

# **Accounting & Auditing Services, LLC**

**Financial Audits + Agreed Upon Procedures + Tax + Consulting**

**Ojo Caliente Mutual Domestic Water Consumers Association**

**Independent Accountant's Report on Applying Agreed-Upon Procedures**

**For the Fiscal Year Ending December 31, 2014**

**Ojo Caliente Mutual Domestic Water Consumers Association**  
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**Fiscal Year Ending December 31, 2014**

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**Ojo Caliente Mutual Domestic Water Consumers Association  
Official Roster  
Fiscal Year Ending December 31, 2014**

**Board of Directors**

Ben Montoya, President

Frank Gallegos, Vice President

Glenn Lovato, Secretary/Treasurer

Patrick Vigil, Board Member

David Post, Board Member

**Administrative Staff**

None

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Financial Audits + Agreed Upon Procedures + Tax + Consulting

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## Independent Accountant's Report on Applying Agreed-Upon Procedures

Ben Montoya, President  
Ojo Caliente Mutual Domestic Water Consumers Association  
and  
Timothy Keller, New Mexico State Auditor

We have performed the procedures enumerated below for the Ojo Caliente Mutual Domestic Water Consumers Association (Association) for the year ended December 31, 2014, solely to assist in determining compliance with the provisions of the Audit Act for a Tier 4 entity per Section 12-6-3 B (4) NMSA 1978, Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978. The procedures were agreed to by the Association through the New Mexico Office of the State Auditor. The Association'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. 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 three Certificates of Deposit at the Valley National Bank in Espanola, New Mexico. The Association also has cash, money market and securities investments with Neidiger Tucker Bruner Investment Bankers Inc. in Englewood, Colorado. The bank account reconciliations were performed on a monthly basis in a timely manner. All bank and investment statements for the fiscal year were complete and on hand.

- b. Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division.

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

documentation. The fiscal year-end cash balances on the bank reconciliation agreed with the financial report submitted to DFA-LGD.

- 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.

## 2. Capital Assets

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

According to the Secretary/Treasurer, the Association performed a capital asset inventory for the fiscal year ending December 31, 2014. However, the governing body of the Association did not certify the correctness of the inventory after the physical inventory was performed. See Finding No. 2014-1.

## 3. 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 revenue sources of the Association consist of monthly water dues, interest and investment income, and miscellaneous receipts like connection fees. The variances between actual revenues for FY13 and FY14 were adequately explained by the Secretary/Treasurer. No unusual or unexplained variances were noted.

Actual revenue compared to budgeted revenue for each type of revenue was reviewed. For FY14, actual revenues were \$24,182 more than budgeted revenues; the major reason was due to an increase in water rates in FY14 resulting in an increase in water sales revenue of \$49,755 from the prior year. No significant or unusual 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 was judgmentally selected and tested which amounted to 50.5% 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 accrual basis or accrual basis.

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

#### 4. 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 69.7% 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, legal requirements and established policies and procedures.

- 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.

## 5. 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 Secretary/Treasurer, no non-routine journal entries were posted to the general ledger during the fiscal year. No non-routine journal entries 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 to ensure that non-routine journal entries posted by the Secretary/Treasurer are reviewed and approved by another member of the governing body.

## 6. 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.

For FY14, the original budget was adopted by the governing body on October 17, 2013 and approved by DFA-LGD in a letter to the Association dated March 10, 2014. The Association did not have any budget adjustments.

- 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 for FY14 did not exceed the final approved budget. According to the Association's general ledger, actual expenditures for FY14 were \$60,743 less than budgeted expenditures.

- 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.

Based on the Association's general ledger, the Schedule of Revenues and Expenditures was prepared on the cash basis of accounting; see Exhibit 1 on p. 9. A copy of the fiscal year-end financial report the Association submitted to DFA-LGD is presented on p. 10-11.

7. 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 Association did not submit the IPA Recommendation Form and Agreed-Upon Procedures contract to the NM Office of the State Auditor by the required due dates. See Finding No. 2014-2.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the Tier 4 agreed upon procedures. 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 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, 2015



**Ojo Caliente Mutual Domestic Water Consumers Association  
Schedule of Findings and Responses  
Fiscal Year Ending December 31, 2014**

**Status of Prior Year Findings**

Not applicable.

**Current Year Findings**

**Finding 2014-1. No Certification of Capital Asset Inventory at Fiscal Year-End**

**Condition**

For the period ending December 31, 2014, the Association performed a physical inventory of the Association's capital assets. However, the Association's Board of Directors did not certify the correctness of the year-end capital asset inventory after the physical inventory was performed.

**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."

**Effect**

The governing body of the Association may not be aware of the results and accuracy of the year-end capital asset inventory listing if it does not review and certify it.

