

Accounting & Auditing Services, LLC

Financial Audits + Agreed Upon Procedures + Tax + Consulting

La Cienega Mutual Domestic Water Association

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the Fiscal Year Ending December 31, 2016

La Cienega Mutual Domestic Water Association
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For the Fiscal Year Ending December 31, 2016

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**La Cienega Mutual Domestic Water Association
Official Roster
December 31, 2016**

Board of Directors

Reynaldo Romero, President

Oliver C de Baca, Vice President

Archie Perea, Treasurer

Robert Romero, Secretary

Teresa Trujillo, Board Member

Administrative Staff

Reynaldo Romero, Certified Water Operator

Robert Romero, Meter Reader

Ana Berry, Accounts Manager (Contractor)

Independent Accountant's Report on Applying Agreed-Upon Procedures

Reynaldo Romero, President
La Cienega Mutual Domestic Water Association
and
Tim Keller, New Mexico State Auditor

I have performed the procedures enumerated below for the La Cienega Mutual Domestic Water Association (Association) for the year ended December 31, 2016, solely to assist in determining compliance with the provisions of the Audit Act for a 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. The procedures were agreed to by the Alliance through the New Mexico Office of the State Auditor. The Alliance's management is responsible for its accounting records and the subject matter. 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 the parties specified in this 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."

According to the Association's general ledger, total revenues for the fiscal year ending December 31, 2016 were \$67,942 excluding a capital outlay appropriation. On September 21, 2012, the Association obtained an \$50,000 capital outlay appropriation from the NM Department of Environment; \$27,018 of this appropriation was received and expended by the Association during the fiscal year ending December 31, 2016. Based on this information, the Association was properly determined to be a Tier 5 entity for FY16 since their total revenues were between \$50,000 and \$250,000 and they expended the remainder of a 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.

The Association has one checking account, one savings account and one money market account at the Guadalupe Credit Union in Santa Fe, NM. All bank statements for the fiscal year were complete and on hand. The bank reconciliations were performed on a monthly basis in a timely manner.

- 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.

The randomly selected bank reconciliations were accurate, and the ending balances on the bank reconciliations agreed with the general ledger and supporting documentation.

- 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 bank account balances of the Association were fully insured by the FDIC. Pledged collateral was not required since the Association's bank balances were well below \$250,000 during the fiscal year.

3. Capital Assets

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

The Association did not perform a capital asset inventory for the fiscal year ending December 31, 2016. See Finding No. 2010-002 on p. 8.

4. Revenues

- a. Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation and perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

The major revenue sources of the Association consist of water sales, rental income and a capital outlay grant. The variances between budgeted revenues and actual revenues were reasonably explained by management. No unusual or unexplained variances were noted.

- b. Select a sample of revenues based on auditor judgment and test using the following attributes:

- i. Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.

A sample of cash receipts were judgmentally selected and tested which amounted to 67% of total revenues. The amount recorded in the general ledger agreed with the supporting documentation and the bank statement.

- ii. 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 basis, or accrual basis.

The cash receipts tested were properly classified and recorded in the general ledger.

5. Expenditures

- a. Select a sample of cash disbursements based on auditor judgment and test using the following attributes:

- i. Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to vendor's invoice, purchase order, contract and canceled check, as appropriate.

A sample of cash disbursements were tested which amounted to 56% of total expenditures. The amounts recorded as disbursed agreed with the supporting documentation. The amount, payee, date and description of the purchase agreed with the vendor's invoice, contract and canceled check. The Association does not use purchase order forms.

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

The cash disbursements tested were properly authorized and approved in compliance with the budget and legal requirements. However, the Association does not have any written procurement policies and procedures. See Finding 2016-003 on p. 14.

- iii. 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), State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

None of the cash disbursements tested exceeded the amounts requiring sealed bids or requests for proposals. The cash disbursements tested were processed in accordance with applicable provisions of the State Procurement Code, Purchasing Regulations and the Per Diem and Mileage Act, as applicable. However, in an invoice dated July 29, 2016, the Association's meter reader/Board Secretary billed the Association \$30,000 for work done on the Entrada La Cienega water line replacement project. The employee/Board Secretary did not document the actual time worked and the specific work done on a timesheet or the invoice. Also, the \$75 hourly rate billed by the employee was not authorized or approved by the Board of Directors in the minutes of its meetings. See Finding 2016-001 on p. 9.

