORKS ASSOCIATION
Schedule of Findings and Responses
December 31, 2016

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. It was noted the Association had completed their initial determination by using only revenues prior to the deadline to submit Tier recommendations to the OSA, and thought they did not need Tier 4 or higher procedures. However, subsequent to this deadline they became aware of the need for Tier 4 procedures as during 2016 they had additional unplanned sales close to year-end that caused them to exceed the \$50,000 threshold.

Criteria: Pursuant to 2.2.2.8(J)(11) 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.

Cause: The Association had greater than expected water sales close to year-end that caused them to exceed the \$50,000 threshold of revenue requiring Tier 4 services.

Accountants' 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 evaluate their expected year-end revenues and ensure that forms are submitted timely and accurately for the fiscal year 2017 if required. Kris Thatcher is the party that will be responsible for overseeing this process.

2016-001 Expenditures in Excess of Budget - Compliance

Condition: Expenditures exceeded the approved budget in the General Fund by \$2,464.

Criteria: Pursuant to Section 6-6-6, NMSA 1978, any claims or warrants in excess of budget are a violation.

Effect: The Association is not in compliance with New Mexico State Statutes.

Cause: The Association had unplanned repurchase of memberships that were not budgeted and did not pass any Budget Adjustment Requests (BARs) to allow for this.

Accountants' Recommendation: The Association should ensure they monitor the budget and prepare BARs as necessary to ensure no future over-expenditures.

CEDAR CREST MUTUAL DOMESTIC WATER CONSUMERS
& SEWAGE WORKS ASSOCIATION
Schedule of Findings and Responses
December 31, 2016

Management's Response: The Association will monitor the budget and be aware of the need for BARs. These amounts were initially shown as reductions of revenue and we did not believe we were over budget and needed BARs. Kris Thatcher is the party that will be responsible for overseeing this process.

2016-002 Mathematical Errors in Reports Submitted to DFA - Compliance

Condition: The totals in the reports submitted to DFA do not total to the detail included within.

Criteria: Pursuant to Section 6-6-2, NMSA 1978, states they are required to submit reports to DFA LGD and they should be accurate.

Effect: The Association is not in compliance with New Mexico State Statutes.

Cause: The Association had a formula error in the spreadsheet used to accumulate and present the information in the reports submitted.

Accountants' Recommendation: The Association should ensure they check all reports for mathematical accuracy prior to submitting them to DFA.

Management's Response: The Association will ensure all future reports are checked for the appropriate mathematical accuracy. Kris Thacher is the party that will be responsible for overseeing this process.

CEDAR CREST MUTUAL DOMESTIC WATER CONSUMERS
& SEWAGE WORKS ASSOCIATION
Status of Prior Year Findings
December 31, 2016

2013-001	IPA Recommendation Form and Contract – Other Matter	Repeated/Modified
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CEDAR CREST MUTUAL DOMESTIC WATER CONSUMERS
& SEWAGE WORKS ASSOCIATION

Exit Conference
December 31, 2016

Exit Conference

An exit conference was held with the Association on March 24, 2017. The following were in attendance:

Oscar Love, President - Association

Kristin Thacher, Contract Administrative Assistant - Association

Christopher J. Schmitz, CPA, CGMA, Onsite Manager – Burt & Company CPAs, LLC