

STATE OF NEW MEXICO

ROSEDALE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

AGREED UPON PROCEDURES

DECEMBER 31, 2015

STATE OF NEW MEXICO
ROSEDALE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

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**STATE OF NEW MEXICO
ROSEDALE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

OFFICIAL ROSTER
DECEMBER 31, 2015

Board of Directors

| <u>Name</u> | <u>Title</u> |
|------------------------|-----------------------|
| <i>T. J. Robinson</i> | <i>President</i> |
| <i>Jim Brown</i> | <i>Vice President</i> |
| <i>Alfredo Correa</i> | <i>Board Member</i> |
| <i>Clara Bustillos</i> | <i>Board Member</i> |
| <i>John Bever</i> | <i>Board Member</i> |

Association Official

| | |
|--------------------|----------------|
| <i>Tom Fleming</i> | <i>Manager</i> |
|--------------------|----------------|

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES**

Mr. Tim Keller, State Auditor and
The Board of Directors
Rosedale Mutual Domestic Water Consumers Association
Silver City, New Mexico

We have performed the agreed-upon procedures which Rosedale Mutual Domestic Water Consumers Association and the Office of the State Auditor have specified, listed in the attached schedule, as required by Tier 4 of the Audit Act-Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC for the year ended December 31, 2015 in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The Association is the responsible party, and the subject matter is the responsibility of the Association. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule either for the purpose for which this report has been requested or for any other purpose.

Our findings related to the procedures in the schedule of procedures and results are presented in the accompanying schedule of findings and responses as listed in the table of contents.

We were not engaged to, and did not conduct, an audit, the objective of which would be the expression of an opinion on the accounting records. 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 within the Association, the Department of Finance and Administration – Local Government Division, and the New Mexico Legislature and is not intended to be and should not be used by anyone other than those specified parties.



Kriegel/Gray/Shaw & Co., P.C.

April 18, 2016

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Tier 4 of the Audit Act – Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC
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The procedures and associated results are listed below. Any findings as a result of performing these procedures can be found in the attached Schedule of Findings and Responses.

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.

We reviewed 100% of the bank reconciliations of Rosedale Mutual Domestic Water Consumers Association and determined that all bank reconciliations are being performed in a timely manner and that all bank and investment statements for the fiscal year are 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 DF A-Local Government Division.

We selected all 12 bank reconciliations of Rosedale Mutual Domestic Water Consumers Association to determine that they were accurate and that they agreed to the general ledger, supporting documentation, and financial reports presented to the Board of Directors.

- 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.

All accounts were fully insured, no pledged collateral required.

2. Capital Assets

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

We reviewed the annual inventory of Rosedale Mutual Domestic Water Consumers Association (as required by Section 12-6-10 NMSA 1978) and determined that the entity is in compliance with the requirement to perform a complete physical inventory of all capital assets on a yearly basis.

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3. Revenue

We identified 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.

We performed an analytical review; tested actual revenue compared to budgeted revenue for the year for each type of revenue. All revenues appeared reasonable based on the analytical performed in comparison to budgeted revenue.

We tested 62% of the total amount of revenues (on the cash basis) for the following attributes:

- b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
- c) Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

No exceptions were noted.

4. Expenditures

We selected a sample of cash disbursements and tested 85% of the total expenditures 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.

No exceptions noted.

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

No exceptions noted.

- 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).

No exceptions noted.

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5. Journal Entries

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

- a) Journal entries appear reasonable and have supporting documentation.

The financial records of Rosedale Mutual Domestic Water Consumers Association indicated that no journal entries were posted to the general ledger; therefore, we did not perform any tests in this area. However, the entity failed to post a journal entry to record the annual AUP fees and the related grant revenue. See Finding 2015-001.

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

The financial records of Rosedale Mutual Domestic Water Consumers Association indicated that no journal entries were posted to the general ledger; therefore, we did not perform any tests in this area.

6. Budget

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

- 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.

Through a review of the minutes, we verified that the original budget was approved by the Board of Directors. Per correspondence with DFA-LGD, the Association's budgets were approved.

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

We determined that actual expenditures did not exceed the final budget at the legal level of budgetary control.

- 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.

We have prepared a schedule of revenues and expenditures – budget and actual on the budgetary basis used by Rosedale Mutual Domestic Water Consumers Association for the general operating fund (see the Budget to Actual schedule on page 7).

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Other

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.1 0(I)(3)(C) NMAC.

No other information came to our attention indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies.

