



EL VALLE WATER ALLIANCE

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES - TIER 4
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

MORTON
ACCOUNTING, LLC

certified public accountants | consultants

EL VALLE WATER ALLIANCE
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES - TIER 4
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EL VALLE WATER ALLIANCE
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES - TIER 4
OFFICIAL ROSTER AS OF JUNE 30, 2018

Board of Directors:

Edward Sena	President
Rick Konersman	Vice-President
Lawrence Padilla	Secretary
Edward Madrid	Treasurer
Olivia Perea	Member

District Personnel:

Veronica Castro	Office Manager
Carlos Vigil	Certified Operator



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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES - TIER 4

Mr. Wayne Johnson, New Mexico State Auditor
and Mr. Edward Sena, 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 4 entity per Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978 as of and for the year ended June 30, 2018. 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". It was determined that the Alliance is under the Tier 4 reporting procedures because the Alliance's revenue of \$217,021 was between \$50,000 and \$250,000, and they did not receive or expend a state capital outlay appropriation.

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 (DFA-LGD).**

Obtained and viewed twelve bank reconciliations (equal to 33.33% 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 50% 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, 2018.

4. Revenue

- Identify the nature and amount of revenue from all 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 FY18 consisted of water dues and contractual services. 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 30% 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 30% 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 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.**

Obtained supporting documentation for cash disbursement transactions (totaling 31% of total expenses) and verified that amount, payee, date and description agreed to the supporting documentation, as appropriate.

- b. **Determine that the 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 31% 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 no procurements during the fiscal year.

6. Journal Entries

Test all non-routine journal entries, adjustments and reclassifications posted to the general

ledger for the following attributes:

a. Journal entries appear reasonable and have supporting documentation.

The Alliance did not have any non-routine journal entries, adjustments, or reclassifications, therefore no test work was performed.

b. The local public body has policies and procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

Financial polices and procedures dictate that journal entries, if any, be reviewed as part of the financial reporting to the board, on a monthly basis.

7. Budget

Obtain the original fiscal year budget and all budget adjustments made throughout the fiscal year and perform the following test work:

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 FY18 budget via board resolution dated July 23, 2017 and was approved by DFA-LGD on September 1, 2017. The Alliance had one budget adjustment increasing total budgeted revenue from \$268,673 to \$284,604. The budget adjustment request was approved by the local public body via resolution dated July 23, 2018 and approved by DFA-LGD on August 3, 2018.

b. Determine whether the total actual expenditures exceeded the final budget at the legal level of budgetary control; if the answer is yes, report a compliance finding.

We determined that the legal level of budgetary control is at the fund level. Total expenses of the Alliance of \$189,544 did not exceed budgeted expenditures of \$255,101.

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 8.

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 all required content per Section 2.2.2.10(L)NMAC.

See schedule of findings and responses on page 7.

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 4 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
December 14, 2018

**EL VALLE WATER ALLIANCE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

Status of Prior Year Findings:

None.

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, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Contractual Services	\$ 35,989	\$ 35,989	\$ 36,566	\$ 577
Water dues	167,664	183,595	179,449	(4,146)
Interest	20	20	281	261
Cash Balance	65,000	65,000	67,659	2,659
Miscellaneous	-	-	725	725
Total Revenues	<u>\$ 268,673</u>	<u>\$ 284,604</u>	<u>\$ 284,680</u>	<u>\$ 76</u>
Expenses:				
Salaries and Benefits	\$ 70,146	\$ 70,146	\$ 62,693	\$ 7,453
Mileage - Dam Tender	6,417	6,417	5,679	738
Office Utilities	3,270	3,270	3,198	72
Office Supplies	10,000	10,000	8,622	1,378
Insurance	10,000	10,000	9,689	311
Audit	3,050	3,050	3,033	17
Operations & Maintenance	81,000	81,000	26,222	54,778
Association Utilities	10,000	10,000	9,198	802
Storage	675	675	540	135
NM One Call	900	900	1,041	(141)
NM Gross Receipts Taxes	9,331	9,331	7,851	1,480
Conservation Fees	600	600	443	157
Advertisement	100	100	305	(205)
Contractual Services	5,000	5,000	4,496	504
Legal Fees	2,000	2,000	137	1,863
Technical Support	4,100	4,100	7,885	(3,785)
Capital Projects	-	-	-	-
Loan Payments	38,512	38,512	38,512	-
Total Expenses	<u>\$ 255,101</u>	<u>\$ 255,101</u>	<u>\$ 189,544</u>	<u>\$ 65,557</u>

