

**STATE OF NEW MEXICO  
NOGAL MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
Independent Accountants' Report On  
Applying Agreed-Upon Procedures  
Year Ended December 31, 2012**

**STATE OF NEW MEXICO  
NOGAL MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
DECEMBER 31, 2012**

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**STATE OF NEW MEXICO  
NOGAL MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
OFFICIAL ROSTER  
DECEMBER 31, 2012**

**BOARD OF DIRECTORS**

Richard Rotert	President
Mike Ross	Vice-President
Sue Ann Stearns	Treasurer
Kala Scarafiotti	Secretary
David Mandel	Member

**STAFF**

Eric Lopez	Water Operator
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**INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES**

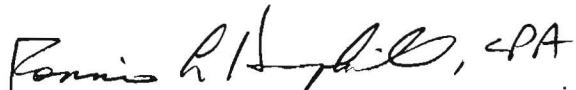
Board of Directors  
Nogal Mutual Domestic Water Consumers Association and  
Honorable Hector H Balderas, New Mexico State Auditor

We have performed the procedures as shown in Exhibit B, attached to this report, which were agreed to by the Nogal Mutual Domestic Water Consumers Association (NMDWCA), solely to assist the NMDWCA with respect to the compliance of the Tier 5 provisions of the Audit Act - Section 12-6-3 B (5) NMSA 1978 and Section 2.2.2.16 NMAC, as of December 31, 2012. The procedures were agreed to by the NMDWCA through the Office of the New Mexico State Auditor. The NMDWCA's management is responsible for the organization's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no 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 can be found on Exhibit B, attached to this report.

We were not engaged to, and did not conduct an audit of financial statements or any part thereof, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Nogal Mutual Domestic Water Consumers Association, The New Mexico State Auditor's Office and the Department of Finance and Administration, Local Government Division and is not intended to be and should not be used by anyone other than those specified parties.



Ronnie L Hemphill, PC  
May 29, 2013



CPA

STATE OF NEW MEXICO  
 NOGAL MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
 Exhibit A - Schedule of Capital Outlay Projects  
 For the Year Ended December 31, 2012

	<u>Award Amount</u>	<u>Prior Years Expenditures</u>	<u>Current Years Expenditures</u>	<u>Total Received</u>	<u>Remaining Balance</u>
NM Finance Authority loan/grant to pay the costs of elibilbe items as defined in Section 72-4A-7C of the Act, and Board Rule 19.25.10.11 NMAC. Project dated 11/12/10 Loan/Grant Number 160-WTB	\$ 369,500.00	\$ -	\$ 39,394.76	\$ 39,394.76	\$ 330,105.24
Special Appropriations Project NM Environment Department, Construction Programs Bureau, Laws of 2008, Chapter 92, Section 48, Sub Section 64 (Chapter 92), to plan, design and construct Project dated 7/28/08 through 6/30/12 SAP 08-3878-GF	\$ 100,000.00	\$ 59,692.71	\$ 40,307.29	\$ 40,307.29	\$ -
Special Appropriations Project NMFA LGD Colonias Project authorized the Colonias Infrastructure Act, created by SB 279 in 2010 SAP 09-3118-06	\$ 296,000.00	\$ -	\$ 296,000.00	\$ 296,000.00	\$ -

**NOGAL MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**  
**EXHIBIT B – SCOPE OF WORK**  
**AGREED UPON PROCEDURES**  
**Tier 5 of the Audit Act–Section 12-6-3 B (5) NMSA 1978 and Section**  
**2.2.2.16 NMAC**

1) CASH

- a) The Contractor shall 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.

**Procedure:**

Obtained copies of all bank reconciliations and bank statements for both bank accounts. Verified that the bank accounts were reconciled each month and all reconciliations were reviewed.

**Finding:**

All bank reconciliations were done in a timely manner by the Treasurer.

- b) The Contractor shall 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.

**Procedure:**

All current bank reconciliations were reviewed and tested for accuracy.

**Finding:**

On the general account reconciliation for the period ending December 31, 2012, it was noted that a check issued and dated after year end, was booked and recorded as a 2012 expenditure. See Finding 2012-1.

- c) The Contractor shall 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.

**Procedure:**

Bank statements for the entire fiscal year ending December 31, 2012, were reviewed for balances which would require pledged collateral from the applicable financial institutions.

**Finding:**

Bank balances did not exceed the applicable FDIC insured amounts, therefore, pledged collateral was not required.



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EXHIBIT B-SCOPE OF WORK  
AGREED UPON PROCEDURES  
Tier 5 of the Audit Act – Section 12-6-3 B (5) NMSA 1978 and Section  
2.2.2.16 NMAC**

2) **CAPITAL ASSETS**

The Contractor shall verify the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.

**Procedure:**

Upon request of the Contractor, the Association compiled a physical inventory list and made it available to the Contractor for review.

**Finding:**

The Association did not have a formal inventory listing available until it was requested from the Contractor. However, records were available to the Association from which it compiled the listing.

3) **REVENUE**

The Contractor shall 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.