6. Journal Entries

a. If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

i. Journal entries appear reasonable and have supporting documentation.

According to the Association's bookkeeper, no non-routine journal entries were posted to the general ledger in 2016 and none were noted during the agreed-upon procedures.

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

The Association has procedures in place that require the Board of Directors to review and approve non-routine journal entries.

7. Budgets

a. Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

i. 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 minutes of the board meetings showed that the original budget was adopted by the board on November 12, 2015 (Resolution 2015-3) and amended by the board on November 10, 2016 (Resolution 2016-2). The original budget was approved by DFA-LGD in a letter dated February 19,

2016. The budget amendment was approved by DFA-LGD on November 29, 2016.

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

Total expenditures did not exceed the final budget at the total fund level. Actual expenditures were \$67,815 less than budgeted expenditures. See Exhibit 1 on p. 16.

- iii. 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 Exhibit 1 on p. 16.

8. Capital Outlay Appropriations

- 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.

All of the cash disbursements in 2016 for the capital award project were tested. The amounts disbursed agreed with the supporting documentation. The amount, payee, date and description of the purchase agreed with the vendor's invoice, contract and canceled check. The Association does not use purchase order forms.

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

The cash disbursements tested were properly authorized and approved in accordance with the project budget and legal requirements.

- 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 Association's Board of Directors allowed its employee (meter reader)/Board Secretary to perform the project work; therefore, no bids were obtained from contractors to perform the project work.

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

The work done on the Entrada La Cienega waterline replacement project was observed on May 4, 2017.

- 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.

The Association submitted three Disbursement Request forms and supporting documentation to the New Mexico Environment Department (NMED). The amounts requested in the payment forms agreed with the Association's general ledger and 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. The Association was required to submit disbursement request forms to the NMED along with the contractor's invoices and other supporting documentation.

- 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.

The project work was completed. As of December 31, 2016, the unexpended balance of the grant was \$458.52 which was reverted to the State of New Mexico since the grant agreement terminated on June 30, 2016. See the Schedule of Capital Outlay Awards on p. 20.

- 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 agreement did not mandate a separate bank account. The Association used its checking account at the Guadalupe Credit Union to account for the grant receipts and check disbursements for the project expenditures.

- 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.

In 2016, the Association submitted three Disbursement Request forms (#4-6) to the NMED for materials and equipment rentals purchased by the Association. The disbursement requests were supported by eight invoices from the vendors totaling \$27,017.56 (#4 dated 2/10/16 for \$3,836.33; #5 dated 6/3/16 for \$19,218.56; #6 dated 7/6/16 for \$3,962.67). The Association paid for the invoices before the grant checks were received from NMED. See the Schedule of Capital Outlay Awards on p. 20.

9. Other

- a. 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.

The Board of Directors did not approve the minutes of its board meetings in 2016 as required by the NM Open Meetings Act. See Finding 2016-002 on p. 12.

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 subject matter. 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 management and others with the Association, the New Mexico State Auditor, the Department of Finance and Administration – Local Government Division, and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Accounting & Auditing Services, LLC

Accounting & Auditing Services, LLC

Santa Fe, New Mexico

May 12, 2017

**La Cienega Mutual Domestic Water Association
Schedule of Findings and Responses
For the Fiscal Year Ending December 31, 2016**

Status of Prior Year Findings

Finding 2010-002 – Capital Assets Inventory – Revised and Repeated.

Current Year Findings

Finding 2010-002 – No Capital Asset Inventory at Fiscal Year-End

Condition

For the fiscal year ending December 31, 2016, the Association did not perform and document a physical inventory of its capital assets, or have the results of the physical inventory certified by the Board of Directors.

The Association did not take any corrective action in 2016 to resolve this prior year finding.