EL VALLE WATER ALLIANCE
COPY OF YEAR END FINANCIAL REPORT SUBMITTED TO DFA-LGD
FOR THE YEAR ENDED JUNE 30, 2018



	2017-2018 Budget	Q1: July-Sept.	Q2: Oct.-Dec.	Q3: Jan.-March	Q4: April-June	2017-2018 To Date	2017-2018 Actual Year To Date (Over) Under Budget
OPERATING INCOME							
1 Merged Associations w/NMGRT	\$ 158,724.00	\$ 46,054.52	\$ 42,041.97	\$ 37,261.48	\$ 44,840.32	\$ 170,198.29	\$ (11,474.29)
2 Active Associations w/NMGRT	\$ 8,940.00	\$ 2,436.67	\$ 2,184.00	\$ 2,438.00	\$ 2,917.01	\$ 9,975.68	\$ (1,035.68)
3 Outsource Revenue	\$ 35,989.00	\$ 11,414.24	\$ 8,045.98	\$ 8,868.07	\$ 8,237.52	\$ 36,565.81	\$ (576.81)
4 Transfer from Bank Account	\$ 65,000.00	\$ 67,658.82	\$ -	\$ -	\$ -	\$ 67,658.82	\$ (2,658.82)
5 Interest Income	\$ 20.00	\$ 52.98	\$ 76.70	\$ 75.41	\$ 76.49	\$ 205.09	\$ (185.09)
6 TOTAL OPERATING INCOME	\$ 268,673.00	\$ 127,617.23	\$ 52,348.65	\$ 48,642.96	\$ 56,071.34	\$ 284,603.69	\$ (15,930.69)
OPERATING EXPENSES							
8 Salaries	\$ 63,080.00	\$ 12,292.02	\$ 14,340.69	\$ 13,176.60	\$ 15,745.48	\$ 55,554.79	\$ 7,525.21
9 Benefits	\$ 7,065.96	\$ 1,695.98	\$ 1,491.19	\$ 1,836.05	\$ 2,115.36	\$ 7,138.58	\$ (72.82)
10 Mileage	\$ 6,417.00	\$ 807.72	\$ 1,473.40	\$ 1,686.46	\$ 1,711.37	\$ 5,678.95	\$ 738.05
11 Total Salaries	\$ 76,562.96	\$ 14,795.72	\$ 17,305.28	\$ 16,699.11	\$ 19,572.21	\$ 68,372.32	\$ 8,190.64
12 Utilities	\$ 3,270.00	\$ 555.08	\$ 1,080.72	\$ 962.26	\$ 599.88	\$ 3,197.94	\$ 72.06
13 Office Supplies	\$ 10,000.00	\$ 2,582.95	\$ 1,992.96	\$ 1,344.90	\$ 2,700.16	\$ 8,620.97	\$ 1,379.03
14 Insurance	\$ 10,000.00	\$ 571.00	\$ 567.00	\$ 8,197.06	\$ 354.00	\$ 9,689.06	\$ 310.94
15 Audit	\$ 3,050.00	\$ -	\$ 3,285.12	\$ (252.02)	\$ -	\$ 3,033.10	\$ 16.90
16 Total Office Expenses	\$ 26,320.00	\$ 3,709.03	\$ 6,925.80	\$ 10,252.20	\$ 3,654.04	\$ 24,541.07	\$ 1,778.93
17 O&M	\$ 81,000.00	\$ 10,066.87	\$ 1,072.19	\$ 489.61	\$ 14,563.63	\$ 26,222.30	\$ 54,777.70
18 Association Utilities	\$ 10,000.00	\$ 1,966.02	\$ 2,322.97	\$ 2,106.86	\$ 2,801.96	\$ 9,197.81	\$ 802.19
19 Storage	\$ 675.00	\$ 135.00	\$ 135.00	\$ 135.00	\$ 135.00	\$ 540.00	\$ 135.00
20 NM One Call	\$ 900.00	\$ -	\$ 48.78	\$ 927.75	\$ 64.85	\$ 1,041.38	\$ (141.38)
21 NMGRT	\$ 9,330.65	\$ 2,010.59	\$ 2,150.89	\$ 1,789.31	\$ 1,899.87	\$ 7,850.68	\$ 1,479.99
22 Conservation Fees	\$ 600.00	\$ 201.61	\$ 28.87	\$ 191.45	\$ 21.12	\$ 443.05	\$ 156.95
23 Total Association Expenses	\$ 102,505.65	\$ 14,410.09	\$ 5,758.70	\$ 5,639.98	\$ 19,486.43	\$ 45,295.20	\$ 57,210.45
24 Loan Payments	\$ 38,512.36	\$ 7,741.47	\$ 7,741.47	\$ 7,741.47	\$ 15,287.95	\$ 38,512.36	\$ -
25 Infrastructure Debt	\$ 38,512.36	\$ 7,741.47	\$ 7,741.47	\$ 7,741.47	\$ 15,287.95	\$ 38,512.36	\$ -
Project Support							
27 Advertisement	\$ 100.00	\$ -	\$ -	\$ -	\$ 304.60	\$ 304.60	\$ (204.60)
28 Contractual Services (Admin)	\$ 5,000.00	\$ 1,300.50	\$ 1,008.00	\$ 1,073.00	\$ 1,115.00	\$ 4,498.50	\$ 503.50
29 Legal Fees	\$ 2,000.00	\$ -	\$ -	\$ 137.50	\$ -	\$ 137.50	\$ 1,862.50
30 Total	\$ 7,100.00	\$ 1,300.50	\$ 1,008.00	\$ 1,210.50	\$ 1,419.60	\$ 4,938.60	\$ 2,161.40
31 Tech Support	\$ 4,100.00	\$ 3,950.52	\$ 1,444.79	\$ 744.12	\$ 1,745.46	\$ 7,884.89	\$ (3,784.89)
32 Total	\$ 4,100.00	\$ 3,950.52	\$ 1,444.79	\$ 744.12	\$ 1,745.46	\$ 7,884.89	\$ (3,784.89)
33 TOTAL OPERATING EXPENSES	\$ 255,100.97	\$ 45,907.33	\$ 40,184.04	\$ 42,287.38	\$ 61,165.69	\$ 189,544.44	\$ 65,556.53
34 Net Operating Income	\$ 13,572.03	\$ 81,709.90	\$ 12,164.61	\$ 6,355.58	\$ (5,094.35)	\$ 95,135.74	\$ (68,137.87)
NONOPERATING INCOME							
35	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
36	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
37	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
38	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
39 TOTAL NONOPERATING INCOME	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NONOPERATING EXPENSE							
41	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
42	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
43	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
44	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
45 TOTAL NONOPERATING EXPENSE	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
46 Net Nonoperating Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47 Net Income (loss)	\$ 13,572.03	\$ 81,709.90	\$ 12,164.61	\$ 6,355.58	\$ (5,094.35)	\$ 95,135.74	\$ (81,563.71)

