

El Valle Water Alliance

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED UPON PROCEDURES – TIER 5

FOR THE YEAR ENDED JUNE 30, 2017

EL VALLE WATER ALLIANCE
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES - TIER 5
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EL VALLE WATER ALLIANCE
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES - TIER 5
OFFICIAL ROSTER AS OF JUNE 30, 2017

Board of Directors:

Ramon Lucero Jr.	President
Lawrence Padilla	Vice-President
Edward Sena	Secretary
Edward Madrid	Treasurer
Rick Konersman	Member

District Personnel:

Veronica Castro	Office Manager
Carlos Vigil	Certified Operator



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES - TIER 5

Timothy Keller, New Mexico State Auditor
and Ramon Lucero Jr., President
El Valle Water Alliance

We have performed the procedures enumerated below, which were agreed to by El Valle Water Alliance (Alliance) and the New Mexico State Auditor (specified parties), solely to assist you in determining compliance with provisions of the Audit Act for Tier 5 entity per Section 12-6-3 B (5) NMSA 1978 Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978 as of and for the year ended June 30, 2017. The Alliance's management is responsible for maintaining its accounting records and the subject matter. 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 enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated 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".

The Alliance's revenue calculation and tier determination were documented on the form provided at www.osanm.org under the "Tier System Reporting Main Page" and it was determined that the Alliance is under the Tier 5 reporting procedures as the Alliance's revenue of \$202,356 was between \$50,000 and \$250,000 (on cash basis, excluding capital outlay funds).

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.**

Obtained and viewed bank reconciliations for bank accounts for the fiscal year noting they were complete, on hand, and performed in a timely manner (monthly). The Alliance did not have any investment accounts.

- 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.**

Obtained and viewed four bank reconciliations (equal to 30% of the entity's bank reconciliations) and determined that they were mathematically accurate, agreed with general ledger balances and supporting documentation and DFA-Local Government Division quarterly 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.**

Viewed bank statements and bank account balances of the Alliance noting they were fully insured by the FDIC. Pledged collateral was not required since the Alliance's bank balances were below \$250,000 during the fiscal year.

3. Capital Assets

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

Obtained and viewed the certified capital asset inventory for fiscal year ending June 30, 2017.

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.**

The main revenue sources of the Alliance for FY17 consist of water dues, contractual services and capital outlay appropriations. No unusual or unexplained variances were noted between budgeted revenue and actual 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.**

A sample of cash receipts and deposits was judgmentally selected (equal to 33% of the total dollar amount of revenue). The amount recorded in the general ledger agreed 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.**

A sample of cash receipts and deposits was judgmentally selected (equal to 33% of the total amount of revenue); obtained supporting documentation noting the transactions were appropriately recorded as to classification, amount and period.

5. Expenditures

Select a sample of cash disbursements based on auditor judgment and test 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.**

Obtained supporting documentation for cash disbursement transactions (totaling 32% of total expenses) and verified that amount, payee, date and description agreed to the supporting documentation, as appropriate.

- b. Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.**

Obtained supporting documentation for cash disbursement transactions (totaling 32% of total expenses) and verified that they were properly authorized and approved in compliance with 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).**

The Alliance had one procurement in during the fiscal year. Three bids were obtained and contract issued to the lowest responsible bidder in accordance with the New Mexico Procurement Code and State Purchasing Regulations described above.

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.**

Selected two non-routine journal entries (totaling \$45,989) and obtained supporting documentation. We determined that the journal entries appeared reasonable and have adequate 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.**

Two of two journal entries tested contained evidence of review and approval.

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.**

The Alliance adopted the FY17 budget via board resolution dated July 31, 2017 and approved by DFA-LGD. The Alliance had one budget adjustment increasing total budgeted expenditures from \$312,772 to \$325,170. The budget adjustment request was approved by the local public body via resolution dated 7/31/17 and approved by DFA-LGD on 8/2/17.

- b. **Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.**

We determined that the legal level of budgetary control is at the fund level. Total expenditures of the Alliance of \$325,170 did not exceed budgeted expenditures of \$325,170.

- 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.**

See Schedule of Revenues and Expenses, Budget and Actual (Non-GAAP Cash Basis) on page 10.

8. Capital 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.**

Obtained supporting documentation for all of the state-funded capital outlay appropriation related disbursements; determined that amounts disbursed agreed to supporting documentation; the amount payee, date and description agreed to the invoices, contracts and cancelled checks. The Alliance does not utilize purchase orders.