Criteria

Section 12-6-10.A NMSA 1978 states: “Annual Inventory. The governing authority of each agency shall, at the end of each fiscal year, conduct a physical inventory of movable chattels and equipment costing more than five thousand dollars (\$5,000) and under the control of the governing authority. Upon completion, the inventory shall be certified by the governing authority as to correctness.” Section 2.20.1 NMAC requires an annual inventory and establishes standards to properly record, control and account for capital assets acquired by agencies.

Effect

The Association’s capital asset listing as of December 31, 2016 may be incomplete or inaccurate.

Cause

Management neglected to perform and document the physical inventory at the end of the fiscal year and have the Board of Directors certify the results.

Recommendation

At the end of each fiscal year, the Association should perform and document a physical inventory of its capital assets in accordance with state laws and regulations. For each capital asset, the description of the asset, date acquired, cost, location, useful life, and ending balance of its capital assets should be recorded on the Association’s capital asset

**La Cienega Mutual Domestic Water Association
Schedule of Findings and Responses
For the Fiscal Year Ending December 31, 2016**

listing. The results of the inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing authority of the Association.

Management's Response

The association has its capital assets listed on the balance sheet but failed to do an asset listing or a physical year-end inventory.

A physical inventory and capital asset listing will be done by the Board of Directors and the water operator around the end of June 2017 and will be approved by the Board at the following board meeting. The inventory listing will be updated as needed by the Accounts Manager with Board approval.

Finding 2016-001. Inadequate Documentation for \$30,000 Invoice

Condition

In an invoice dated July 29, 2016, the Association's employee (meter reader)/Board Secretary billed the Association \$30,000 (labor only - 400 hours) for work done on the Entrada La Cienega water line replacement project. The employee/Board Secretary charged the Association \$75 per hour but did not document the dates, times or a detailed description of the work done on the project. The employee/Board Secretary only took some pictures of the project work he performed.

After the invoice was submitted to the Accounts Manager for payment, two board members disputed that the Board of Directors did not authorize the employee/Board Secretary to perform the project work at the rate of \$75 per hour. The Board Treasurer also disputed the amount of the hours the employee/Board Secretary claimed on the invoice.

In the minutes of the board meeting on May 12, 2016, the board members talk about authorizing the meter reader/Board Secretary to do the project work but a motion was not voted upon.

In the minutes of the board meeting on July 14, 2016, the board members discussed whether or not the Board authorized the meter reader/Board Secretary to do the project work. Since the meeting notes and the recording (video) of the decision were not provided at the meeting, the approval of the minutes for the board meeting on May 12, 2016 was tabled.

In the minutes of the Association's board meeting on November 10, 2016, the board members once again discussed whether or not the Board authorized the meter

**La Cienega Mutual Domestic Water Association
Schedule of Findings and Responses
For the Fiscal Year Ending December 31, 2016**

reader/Board Secretary to do the project work at the rate of \$75 per hour. The Board Treasurer stated that he would only have approved \$25 per hour, not \$75 per hour for this project work. After the employee/Board Secretary completed the project work, the Board Treasurer stated that he obtained a quote of \$18,000 (labor and equipment) from a contractor for the same work done on the project. The employee/Board Secretary stated that he worked more hours on the project than he billed for and paid other workers to assist on the project. The employee/Board Secretary also stated that he has always charged the Association \$75 an hour for water line repair work. The Board members then discussed the erroneous possibility of having the employee/Board Secretary "fix" the invoice so that it would reflect more hours at a \$25 hourly rate to arrive at the same \$30,000 billing; the employee/Board Secretary declined to revise his invoice.

In summary, based on a review of the minutes of the meetings, it appears that the Board of Directors authorized the employee/Board Secretary to perform the project work. However, the minutes of the meetings do not show that the Board approved the rate of \$75 per hour worked. In any event, the decision about whether or not to authorize the employee/Board Secretary to perform the project work at the rate of \$75 an hour was never voted on by the Board, and the dispute regarding the subsequent \$30,000 invoice has not been voted on and resolved by the Board.