* Taxes billed directly to the users

	existing	Proposed	Actual	
LANB #1 Checking	\$ 42,035.81	\$ 25,000.00	\$ 109,682.07	6/30/2018
LANB #2 Checking	\$ 66,796.36	\$ -	\$ -	6/30/2018
Short Lived Asset Reserves	\$ 7,004.80	\$ 65,856.20	\$ 7,398.36	6/30/2018
Emergency Reserve	\$ 7,004.80	\$ 8,000.00	\$ 7,398.37	6/30/2018
O&M Reserve	\$ 7,004.81	\$ 15,000.00	\$ 7,398.37	6/30/2018
Debt Capacity Reserve	\$ 7,004.81	\$ 25,000.00	\$ 7,398.37	6/30/2018
LANB Savings	\$ 7,004.81	\$ 5,000.00	\$ 7,398.37	6/30/2018
			CD ACT	
			(NEW as of	
Total Fund Balance	\$ 143,856.20	\$ 143,856.20	\$ 25,252.91	6/30/2018
			\$ 171,926.82	

**EL VALLE WATER ALLIANCE
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2018**

On December 14, 2018, 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:

Lawrence Padilla

Secretary

Veronica Castro

Office Manager

Morton Accounting Services, LLC:

Janet Pacheco-Morton, CPA, CGFM

Managing Principal