**Cause**

The Secretary/Treasurer stated that the Association was not aware of the state law requiring the Board of Directors to certify the correctness of the fiscal year-end capital asset inventory.

**Recommendation**

After the Association performs a physical inventory of its capital assets at fiscal year-end, the results of the inventory shall be recorded in a written inventory report. The Association's Board of Directors shall then review and certify the correctness of the inventory report.

**Ojo Caliente Mutual Domestic Water Consumers Association  
Schedule of Findings and Responses  
Fiscal Year Ending December 31, 2014**

Management's Response

At the end of each fiscal year, the Ojo Caliente MDWCA will record the results of the physical inventory in a written inventory report which will then be certified as correct and signed by the Association's Board of Directors.

**Finding 2014-2. Late Submission of Firm Recommendation Form and Agreed-Upon Procedures Contract**

Condition

For the fiscal year ending December 31, 2014, the Association did not submit the Recommendation Form for Tiered System Local Public Bodies and the signed agreed-upon procedures contract to the New Mexico Office of the State Auditor (OSA) until April 2015.

Criteria

According to State Audit Rule, Section 2.2.2.16.D (6) NMAC, the Association should have submitted the completed Recommendation Form for Tiered System Local Public Bodies and the completed and signed agreed-upon procedures contract to the State Auditor by January 1, 2015.

Effect

If the recommendation form and contract are not submitted to the OSA by the required due date, it is possible that the agreed-upon procedures report will not be submitted to the OSA by the required due date.

Cause

The Association was unaware of the State Auditor's contracting requirements for agreed-upon procedures, and therefore, did not submit the required forms in a timely manner.

Recommendation

The Board of Directors of the Association should read Section 2.2.2.16 NMAC of the State Audit Rule to understand the specific requirements and due dates for agreed-upon procedures. For future fiscal years, the Association shall determine its total revenues and state funded capital outlay award expenditures and apply the criteria noted in Section 2.2.2.16.B NMAC to determine what agreed-upon procedures or audits are required for the fiscal year. When required, the Association should take the necessary steps to ensure that

**Ojo Caliente Mutual Domestic Water Consumers Association  
Schedule of Findings and Responses  
Fiscal Year Ending December 31, 2014**

future IPA recommendation forms and contracts are submitted to the State Auditor by January 1.

Management's Response

In December of each year, the Ojo Caliente MDWCA will determine its total revenues and state funded capital outlay expenditures for the fiscal year to determine which agreed-upon procedures will be required and will then take the necessary steps to select an IPA and submit the required contract forms to the New Mexico Office of the State Auditor by January 1 of the following year.

**Ojo Caliente Mutual Domestic Water Consumers Association      Exhibit 1**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP Cash Basis)**  
**For the Fiscal Year Ending December 31, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>				
Interest	\$ 900	\$ 900	\$ 65	\$ (835)
Investment Income	400	400	499	99
Water Usage Fees	63,600	63,600	89,136	25,536
Hook-up and Meter Sales	1,200	1,200	-	(1,200)
Other	-	-	582	582
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
<b>Total Revenues</b>	<b><u>\$ 66,100</u></b>	<b><u>\$ 66,100</u></b>	<b><u>\$ 90,282</u></b>	<b><u>\$ 24,182</u></b>
<b>Expenditures</b>				
<b>Current:</b>				
Contractual Services	\$ -	\$ -	\$ 12,000	\$ (12,000)
Audit	1,000	1,000	800	200
Property/Bond Insurance	236	236	236	-
Training/Meeting Per Diem	1,500	1,500	2,215	(715)
Water Operator	3,000	3,000	-	3,000
Electricity	3,400	3,400	3,255	145
Reserve for Maintenance & Repairs	3,000	3,000	8,016	(5,016)
Meter Reader	1,800	1,800	-	1,800
Office Supplies & Post Office Box	700	700	479	221
Postage	700	700	960	(260)
NMRWA Annual Dues	180	180	180	-
Bookkeepers/Recordkeeper	7,200	7,200	-	7,200
Labor Work/Backhoe	2,000	2,000	1,185	815
Delinquent Service Charge	500	500	660	(160)
Water Conservation Fee	200	200	173	27
NM CRS Taxes	5,000	5,000	5,935	(935)
H&R Block IRS	350	350	325	25
Miscellaneous	600	600	1,305	(705)
Secretary of State	100	100	-	100
Debt Service - NMFA Loan	67,000	67,000	-	67,000
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
<b>Total Expenditures</b>	<b><u>\$ 98,466</u></b>	<b><u>\$ 98,466</u></b>	<b><u>\$ 37,723</u></b>	<b><u>\$ 60,743</u></b>