- b. Determine that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.**

Obtained supporting documentation for all of the state-funded capital outlay appropriation related disbursements; determined that disbursements were properly authorized and approved in accordance with 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).**

The Alliance had one procurement in during the fiscal year. Three bids were obtained and contract issued to the lowest responsible bidder in accordance with the New Mexico Procurement Code and State Purchasing Regulations described above.

- d. Determine the physical existence (by observation) of the capital asset based on expenditures to date.**

The project plans, specifications, and bid process documentation were observed on October 20, 2017.

- 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.**

The Alliance submitted nine reimbursement requests, along with supporting documentation to New Mexico Environment Department (NMED). The amounts requested agreed 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.**

The project was not funded in advance. All reimbursements requests were made after contract work was performed.

- 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.**

All state funded capital outlay projects were complete at June 30, 2017, therefore no unexpended balances were required to be reverted.

- 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.**

The grant agreements did not mandate use of a separate bank account. The Alliance used its checking account at Los Alamos National Bank to account for project receipts and disbursements.

- 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.**

Obtained and viewed reimbursement requests and supporting invoices noting reimbursement requests were made after contract work was performed.

9. 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.

See schedule of findings and responses on page 9.

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 Tier 5 agreed upon procedures. 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 the El Valle Water Alliance, The New Mexico Office of the State Auditor, the New Mexico Department of Finance and Administration, and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than those specified parties.

Morton Accounting Services, LLC

Santa Fe, New Mexico
October 30, 2017

**EL VALLE WATER ALLIANCE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017**

Status of Prior Year Findings:

The following findings were resolved during fiscal year 2017:

Finding 2016-001 - No Capital Asset Inventory at Fiscal Year End

Current Year Findings:

None.

EL VALLE WATER ALLIANCE
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL (NON-GAAP CASH BASIS)
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Contractual Services	\$ 29,960	\$ 29,960	\$ 39,805	\$ 9,845
Water Dues	160,222	160,222	162,524	2,302
Interest	20	20	20	-
Capital Outlay Appropriation	135,095	135,095	135,095	-
Miscellaneous	-	-	7	7
Total Revenues	<u>325,297</u>	<u>325,297</u>	<u>337,451</u>	<u>12,154</u>
Expenditures:				
Salaries and Benefits	64,265	64,265	64,269	(4)
Mileage	4,950	4,950	6,114	(1,164)
Office Utilities	3,270	3,270	3,041	229
Office Supplies	10,000	10,000	8,661	1,339
Insurance	10,000	10,000	9,577	423
Audit	3,000	3,000	2,996	4
Operations & Maintenance	16,000	28,448	34,312	(5,864)
Association Utilities	11,000	11,000	9,034	1,966
Storage	675	675	540	135
NM One Call	800	800	815	(15)
NM Gross Receipts Taxes	9,056	9,056	7,252	1,804
Conservation Fees	600	600	464	136
Advertisement	100	100	-	100
Contractual Services	5,000	5,000	484	4,516
Legal Fees	2,000	2,000	-	2,000
Technical Support	4,000	4,000	4,099	(99)
Capital Projects	135,095	135,095	135,095	-
Loan Payments	32,911	32,911	38,417	(5,506)
Total Expenditures	<u>\$ 312,722</u>	<u>\$ 325,170</u>	<u>\$ 325,170</u>	<u>\$ -</u>

**EL VALLE WATER ALLIANCE
SCHEDULE OF CAPITAL OUTLAY AWARDS
BUDGET AND ACTUAL (NON-GAAP CASH BASIS)
FOR THE YEAR ENDED JUNE 30, 2017**

Amounts awarded for projects (life to date):

13-1491-STB	\$ 10,000
14-1682-STB	80,000
15-0539-STB	10,000
16-A2293-STB	50,000

Amounts received and expended (life to date):

(150,000)

\$ -

Agreement Provisions:

Legislative Authority / Project Description	Dates of Agreement	Project Cost	Reversion Dates
Fund 89200 Capital Appropriation Project Agreement between the New Mexico Department of Environment and the El Valle Water Alliance (13-1491 STB). El Valle Water Alliance Water Storage.	9/16/2013	\$ 10,000	6/30/2017
Fund 89200 Capital Appropriation Project Agreement between the New Mexico Department of Environment and the El Valle Water Alliance (14-1682 STB). El Valle Water Alliance Water System Improvement.	12/15/2014	80,000	6/30/2018
Fund 89200 Capital Appropriation Project Agreement between the New Mexico Department of Environment and the El Valle Water Alliance (15-0539 STB). El Valle Water Alliance Water System Improvement.	12/21/2015	10,000	6/30/2019
Fund 89200 Capital Appropriation Project Agreement between the New Mexico Department of Environment and the El Valle Water Alliance (16-A2293 STB). El Valle Water Alliance Water System Improvement.	8/15/2016	50,000	6/30/2020

