

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, 2015

Ojo Caliente Mutual Domestic Water Consumers Association
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Fiscal Year Ending December 31, 2015

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**Ojo Caliente Mutual Domestic Water Consumers Association
Official Roster
Fiscal Year Ending December 31, 2015**

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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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, 2015, 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 and money market 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 and CD balances were 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.

The Association has adequate documentation on hand showing that they performed a capital asset inventory for the fiscal year ending December 31, 2015. The governing body of the Association certified the correctness of the inventory after the physical inventory was performed.

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. The variances between actual revenues for FY14 and FY15 were adequately explained by the Secretary/Treasurer. No unusual or unexplained variances were noted.

Actual revenue compared to budgeted revenue was reviewed. For FY15, actual revenues were \$16,708 more than budgeted revenues; the major reason was due to an increase in water rates in FY14. 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 96.2% 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 88.2% 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 FY15, the original budget was adopted by the governing body on November 12, 2015 and approved by DFA-LGD in a letter to the Association dated March 8, 2016. 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 FY15 did not exceed the final approved budget. According to the Association's general ledger, actual expenditures for FY15 were \$16,096 less than budgeted expenditures. See p. 7 of this report.

- 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 p. 7 of this

report. A copy of the fiscal year-end financial report the Association submitted to DFA-LGD is presented on p. 8-9 of this report.

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.

No findings were noted during the agreed-upon procedures.

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

March 21, 2016

**Ojo Caliente Mutual Domestic Water Consumers Association
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2015**

Status of Prior Year Findings

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

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

Current Year Findings

None.

Ojo Caliente Mutual Domestic Water Consumers Association
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP Cash Basis)
For the Fiscal Year Ending December 31, 2015

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---------------------------------------|----------------------------|-------------------------|-------------------------|---|
| Revenues | | | | |
| Interest | \$ 10 | \$ 10 | \$ 53 | \$ 43 |
| Investment Income | 400 | 400 | 393 | (7) |
| Water Sales | 66,552 | 66,552 | 81,874 | 15,322 |
| Hook-up and Meter Sales | 1,200 | 1,200 | - | (1,200) |
| Penalties & Fees | 300 | 300 | - | (300) |
| Miscellaneous | - | - | 2,850 | 2,850 |
| Total Revenues | <u><u>\$ 68,462</u></u> | <u><u>\$ 68,462</u></u> | <u><u>\$ 85,170</u></u> | <u><u>\$ 16,708</u></u> |
| Expenditures | | | | |
| Current: | | | | |
| Contractual Services - Bookkeeper | \$ 8,000 | \$ 8,000 | \$ 6,000 | \$ 2,000 |
| Contractual Services - Water Operator | 3,000 | 3,000 | 6,450 | (3,450) |
| Contractual Services - Meter Reader | 1,800 | 1,800 | 1,800 | - |
| Audit | 4,000 | 4,000 | 2,138 | 1,863 |
| Property/Bond Insurance | 236 | 236 | 236 | - |
| Training/Meeting Per Diem | 2,000 | 2,000 | 1,128 | 872 |
| Utilities - Electricity | 3,600 | 3,600 | 3,972 | (372) |
| Maintenance & Repairs | 5,000 | 5,000 | 810 | 4,190 |
| Office Supplies & Post Office Box | 1,000 | 1,000 | 2,148 | (1,148) |
| Postage | 800 | 800 | 696 | 104 |
| NMRWA Annual Dues | 180 | 180 | 180 | - |
| Labor Work/Backhoe | 3,000 | 3,000 | 420 | 2,580 |
| Returned Check Service Charges | 500 | 500 | 751 | (251) |
| Water Conservation Fee | 200 | 200 | 155 | 45 |
| NM CRS Taxes | 4,742 | 4,742 | 4,175 | 567 |
| Tax Return Fee | 350 | 350 | 338 | 12 |
| Miscellaneous | 800 | 800 | 2,595 | (1,795) |
| Secretary of State Annual Fee | 100 | 100 | 20 | 80 |
| Debt Service - NMFA Loan | 10,800 | 10,800 | - | 10,800 |
| Total Expenditures | <u><u>\$ 50,108</u></u> | <u><u>\$ 50,108</u></u> | <u><u>\$ 34,012</u></u> | <u><u>\$ 16,096</u></u> |

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 2015**

ANNUAL FINANCIAL REPORT 2015

BEGINNING CASH BALANCE

(Under Restricted Accounts)

| | | |
|---|-------------|--------------|
| 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. # 803511349 Short Term Assets | \$26,389.49 | \$154,625.14 |