Criteria

For proper internal control over the expenditure of public funds, it is a prudent business practice for the Board of Directors to clearly document the authorization and rate of pay for an employee to perform a waterline replacement project in the minutes of its meetings, and to require the employee to thoroughly document the dates, times and work done on a timesheet.

Effect

Without any timesheets, there is insufficient documentation to substantiate the amount of hours charged or claimed by the employee/Board Secretary. There is a possibility that the project work would have cost less if the Association had obtained bids from contractors. The \$30,000 invoice has caused the Association significant cash flow problems and has not paid the invoice in full; the Association is currently paying the employee/Board Secretary \$2,000 a month on the bill. As of February 9, 2017, the Association has paid the employee/Board Secretary \$10,000 towards this invoice.

**La Cienega Mutual Domestic Water Association
Schedule of Findings and Responses
For the Fiscal Year Ending December 31, 2016**

Cause

The Association does not have adequate internal controls in place to authorize, oversee and approve the work done and charged by its employees.

The Association's Board of Directors neglected to clearly vote and document its decision in the minutes of its board meetings about whether or not to allow its employee/Board Secretary to perform the project work at the rate of \$75 per hour. Also, the Board of Directors neglected to discuss in a board meeting the reasons why they chose not to obtain bids from contractors to perform the project work.

Furthermore, before the commencement of the project work, the Association's Board of Directors neglected to direct its employee/Board Secretary to specifically document the dates and times worked on the project including the specific work done and the materials and equipment used.

Recommendation

In the next board meeting, the Board of Directors should discuss the issue and vote about how the disagreement regarding the \$30,000 invoice will be handled and resolved. The board meeting and the decision should be recorded and adequately documented in the minutes of the meeting. The minutes of this meeting should then be approved by the Board at its next board meeting in accordance with the NM Open Meetings Act.

The Board of Directors should develop and implement written personnel policies and procedures requiring its employees to thoroughly document the dates, times and work done on a timesheet or invoice. The policies and procedures should include a thorough approval process for the timesheet or invoice including a certification that the work was pre-authorized by the Board, and a certification by a supervising board member that the work was actually performed. The Association's Accounts Manager should not process a timesheet or an invoice for payment unless it fully documents the dates, times and specific work done by the employee, and the timesheet or invoice has been approved by the supervising board member.

For all water line improvement projects or major repairs, the Association should obtain quotes or bids in accordance with the State Procurement Code before making a decision to allow or disallow an employee to perform the work. If a contractor is not selected to perform the work, the Board should fully document its reasons and decision to authorize an employee to perform the work in the minutes of the board meeting.

**La Cienega Mutual Domestic Water Association
Schedule of Findings and Responses
For the Fiscal Year Ending December 31, 2016**

Management's Response

The May 12, 2016 minutes state that the Board of Directors authorized the Employee/Board Secretary to perform this job, but we failed to adequately document it in the form of a motion. Although the Employee/Board Secretary charges a specific rate for his work, we also failed to discuss and approve the rate he would be charging for this project prior to the job being done.

At the next board meeting on July 13, 2017, the Board of Directors will discuss and vote on how this issue will be resolved. The minutes will then be approved at the next scheduled board meeting. The Board of Directors will develop and implement a policy that details how additional work for the association will be handled. We will implement a certification form that will detail the project that is being done and at what rate of pay. These forms will then be approved by the Board for each project and signed by the employee at the end of the project. We will obtain bids for any future water line improvement projects or major repairs and document the decision on whether or not to hire one of the contractors or authorize an employee to perform the work. When an employee does any association work, he/she will document the dates, times and details of the work performed. The Accounts Manager will not process any invoices that do not reflect these items.

Finding 2016-002. No Approval of Board Meeting Minutes

Condition

None of the minutes of the board meetings held in 2016 were approved by the Board of Directors. Specifically, the Association's Board of Directors did not approve the minutes of its board meetings held on January 14, 2016, March 10, 2016, May 12, 2016, July 14, 2016 and November 10, 2016. The Association has regular board meetings every other month and the scheduled meeting in September 2016 was cancelled.