**Copy of Year-End Financial Report Submitted to DFA-LGD  
 OJO CALIENTE MUTUAL DOMESTIC WATER CONSUMERS COOPERATIVE ASSOCIATION  
 SECRETARY TREASURER'S ANNUAL FINANCIAL STATEMENT**

Date: **JANUARY 1 - DECEMBER 31 2014**

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**ANNUAL FINANCIAL REPORT 2014**

**BEGINNING CASH BALANCE**

**(Under Restricted Accounts)**

VALLEY NATIONAL BANK - CHECKING ACCOUNT	\$39,006.07
VALLEY NATIONAL BANK - SAVING'S ACCOUNT	\$1,757.44
C.D. # 803511330 Short Term Assets	\$21,764.48
C.D. # 803511331 Short Term Assets	\$13,332.18
C.D. # 803511339 Short Term Assets	\$26,206.05

**\$102,066.22**

**OPERATING INCOME**

**TOTAL BEGINNING CASH BALANCE**

WATER USAGE FEES	\$89,136.05
WATER POLICY VIOLATION	\$300.00
TRANSFERED FROM CHECKING TO SAVINGS	\$81,000.00
BOARD STIPEND	\$282.00

**TOTAL OPERATING INCOME**

**\$170,718.05**

**NON-OPERATING INCOME**

CHECKING ACCOUNT INTEREST	\$62.85
SAVINGS INTEREST	\$2.32
C.D # 803511330 INTEREST	\$228.53
C.D # 803511331 INTEREST	\$86.66
C.D # 803511349 INTEREST	\$183.44

Total Receipts \$171,281.85

**\$563.80**

**TOTAL INCOME AVAILABLE**

**\$273,348.07**

**TOTAL NON-OPERATING INCOME**

**OPERATING EXPENSES:**

NMRWA ANNUAL FEES	\$180.00
KIT CARSON ELECTRIC CO-OP	\$3,255.22
SALRIES	\$12,000.00
CRS TAX	\$5,935.47
WATER CONSERVATION FEE	\$172.59
H&R BLOCK INCOME TAX RETURN FOR 2013	\$324.56
AUDIT YEAR 2013	\$800.00
TALBOT INSURANCE BOND (Surety Bond)	\$126.00
INSURANCE TALBOT (PROPERTY)	\$110.00
Transferred to savings account from checking account	\$81,000.00

BEN MONTOYA REFUND ON ACCOUNT	\$352.45
POSTAGE/ENVELOPES	\$960.05
POST OFFICE BOX RENTAL FEE	\$112.00
LOWES HOME CENTER	\$136.46
PARTS (BAKER SUPPLY)	\$2,006.01
PER DEIM (Monthly Meetings)	\$800.00
INGRID JORDAN REFUND ON ACCOUN (SOLD PROPERTY)	\$587.47
BOARD STIPEND	\$282.00
DITCH WITCH OF NEW MEXICO (PIPE LOCATOR)	\$5,500.00
WAL MART (Annual Meeting door prizes)	\$340.49
TRAVEL PER DIEM	\$96.00
TRAINING PER DIEM	\$869.03
LABOR WORK/BACKHOE WORK	\$1,185.00
DELIQUENT SERVICE CHARGE	\$660.00
BEST BUY COMPUTER REPAIR	\$373.21
REGISTRATION FEE NMRWA Conference	\$450.00
NM 811 QUATERLY FEES	\$82.90
GLENN LOVATO REINBURSE FOR PRINTER INK	\$26.02

**TOTAL OPERATING EXPENSES** **\$118,722.93**

**NET OPERATING INCOME** **\$154,625.14**

**ENDING CASH BALANCE DECEMBER 31, 2014**

**Capital Assets**

VALLEY NATIONAL BANK - CHECKING ACCOUNT	\$10,064.04
VALLEY NATIONAL BANK - SAVING'S ACCOUNT	\$82,759.76
C.D. # 803511330 Short Term Assets	\$21,993.01
C.D. # 803511331 Short Term Assets	\$13,418.84
C.D. # 803511339 Short Term Assets	\$26,389.49

\$154,625.14

<b>NEIDIGER TUCKER SECURITY INVESTMENT</b>		
Cash & Money Markets	Securities	Account Totals
\$20,098.07	\$99,742.00	\$119,840.07
EMERGENCY	Capital Assets	

difference →

\$119,840.07

\$119,840.07

\$119,429.07

\$411.00

**GRAND TOTAL AVAILABLE**

\$274,465.21

**Ojo Caliente Mutual Domestic Water Consumers Association  
Exit Conference  
Fiscal Year Ended December 31, 2014**

On May 12, 2015, an exit conference was held with the following individuals to discuss the results of the agreed upon procedures and the contents of this report:

Ojo Caliente MDWCA

Glenn Lovato, Secretary/Treasurer

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, Engagement Manager