**Procedure:**

Water service revenue billings were reviewed by Contractor. Analytical tests were performed on water service revenues comparing actual revenues to budgeted amounts and prior year amounts. Average revenues per customer were computed for the current year and the prior year. Deposits of water service revenues from bank statements were traced to the applicable general ledger entry.

**Finding:**

The results of the analytical procedures appeared reasonable. No exceptions were noted on tracing deposits to the general ledger entry.

The Contractor shall test based on auditor judgment revenues for the following attributes:

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

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**2.2.2.16 NMAC**

- 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.

**Procedure:**

The Association records its transactions on a cash basis. The Contractor traced 100% of the fiscal year collections per the bank deposits to the respective general ledger entry.

**Finding:**

No discrepancies were noted.

4) **EXPENDITURES**

The Contractor shall select a sample of cash disbursements and test based on auditor judgment for 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).

Note: The sample must be representative of the population.

**Procedure:**

Tested 100% of capital projects expenditures and all other cash disbursements of \$1,000 or greater. Cash disbursements tested were examined for adequate supporting documentation, verified amount, payee, date and description agreed to vendor's invoice



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**EXHIBIT B – SCOPE OF WORK**  
**AGREED UPON PROCEDURES**  
**Tier 5 of the Audit Act – Section 12-6-3 B (5) NMSA 1978 and Section**  
**2.2.2.16 NMAC**

and cancelled check. Traced authorization to established policies and procedures and approval by the Board of Directors and management. Bids for capital projects were examined in the prior year audit and all were found to be in compliance with the New Mexico Procurement Code. Traced all disbursements to the requests for reimbursement sent to the State of New Mexico on the various capital projects and reviewed the same for proper approval.

**Finding:**

No discrepancies were noted.

5) **JOURNAL ENTRIES**

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, the Contractor shall 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.

**Procedure:**

During the period being audited, the only journal entries made were those proposed to management from the prior period auditor.

Those entries were approved by the President and Treasurer of the Association.

**Finding:**

No discrepancies were noted.

6) **BUDGET**

The Contractor shall obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

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**EXHIBIT B – SCOPE OF WORK**  
**AGREED UPON PROCEDURES**  
**Tier 5 of the Audit Act – Section 12-6-3 B (5) NMSA 1978 and Section**  
**2.2.2.16 NMAC**

- 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.

**Procedure:**

Contractor obtained a copy of the budget for the Association which was signed and approved by the Board of Directors, and evidence of approval was recorded in the respective Board minutes.

Correspondence was reviewed indicating that the budget was submitted to DFA, however, no acknowledgement from DFA was received. See attached schedule of revenues and expenditures – budget and actual – cash basis.

**Finding:**

No discrepancies were noted.

7) **CAPITAL OUTLAY APPROPRIATIONS**

The Contractor shall 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.

The Contractor shall test all capital outlay expenditures during the fiscal year to:

- a) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.
- b) Determine that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.

**NOGAL MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**  
**EXHIBIT B – SCOPE OF WORK**  
**AGREED UPON PROCEDURES**  
**Tier 5 of the Audit Act – Section 12-6-3 B (5) NMSA 1978 and Section**  
**2.2.2.16 NMAC**

- c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).
- d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.
- e) Verify that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.
- f) If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.
- 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.
- h) Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.
- i) Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.

**Procedures:**

Contractor obtained documentation and bid files (audited in the prior year) for each capital project. Disbursements for each project were examined and reconciled to the applicable requests for reimbursements and status reports. The newly constructed water treatment building was observed. Traced all grant receipts to bank deposits and the respective entry to the general ledger. Reimbursement requests were properly supported by costs incurred and had evidence of proper approvals. Payments were made timely to vendors upon receipt of grant funds.

**Finding:**

No discrepancies were noted.

NOGAL MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
EXHIBIT A – SCOPE OF WORK  
AGREED UPON PROCEDURES  
Tier 5 of the Audit Act – Section 12-6-3 B (5) NMSA 1978 and Section  
2.2.2.16 NMAC

**OTHER**

If information comes to the Contractor'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 2.2.210(l)(3)© NMAC.

**Finding:**

No information came to our attention regarding fraud, illegal acts or noncompliance.

STATE OF NEW MEXICO  
 NOGAL MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
 EXHIBIT C  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL - CASH BASIS  
 For The Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts Budgetary Basis	
<b>REVENUES</b>				
Water service	\$ 10,450	\$ 10,450	\$ 9,569	\$ (881)
Other income	300	300	213	(87)
Grant proceeds	698,838	698,838	367,145	(331,693)
<b>Total revenues</b>	<b>709,588</b>	<b>709,588</b>	<b>376,927</b>	<b>(332,661)</b>
<b>EXPENDITURES</b>				
Governmental gross receipts tax	550	550	420	130
Insurance	250	250	1,779	(1,529)
Miscellaneous	-	-	399	(399)
Professional fees	-	-	1,866	(1,866)
Utilities	1,200	1,200	839	361
Postage	-	-	243	(243)
Debt service	2,364	2,364	2,383	(19)
Dues	-	-	129	(129)
Fees	100	100	47	53
Supplies	600	600	274	326
Repairs and maintenance	1,000	1,000	754	246
Property taxes	5	5	11	(6)
Water operator fees	5,400	5,400	5,400	-
Training	500	500	-	500
Lease	76	76	1	75
Capital outlay	697,500	697,500	374,466	323,034
<b>Total expenditures</b>	<b>709,545</b>	<b>709,545</b>	<b>389,011</b>	<b>320,534</b>
Excess (deficiency) of revenues over expenditures	43	43	(12,084)	(12,127)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources	43	43	\$ (12,084)	\$ (12,127)
Budgeted cash carryover	16,446	16,446		
	<u>\$ 16,489</u>	<u>\$ 16,489</u>		