Also, as noted in Finding 2016-001, the decision of the board regarding whether or not to authorize the employee/Board Secretary to perform the project work at the rate of \$75 an hour was never voted on. In addition, the dispute between the board members regarding the \$30,000 invoice for this project work was never voted on and resolved by the Board.

Criteria

The Open Meetings Act, Section 10-15-1.G NMSA 1978 states: "The board shall keep written minutes of all of its meetings. The minutes shall include at a minimum the date, time and place of the meeting, the names of members in attendance and those absent, the

La Cienega Mutual Domestic Water Association
Schedule of Findings and Responses
For the Fiscal Year Ending December 31, 2016

substance of the proposals considered, and a record of any decisions and votes taken that show how each member voted. Draft minutes shall be prepared within ten working days after the meeting and shall be approved, amended or disapproved at the next board meeting where a quorum is present. Minutes shall not become official until approved by the policymaking body."

Effect

The NM Open Meetings Act, Section 10-15-1.G NMSA 1978 states: "Any person in violation of Section 10-15-1 or 10-15-2 is guilty of a misdemeanor and upon conviction shall be punished by a fine of not more than five hundred dollars (\$500) for each offense."

Cause

The Board of Directors has not implemented internal controls to ensure full compliance with the Open Meetings Act.

Regarding the board meeting on May 12, 2016 about the waterline replacement project being performed by the employee/Board Secretary, the Board member in charge of recording the board meeting and preparing the minutes left the board meeting on May 12, 2016 before it had adjourned. The meeting was supposed to be held inside the community center but the doors were locked so the meeting was held outside. The Accounts Manager then took hand written notes of the meeting and the Board Secretary recorded the meeting on his tablet. However, the notes and the recording were never produced at subsequent meetings and the issue kept getting tabled by the Board.

Recommendation

The Board of Directors should obtain and fully read the Open Meetings Act and the Compliance Guide provided by the NM Office of the Attorney General. For all future board meetings, the Board shall strictly comply with all of the section of the Open Meetings Act. For each meeting, the Association shall complete the Open Meetings Act Compliance Checklist presented in the Compliance Guide and maintain it with the minutes of the board meetings as a matter of public record.

At its next board meeting, the Board of Directors shall address the approval of all the pending minutes of the previous board meetings that have not been approved by the Board.

Since the current Board President/Water Operator and Board Secretary/Meter Reader are also employees of the Association, the Board President and Board Secretary should not

**La Cienega Mutual Domestic Water Association
Schedule of Findings and Responses
For the Fiscal Year Ending December 31, 2016**

vote on matters that pertain to them since it would be a conflict of interest. Also, since the Board President is the father of the Board Secretary, the relatives should not vote on matters that pertain to each other.

Management's Response

Although the minutes of 2016 meetings were read by the Association's Board of Directors, they were not approved after any corrections were made.

Any minutes that have not been approved will be approved at the next regularly scheduled board meeting on July 13, 2017. In the future, the Board of Directors will ensure that all minutes are typed up within 10 days after the meeting and that they will be approved at the next scheduled board meeting. Minutes will also be signed after they are approved. All issues that require a vote will be documented as a motion in the minutes. We will also ensure that the Open Meetings Act and the Compliance Guide are read by the Board of Directors and Accounts Manager. Any matters pertaining to a related party will not be voted on by any Board Members who are related.

Finding 2016-003. No Written Procurement Policies and Procedures

Condition

The Association does not have any written procurement policies and procedures to control the purchase of goods and services and ensure compliance with the State Procurement Code.

Criteria

Adequate procurement policies and procedures provide for the fair and equal treatment of all persons involved in public procurement, maximize the purchasing value of public funds and provide safeguards for maintaining a procurement system of quality and integrity.

Effect

Without adequate procurement policies and procedures, there is a lack of internal control over cash disbursements and the Association is at risk of noncompliance with the State Procurement Code. Also, the Association may not be getting the best obtainable price for the purchase of goods and services which can create significant financial problems for the Association.