EL VALLE WATER ALLIANCE
COPY OF YEAR END FINANCIAL REPORT SUBMITTED TO DFA-LGD
FOR THE YEAR ENDED JUNE 30, 2017



	2016-2017 Budget	Q1: July-Sept.	Q2: Oct.-Dec.	Q3: Jan.-March	Q4: April-June	2016-2017 To Date	2016-2017 Actual Year To Date (Over) Under Budget
OPERATING INCOME							
1 Merged Associations w/NMGRT	\$ 108,813.60	\$ 26,213.71	\$ 19,016.85	\$ 28,477.07	\$ 34,860.44	\$ 108,568.07	\$ 245.53
2 Active Associations w/NMGRT	\$ 51,408.00	\$ 19,536.68	\$ 16,983.82	\$ 15,355.40	\$ 2,080.00	\$ 53,955.90	\$ (2,547.90)
3 Outsource Revenue	\$ 29,960.70	\$ 4,876.56	\$ 9,344.26	\$ 7,696.18	\$ 17,887.96	\$ 39,804.96	\$ (9,844.26)
4 Transfer from Bank Account	\$ -	\$ -	\$ -	\$ -	\$ 7.46	\$ 7.46	\$ (7.46)
5 Interest Income	\$ 20.00	\$ 4.60	\$ 7.15	\$ 7.63	\$ -	\$ 19.38	\$ 0.62
6 TOTAL OPERATING INCOME	\$ 190,202.30	\$ 50,631.55	\$ 45,352.08	\$ 51,536.28	\$ 54,835.86	\$ 202,355.77	\$ (12,153.47)
OPERATING EXPENSES							
8 Salaries	\$ 58,265.00	\$ 15,169.69	\$ 14,340.69	\$ 12,881.52	\$ 14,340.69	\$ 56,732.59	\$ 1,532.41
9 Benefits	\$ 8,000.00	\$ 2,135.93	\$ 1,581.29	\$ 1,851.70	\$ 1,987.27	\$ 7,536.19	\$ (1,536.19)
10 Mileage	\$ 4,950.00	\$ 1,123.50	\$ 1,073.52	\$ 1,690.92	\$ 2,226.20	\$ 6,114.14	\$ (1,164.14)
11 Total Salaries	\$ 69,215.00	\$ 18,429.12	\$ 16,975.50	\$ 16,424.14	\$ 18,554.16	\$ 70,382.92	\$ (1,167.92)
12 Utilities	\$ 3,270.00	\$ 620.84	\$ 884.17	\$ 934.25	\$ 601.48	\$ 3,040.74	\$ 229.26
13 Office Supplies	\$ 10,000.00	\$ 3,070.10	\$ 1,713.40	\$ 1,241.91	\$ 2,635.65	\$ 8,661.06	\$ 1,338.94
14 Insurance	\$ 10,000.00	\$ 704.34	\$ 552.00	\$ 7,748.65	\$ 572.00	\$ 9,576.99	\$ 423.01
15 Audit	\$ 3,000.00	\$ -	\$ 2,996.00	\$ -	\$ -	\$ 2,996.00	\$ 4.00
16 Total Office Expenses	\$ 26,270.00	\$ 4,395.28	\$ 6,145.57	\$ 9,924.81	\$ 3,809.13	\$ 24,274.79	\$ 1,995.21
17 O&M	\$ 16,000.00	\$ 3,984.62	\$ 1,049.48	\$ 820.21	\$ 28,457.38	\$ 34,311.69	\$ (18,311.69)
18 Association Utilities	\$ 11,000.00	\$ 2,404.00	\$ 1,946.40	\$ 2,243.96	\$ 2,439.39	\$ 9,033.75	\$ 1,966.25
19 Storage	\$ 675.00	\$ 135.00	\$ 135.00	\$ 135.00	\$ 135.00	\$ 540.00	\$ 135.00
20 NM One Call	\$ 800.00	\$ 45.00	\$ 45.00	\$ 676.48	\$ 48.78	\$ 815.26	\$ (15.26)
21 NMGRT	\$ 9,056.30	\$ 1,854.92	\$ 1,652.79	\$ 1,937.48	\$ 1,807.16	\$ 7,252.35	\$ 1,803.95
22 Conservation Fees	\$ 600.00	\$ 204.37	\$ 34.29	\$ 203.29	\$ 22.27	\$ 484.22	\$ 135.78
23 Total Association Expenses	\$ 38,131.30	\$ 8,627.91	\$ 4,862.96	\$ 6,016.42	\$ 32,909.98	\$ 52,417.27	\$ (14,285.97)
24 Loan Payments	\$ 32,911.00	\$ 7,713.21	\$ 7,713.21	\$ 7,713.21	\$ 15,277.59	\$ 38,417.22	\$ (5,506.22)