EXHIBIT D

NOGAL MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

2012 BUDGET - General

<u>PROJECTED INCOME</u>		<i>Actual</i>	<u>PROJECTED EXPENSE</u>		<i>Actual</i>
Water Usage	\$10,450	9510	Water Operator	\$5,400	\$ 5400.00
New User Agreements	300	200	Utilities: Electricity	1,200	839.28
Grant Reimbursement:			Loan Payments:		
Utility Pole	<u>1,338</u>	1338	WTB-0160	1,600	1624.58
	\$12,088		WTB-0126	135	131.44
<i>Misc</i>		<u>13.30</u>	RIP 97-03	629	627.19
		\$ 11,121.30	GGRT Tax	550	419.85
			Insurance	250	1779.00
			System Repairs	500	754.42
			Equipment	500	-0-
			Water Treatment Supplies	300	80.52
			Supplies	300	436.32
			Training Expenses	500	600.11
			Tank Lease - USFS	75	-0-
			Water Conservation Fee	50	36.53
			Water Testing	50	-0-
			Land Tax	5	10.52
			Well Lease: Crouse	<u>1</u>	1.00
				\$12,045	
			<i>Added:</i>		1500.00
			Audit		
			Dues		129.00
			5/2/12 Reg Filing		10.00
			Date		
					<u>\$ 14,379.00</u>

APPROVED IN REGULAR SESSION:

R.W. Rotert  
R.W. Rotert, President

Sue Ann Stearns  
Sue Ann Stearns, Treasurer

Attest: Kala Srafi 5/2/12

EXHIBIT D - CONTINUED

NOGAL MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

2012 BUDGET

GRANTS

<u>PROJECTED INCOME</u>		<u>PROJECTED EXPENSE</u>	<u>ACTUAL</u>
WTB-160	\$369,500	\$ 369,500	\$39,028.61
Capitol Outlay	32,000	32,000	31,749.59 *
Colonias	296,000	296,000	296,000.00
	\$697,500	\$697,500	\$366,778.20

\* 8557.70 (# 1004 to Livingston)  
 267.00 (# 1019 to SAVATS for  
 Land)  


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 \$8824.70 - pd in 2012  
 but was for 2011

**STATE OF NEW MEXICO  
 NOGAL MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
 SCHEDULE OF FINDINGS AND RESPONSES  
 YEAR ENDED DECEMBER 31, 2012**

	<u>Type Of Finding*</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
<b>Current Year Findings:</b>			
Proper Cutoff	c.	N/A	2012-1
<b>Follow-Up On Prior Year Findings:</b>			
Late report	d.	2011-1	N/A

**\*Legend for Findings:**

- a. Fraud
- b. Illegal Act(s)
- c. Internal Control Deficiencies
- d. Noncompliance

**STATE OF NEW MEXICO  
NOGAL MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2012 .**

**2012-1 Proper Cut-off**

Statement of Condition:

During the review of the Association bank reconciliations, we found a check which was dated January 1, 2013 but was posted to the general ledger as a 2012 expenditure.

Criteria:

Proper cut-off procedures should be followed in posting the Association's general ledger.

Effect:

The Association maintains its accounting records on a cash basis. The date an expenditure is paid determines what period the expenditure will be posted to.

Cause:

The expenditure was incurred for water operator fees for the month of December 2012. The expenditure should have been made prior to year end for it to be posted as a 2012 expense.

Recommendation:

Care should be taken to properly match the date an expenditure is paid to the accounting period that it was incurred. While posting the general ledger, the date of the payment of an expenditure should determine what period that it is posted to.

Management Response:

The Association did not receive year end documentation from the water operator until after year end. This resulted in the invoice payment date being after year end. The Association will monitor these payments in future periods to insure that the payment date reflects the proper period to which the expenditure applies.

**STATE OF NEW MEXICO  
NOGAL MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
EXIT CONFERENCE  
YEAR ENDED DECEMBER 31, 2012**

**EXIT CONFERENCE**

The report contents were discussed at an exit conference held in Nogal, NM on May 29, 2013 with the following in attendance:

Nogal Mutual Domestic Water Consumers Association

Richard Rotert, Board President  
Sue Ann Stearns, Board Treasurer

Accounting Firm

Ronnie L Hemphill, CPA