**La Cienega Mutual Domestic Water Association
Schedule of Findings and Responses
For the Fiscal Year Ending December 31, 2016**

Cause

The District's Board of Directors has neglected to establish written procurement policies and procedures.

Recommendation

The Board of Directors should establish and implement written procurement policies and procedures to ensure compliance with the State Procurement Code (Sections 13-1-28 through 13-1-199 NMSA 1978). For the purchase of all goods and services, the Association should consider adopting the State Procurement Code Regulations (1.4.1 NMAC). The procurement policy should include a record retention policy whereas all procurement decisions and documentation shall be filed, retained and safeguarded for at least five years after the end of the fiscal year in which the procurement occurred.

Management's Response

The Association was not aware that a Procurement Policy needed to be done. A Procurement Policy will be created and adopted by the Board of Directors at the Association's next board meeting that will be held on July 13, 2017.

La Cienega Mutual Domestic Water Association
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP Cash Basis)
For the Fiscal Year Ending December 31, 2016

Exhibit 1

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Water Bills	\$ 57,638	\$ 72,000	\$ 60,217	\$ (11,783)
Membership Fees	450	450	-	(450)
Capital Outlay Appropriation	117,476	90,000	27,018	(62,982)
Verizon	7,300	7,300	7,300	-
Miscellaneous	-	-	425	425
Total Revenues	<u>\$ 182,864</u>	<u>\$ 169,750</u>	<u>\$ 94,960</u>	<u>\$ (74,790)</u>
Expenditures:				
Accountant	\$ 759	\$ -	\$ 433	\$ (433)
Audit	4,600	-	4,560	(4,560)
Capital Outlay	117,476	90,000	27,018	62,982
Bank Charges	95	-	69	(69)
Community Center Rental	25	75	75	-
Emergency Repairs/Miscellaneous	2,400	6,000	981	5,019
Line Locates	280	292	298	(6)
Materials	1,200	1,200	101	1,099
Payroll Expenses	21,600	42,000	38,456	3,544
PRC Report	20	20	20	-
System Maintenance/Water Testing	1,524	-	-	-
Insurance	3,909	3,909	3,835	74
NMED Loan Payment	3,860	3,860	3,860	-
2015 AUP Preparation	-	300	321	(21)
Billing Software Updates	640	741	740	1
Bookkeeping	11,244	11,244	11,235	9
CCR Preparation	350	300	268	33
Dues & Subscriptions	210	-	189	(189)
Land Lease	1,250	-	-	-
P.O. Box Rental	101	82	82	-
Postage	1,176	564	1,093	(529)
Quickbooks Update	-	420	419	1
Supplies	960	960	476	484
Training	800	-	-	-
Storage Unit	480	-	515	(515)
Taxes	3,244	3,732	4,207	(475)
Utilities	2,880	2,796	2,452	344
Well Repairs	1,200	1,200	177	1,023
Total Expenditures	<u>\$ 182,283</u>	<u>\$ 169,695</u>	<u>\$ 101,880</u>	<u>\$ 67,815</u>

La Cienega Mutual Domestic Water Association
Copy of Year-End Financial Report Submitted to DFA-LGD
For the Fiscal Year Ending December 31, 2016

10:29 AM
01/25/17
Cash Basis

LA CIENEGA, MDWA
Balance Sheet
As of December 31, 2016

	<u>Dec 31, 16</u>
ASSETS	
Current Assets	
Checking/Savings	
GCU Checking	889.25
GCU Money Market	13,438.71
GCU Savings	5.00
Total Checking/Savings	14,332.96
Total Current Assets	14,332.96
Fixed Assets	
Accumulated depreciation	-301,777.00
Improvements	382,776.42
Water rights	31,388.36
Well System	325,000.00
Total Fixed Assets	437,387.78
TOTAL ASSETS	451,720.74
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Payroll Liabilities	3,370.44
Total Other Current Liabilities	3,370.44
Total Current Liabilities	3,370.44
Long Term Liabilities	
NMED/2011-01	50,819.68
Total Long Term Liabilities	50,819.68
Total Liabilities	54,190.12
Equity	
Associations Equity	126,405.38
Retained Earnings	278,045.67
Net Income	-6,920.43
Total Equity	397,530.62
TOTAL LIABILITIES & EQUITY	451,720.74