STATE OF NEW MEXICO
ROSEDALE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

GENERAL OPERATING FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET ASSETS

BUDGETARY BASIS AND ACTUAL

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

| | Budget Original | Budget Final | Actual | Variance Favorable (Unfavorable) |
|---|--------------------|-----------------|-----------------|--|
| OPERATING REVENUES: | | | | |
| Water sales, net of refunds | \$136,136 | \$136,136 | \$123,385 | (\$12,751) |
| Finance charges | 0 | 0 | 3,548 | 3,548 |
| State grant funds | 0 | 4,647 | 4,647 | 0 |
| <i>Total operating revenues</i> | 136,136 | 140,783 | 131,580 | (9,203) |
| OPERATING EXPENSES: | | | | |
| Cost of water | 55,000 | 55,000 | 47,805 | 7,195 |
| Salaries and wages | 31,000 | 31,000 | 29,880 | 1,120 |
| Accounting services | 8,847 | 4,200 | 3,615 | 585 |
| Advertising | 150 | 150 | 50 | 100 |
| Supplies | 2,500 | 2,500 | 1,987 | 513 |
| CME/seminars | 250 | 250 | 98 | 152 |
| Dues and subscriptions | 500 | 500 | 385 | 115 |
| Insurance | 7,700 | 7,700 | 7,288 | 412 |
| Computer support | 500 | 500 | 136 | 364 |
| Payroll taxes | 2,500 | 2,500 | 2,286 | 214 |
| Repairs and maintenance | 2,500 | 2,500 | 799 | 1,701 |
| Rental expense | 250 | 250 | 0 | 250 |
| Taxes, other | 100 | 100 | 0 | 100 |
| Office expense | 1,500 | 1,500 | 1,355 | 145 |
| Fuel Expense | 1,000 | 1,000 | 839 | 161 |
| Miscellaneous | 100 | 100 | 147 | (47) |
| Legal | 1,000 | 5,647 | 1,446 | 4,201 |
| Audit/AUP | 0 | 4,647 | 4,647 | 0 |
| Utilities and telephone | 850 | 850 | 660 | 190 |
| Backhoe expense | 6,000 | 6,000 | 4,860 | 1,140 |
| Training | 250 | 250 | 0 | 250 |
| <i>Total operating expenses</i> | 122,497 | 127,144 | 108,283 | 18,861 |
| NON-OPERATING REVENUES (EXPENSES): | | | | |
| Capital grant expenditures | 0 | 0 | 0 | 0 |
| Interest income | 500 | 500 | 207 | (293) |
| Other - insurance proceeds | 0 | 0 | 0 | 0 |
| <i>Total non-operating revenues (expenses)</i> | 500 | 500 | 207 | (293) |
| Change in fund net assets | \$14,139 | \$14,139 | \$23,504 | \$9,365 |
| Reconciliation to quarterly report: | | | | |
| Operating expenses | | | \$108,283 | |
| Expenditures to date - quarterly report | | | (103,636) | |
| Difference - State grant expenses paid by grantor | | | \$4,647 | |

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SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

CURRENT YEAR SIGNIFICANT DEFICIENCIES:

2015-001 Journal Entries – Items that do not rise to the level of a significant deficiency

Statement of Condition – A journal entry to record annual AUP fees (\$4,647) and grant revenue that were paid through the grantor directly to the auditors was not recorded.

Criteria – All necessary journal entries should be made to ensure the financial statements are complete and correct.

Cause – The Association was not aware that the transaction that was not processed by them would need to be entered on their general ledger by journal entry. This was the first time.

Effect – The final budget report submitted to DFA included the budgeted amounts for the grant revenue and the budgeted expenditures for the AUP fees but the actual revenue and expenditures were not recorded and therefore, understated for these amounts.

Recommendation – Ensure that all non-routine transactions are recorded on the books and make the necessary journal entries to record all non-cash transactions.

Management's Response – Rosedale's oversight and lack of experience with this kind of direct payment has led to us reviewing our policies and procedure so that this does not happen. Rosedale will keep in better communication with the DFA and Rosedale's accounting firm. The manager has taken the steps to ensure that a copy of the receipt for grant funds gets to the accounting firm so it can be documented.

CURRENT STATUS ON PRIOR YEAR FINDING:

None.

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EXIT CONFERENCE
DECEMBER 31, 2015

EXIT CONFERENCE:

The exit conference was held April 28, 2016 and was attended by the following:

From Rosedale Mutual Domestic Water Consumers Association:

John Bever, Board Member
Tom Fleming, Manager

From Kriegel/Gray/Shaw & Co., P.C.:

Debbie Gray, CPA/Shareholder
Rebecca Pott, Staff Auditor

FINANCIAL STATEMENT PREPARATION

The financial statements of Rosedale Mutual Domestic Water Consumers Association were prepared from original books and records provided by and with assistance from the management of the Association and Kriegel/Gray/Shaw & Co., P.C. as of and for the year ended December 31, 2015.