25 Infrastructure Debt	\$ 32,911.00	\$ 7,713.21	\$ 7,713.21	\$ 7,713.21	\$ 15,277.59	\$ 38,417.22	\$ (5,506.22)
Project Support							
27 Advertisement	\$ 100.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100.00
28 Contractual Services (Admin)	\$ 5,000.00	\$ -	\$ 135.00	\$ 135.00	\$ 213.77	\$ 483.77	\$ 4,516.23
29 Legal Fees	\$ 2,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,000.00
30 Total	\$ 7,100.00	\$ -	\$ 135.00	\$ 135.00	\$ 213.77	\$ 483.77	\$ 6,616.23
31 Tech Support	\$ 4,000.00	\$ 639.00	\$ 1,509.88	\$ 855.17	\$ 1,095.24	\$ 4,099.29	\$ (99.29)
32 Total	\$ 4,000.00	\$ 639.00	\$ 1,509.88	\$ 855.17	\$ 1,095.24	\$ 4,099.29	\$ (99.29)
33 TOTAL OPERATING EXPENSES	\$ 177,627.30	\$ 39,804.52	\$ 37,342.12	\$ 41,068.75	\$ 71,859.87	\$ 190,075.26	\$ (12,447.96)
34 Net Operating Income	\$ 12,575.00	\$ 10,827.03	\$ 8,009.96	\$ 10,467.53	\$ (17,024.01)	\$ 12,280.51	\$ 294.49
NONOPERATING INCOME							
35 SAP 13-1491	\$ 10,000.00	\$ -	\$ -	\$ 10,000.00	\$ -	\$ 10,000.00	\$ -
36 SAP 14-1682	\$ 65,094.91	\$ 5,724.05	\$ 7,814.65	\$ 51,556.21	\$ -	\$ 65,094.91	\$ -
37 SAP 15-0539	\$ 10,000.00	\$ -	\$ -	\$ 10,000.00	\$ -	\$ 10,000.00	\$ -
38 2016 SAP	\$ 50,000.00	\$ -	\$ -	\$ 50,000.00	\$ -	\$ 50,000.00	\$ -
39 TOTAL NONOPERATING INCOME	\$ 135,094.91	\$ 5,724.05	\$ 7,814.65	\$ 121,556.21	\$ -	\$ 135,094.91	\$ -
NONOPERATING EXPENSE							
40 SAP 13-1491	\$ 10,000.00	\$ -	\$ -	\$ 10,000.00	\$ -	\$ 10,000.00	\$ -
41 SAP 14-1682	\$ 65,094.91	\$ 5,724.05	\$ 7,814.65	\$ 51,556.21	\$ -	\$ 65,094.91	\$ -
42 SAP 15-0539	\$ 10,000.00	\$ -	\$ -	\$ 10,000.00	\$ -	\$ 10,000.00	\$ -
43 2016 SAP	\$ 50,000.00	\$ -	\$ -	\$ 29,616.99	\$ 20,383.01	\$ 50,000.00	\$ -
44 TOTAL NONOPERATING EXPENSE	\$ 135,094.91	\$ 5,724.05	\$ 7,814.65	\$ 101,173.20	\$ 20,383.01	\$ 135,094.91	\$ -
45 Net Nonoperating Income	\$ -	\$ -	\$ -	\$ 20,383.01	\$ (20,383.01)	\$ -	\$ -
47 Net Income (loss)	\$ 12,575.00	\$ 10,827.03	\$ 8,009.96	\$ 30,850.54	\$ (37,407.02)	\$ 12,280.51	\$ 294.49

*Taxes billed directly to the users

LANB #1 Checking	42,035.81
LANB #2 Checking	66,796.36
Short Lived Asset Reserves	7,004.80
Emergency Reserve	7,004.80
O&M Reserve	7,004.81
Debt Capacity Reserve	7,004.81
LANB Savings	7,004.81
Total Fund Balance	143,856.20

**EL VALLE WATER ALLIANCE
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2017**

On October 30, 2017, an exit conference was held with the following individuals to discuss the results of the agreed-upon procedures and contents of this report.

El Valle Water Alliance:

Edward Madrid

Treasurer

Veronica Castro

Office Manager

Morton Accounting Services, LLC:

Janet Pacheco-Morton, CPA, CGFM

Managing Principal