La Cienega Mutual Domestic Water Association
Copy of Year-End Financial Report Submitted to DFA-LGD
For the Fiscal Year Ending December 31, 2016

10:28 AM
01/25/17
Cash Basis

LA CIENEGA, MDWA
Profit & Loss
January through December 2016

	Jan - Dec 16
Ordinary Income/Expense	
Income	
Water bills	58,217.36
Total Income	58,217.36
Expense	
Accountant	433.00
Audit	4,559.62
Bank charges	49.40
Bounced check fee	20.00
Capitol Outlay Funds	27,017.58
Community Center rental	75.00
COST OF OPERATIONS	
Line locates	298.04
Materials Purchased	101.33
Payroll Expenses	38,456.52
PRC report	20.00
Water Operator	70.00
Total COST OF OPERATIONS	38,945.89
INSURANCE EXPENSE	
Dishonosty bond	409.00
Liability	3,426.00
Total INSURANCE EXPENSE	3,835.00
Loans	
NMED RIP 2011-01 principal	3,859.88
Total Loans	3,859.88
Mileage	64.80
OFFICE EXPENSE	
2015 AUP	321.00
Annual billing software updates	740.18
Bookkeeping	11,235.00
CCR preparation	267.50
Dues & Subs	189.00
Minutes taking	420.00
P.O. Box Rental	82.00
Postage	1,093.00
Quickbooks PR yearly update	419.45
Supplies	476.05
Total OFFICE EXPENSE	15,243.18
RTCR Sampling Plan	321.00
Storage unit	515.00
TAX EXPENSE	
Conservation Tax	
Penalties & Interest	13.67
Conservation Tax - Other	248.87
Total Conservation Tax	262.54
Gross Receipts	3,430.47
Payroll Tax	514.47
Total TAX EXPENSE	4,207.48
Utilities	2,451.64
Vold	0.00
Well repairs	176.55
Total Expense	101,775.02
Net Ordinary Income	-43,557.66
Other Income/Expense	
Other Income	
Insurance refund	409.00
Interest Earned	15.75

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LA CIENEGA, MDWA
Profit & Loss
January through December 2016

	<u>Jan - Dec 16</u>
Legislative funds	27,017.56
Verizon	7,300.20
Water sold	<u>2,000.00</u>
Total Other Income	36,742.51
Other Expense	
Bounced check	<u>105.28</u>
Total Other Expense	<u>105.28</u>
Net Other Income	<u>36,637.23</u>
Net Income	<u><u>-6,920.43</u></u>

**La Cienega Mutual Domestic Water Association
 Schedule of Capital Outlay Awards
 For the Fiscal Year Ending December 31, 2016**

	1
Amount Awarded for Project	\$ 50,000.00
Amount Received and Expended in 2014	(14,780.28)
Amount Received and Expended in 2015	(7,743.64)
Amount Received and Expended in 2016	(27,017.56)
Remaining Balance	\$ 458.52

Agreement Provisions

1 - Fund 89200 Capital Appropriation Project Agreement Between the New Mexico Department of Environment and the La Cienega MDWC & MSWA (12-1371-STB)

Legislative Authority: NM Laws of 2012, Chapter 64, Section 11, Paragraph 46

Date of Agreement: September 21, 2012

Project Description: To plan, design and construct water system improvements, including water lines, for La Cienega Mutual Domestic Water Consumers & Mutual Sewage Works Association in Santa Fe County.

Estimated Project Cost: \$50,000

State Grant Amount: \$50,000

Agreement termination/reversion date: June 30, 2016

**La Cienega Mutual Domestic Water Association
Exit Conference
For the Fiscal Year Ending December 31, 2016**

On May 12, 2017, an exit conference was held with the following individuals to discuss the results of the agreed upon procedures and the contents of this report:

La Cienega Mutual Domestic Water Association

Reynaldo Romero, President
Archie Perea, Treasurer
Ana Berry, Accounts Manager

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, General Manager