OPERATING INCOME

TOTAL BEGINNING CASH BALANCE

| | |
|---------------------------------------|-------------|
| WATER USAGE FEES | \$81,873.92 |
| REINBURISED CRS NM Tax (over payment) | \$146.29 |
| RETURNED CHECKS INCLUDING BANK FEE | \$213.14 |
| BOARD STIPEND | \$2,491.00 |

TOTAL OPERATING INCOME \$84,724.35

NON-OPERATING INCOME

| | |
|---------------------------|----------|
| CHECKING ACCOUNT INTEREST | \$4.69 |
| SAVINGS INTEREST | \$48.42 |
| C.D # 803511330 INTEREST | \$120.96 |
| C.D # 803511331 INTEREST | \$87.22 |
| C.D # 803511349 INTEREST | \$184.73 |

Total Receipts \$85,170.37
\$446.02

TOTAL INCOME AVAILABLE \$239,795.51

TOTAL NON-OPERATING INCOME

OPERATING EXPENSES:

| | |
|--|-------------|
| NMRWA ANNUAL FEES | \$180.00 |
| KIT CARSON ELECTRIC CO-OP | \$3,971.52 |
| CONTRACTUAL SERVICES | \$14,250.00 |
| CRS TAX | \$4,022.59 |
| WATER CONSERVATION FEE | \$155.18 |
| H&R BLOCK INCOME TAX RETURN FOR 2014 | \$338.17 |
| Accounting And Auditing Services LLC Year (2014) | \$2,137.50 |
| TALBOT INSURANCE BOND (Surety Bond) | \$126.00 |
| INSURANCE TALBOT (PROPERTY) | \$110.00 |

Copy of Year-End Financial Report Submitted to DFA-LGD

| | |
|---|------------|
| RETURNED CHECKS | \$213.14 |
| POSTAGE/ENVELOPES | \$695.90 |
| POST OFFICE BOX RENTAL FEE | \$114.00 |
| WATER OPERATOR CERTIFICATION | \$20.00 |
| PARTS (BAKER SUPPLY) | \$809.80 |
| TAXATION AND REVENUE (RETURN ADJUSTMENT) | \$152.70 |
| NEW CHECKING ACCOUNT FOR DWSRL (GRANT LOAN) | \$1,000.00 |
| CENTURY BNK TO GRANT ACC TO MAINTAIN BAL REQUIRED | \$200.00 |
| BOARD STIPEND | \$2,491.00 |
| SECRETARY OF STATE FEE | \$20.00 |
| WAL MART (INK FOR PRINTER) | \$52.04 |
| TRAINING PER DIEM | \$902.61 |
| LABOR WORK/BACKHOE WORK | \$420.00 |
| DELIQUENT SERVICE CHARGE | \$538.00 |
| BEST BUY COMPUTER & OFFICE SUPPLIES | \$1,926.75 |
| REGISTRATION FEE NMRWA Conference | \$225.00 |
| NM 811 QUATERLY FEES | \$84.22 |
| CHECK SUPPLY SAFE GUARD (BANK DEPOSIT SLIPS) | \$55.44 |

TOTAL OPERATING EXPENSES **\$35,211.56**

NET OPERATING INCOME **\$204,583.95**

ENDING CASH BALANCE DECEMBER 31, 2015

Capital Assets

| | |
|---|-------------|
| VALLEY NATIONAL BANK - CHECKING ACCOUNT | \$59,581.52 |
| VALLEY NATIONAL BANK - SAVING'S ACCOUNT | \$82,808.18 |
| C.D. # 803511330 Short Term Assets | \$22,113.97 |
| C.D. # 803511331 Short Term Assets | \$13,506.06 |
| C.D. # 803511349 Short Term Assets | \$26,574.22 |

difference →

| NEIDIGER TUCKER SECURITY INVESTMENT | | |
|-------------------------------------|---------------|----------------|
| Cash & Money Markets | Securities | Account Totals |
| \$120,101.31 | \$0.00 | \$120,101.31 |
| Emergency Asset | Capital Asset | Capital Asset |

\$204,583.95

\$0.00

\$120,101.31

\$120,101.31

\$119,840.07

\$261.24

GRAND TOTAL AVAILABLE

\$324,685.26

**Ojo Caliente Mutual Domestic Water Consumers Association
Exit Conference
Fiscal Year Ended December 31, 2015**

On March 21, 2016, 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

