

**State of New Mexico**  
**Santa Cruz Water Association**  
**2016 Tier 5 Agreed Upon Procedures Report**  
**December 31, 2016**

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**Official Roster**

As of December 31, 2016

Board of Directors

Johnny Marquez, President

Ernest N. Lujan, Vice-President

Margaret Trujillo, Secretary/Treasurer

Eloy Jacquez, Member at Large

Vacant, Member at Large

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

Timothy Keller  
New Mexico State Auditor  
and  
Johnny I. Marquez, President  
Santa Cruz Water Association

We have performed the procedures enumerated below for the Santa Cruz Water Association (Association) for the year ended December 31, 2016, solely to assist in determining compliance with, and pursuant to, Tier 5 of the Audit Act (Section 12-6-1 et seq., 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. Verify the local public body's revenue calculation and tier determination documented on the form provided at [www.osanm.org](http://www.osanm.org) under "Tiered System Reporting Main Page."

The Accountant verified the Association's calculation and determination as a Tier 5 agreed upon procedures engagement.

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 bank reconciliations were performed on monthly basis and bank 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 DF A-Local Government Division.

Each of the bank reconciliations tested had ending balances that traced to the general ledger, supporting documentation and financial reports submitted to DFA-Local Government Division.

- 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.

For the fiscal year ending December 31, 2016, the Association performed and documented a capital asset inventory.

### 4. Revenues

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.

The revenue sources of the Association consist of program fees and some minor miscellaneous items. The variances between actual revenue and budgeted revenue were adequately explained by the Association's bookkeeper and Treasurer; no unusual or unexplained variances were noted.

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

- b. 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. The amount recorded in the general ledger agreed with 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.

The cash receipts tested were properly classified and recorded in the general ledger on the cash basis of accounting.

## 5. Expenditures

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

- a. 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. 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.

- b. 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.

- 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), 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 and State Purchasing Regulations. See Capital Outlay Appropriations below.

## 6. 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:

There were no non-routine journal entries noted. We reviewed the general ledger and inquired of the Association's bookkeeper.

## 7. Budgets

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.

The original budget was adopted and approved by the Association's Board of Directors on January 19, 2016. The budget was approved by DFA-LGD on May 6, 2016. All of the Association budget adjustments for the fiscal year 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.

Actual expenditures did not exceed the approved budget for the fiscal year ending December 31, 2016. See the Schedule of Revenues and Expenditures - Budget and Actual listed in the table of contents.

- 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.

See the Schedule of Revenues and Expenditures - Budget and Actual listed in the table of contents.

#### 8. Capital Outlay Appropriations

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. 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.

All of the cash disbursements for the capital award projects 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.

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

All of the disbursements were properly authorized and approved and in accordance with the project 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 and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).

The Association advertised, obtained bids and quotes where necessary, and entered into contracts and purchase agreements in accordance with its procurement policies and applicable state laws and regulations.

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

As of the date of this report the project is in process. As of December 31, 2016 a portion of the engineering work was completed.

- 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.

Status reports were submitted timely and the amounts tied to 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.

The project was not funded in advance.

- 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.

As of the date of this report the project is in process. As of December 31, 2016 a portion of the engineering work was completed.

- 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 capital project agreement did not require the funds to be held in a separate bank account.

- 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.

The Association filed Request for Reimbursement Forms with the New Mexico Department of Environment (NMDOE) based on unpaid invoices submitted to the Association by vendors who had performed work on Association projects. The costs were not paid by the Association prior to the request for reimbursement because the Association did not have the necessary funds. The Association paid for its project expenditures after the checks were received from the NMDOE. A finding was not considered necessary since the Association complied with the NMDOE's reimbursement procedures requirements.

## 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

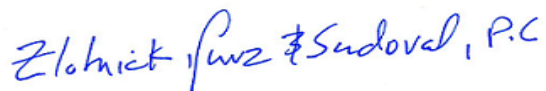


include the required content per Section 2.2.2.10 (1)(3)(C) NMAC. No other findings were noted during the agreed-upon procedures.

No information came to the accountant's attention indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies.

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, including the Schedule of Revenues and Expenditures - Budget and Actual. 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 management of Santa Cruz Water Association, the New Mexico State Auditor, the Department of Finance and Administration and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than those specified parties.



Zlotnick, Laws & Sandoval, PC

April 28, 2017

Statement of Capital Outlay Awards

Amount Awarded for Project (Note 1)	\$ 1,600,000
Amount Received/Requested	116,639
Amount Expended as of 12/31/16	<u>116,639</u>
Remaining Balance	<u>\$ 1,483,361</u>

**Note 1:** \$1,600,000 pursuant to New Mexico Laws of 2014, Chapter 66, Section 16, Paragraph 152. The agreement with the Interstate Stream Commission was dated July 30, 2015. The agreement terminates on June 30, 2018 or sooner if the project is completed prior to that time.

Santa Cruz Water Association

2016 Tier 5 Agreed Upon Procedures Report

Schedule of Revenues and Expenditures – Budget to Actual

Non-GAAP Cash Basis

For the Fiscal Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Program Fees	\$ 55,113	50,640	49,021	\$ (1,619)
State Grants - Capital Outlay	1,600,000	1,600,000	116,639	(1,483,361)
NMED RIP Loan	92,503	92,503	-	(92,503)
Total Revenues	<u>\$ 1,747,616</u>	<u>1,743,143</u>	<u>165,660</u>	<u>\$ (1,577,483)</u>
Expenditures				
Maintenance	\$ 900,000	900,000	116,639	\$ 783,361
Office Supplies	1,775	1,775	-	1,775
Insurance	3,500	3,500	252	3,248
Postage	1,176	1,176	64	1,112
Supplies - Field	2,500	2,500	-	2,500
Equipment Rental	2,500	2,500	-	2,500
Contract labor	29,473	25,000	44,092	(19,092)
Training	1,200	1,200	-	1,200
Miscellaneous	8,000	8,000	11,119	(3,119)
Total Expenditures	<u>\$ 950,124</u>	<u>945,651</u>	<u>172,166</u>	<u>\$ 773,485</u>

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

Year-end Financial Report Submitted to DFA

**SANTA CRUZ WATER ASSOCIATION**

**Profit & Loss**

January through December 2016

Jan - Dec 16

Ordinary Income/Expense	
Income	
43300 · Direct Public Grants	116,639.00
46400 · Other Types of Income	
46430 · Miscellaneous Revenue	100.00
Total 46400 · Other Types of Income	100.00
47200 · Program Income	
47240 · Program Service Fees	8.14
47200 · Program Income - Other	48,760.00
Total 47200 · Program Income	48,768.14
49900 · Uncategorized Income	115.00
49910 · Returned Check Charges	38.14
Total Income	165,660.28
Gross Profit	165,660.28
Expense	
60900 · Business Expenses	
60910 · Bad Debts	239.14
60920 · Business Registration Fees	10.00
60900 · Business Expenses - Other	547.87
Total 60900 · Business Expenses	797.01
62100 · Contract Services	
62150 · Outside Contract Services	
62152 · Public Grant - Other	116,638.70
62150 · Outside Contract Services - Other	44,092.19
Total 62150 · Outside Contract Services	160,730.89
Total 62100 · Contract Services	160,730.89
62800 · Facilities and Equipment	
62890 · Rent, Parking, Utilities	5,314.47
Total 62800 · Facilities and Equipment	5,314.47
65000 · Operations	
65020 · Postage, Mailing Service	63.87
65030 · Printing and Copying	255.38
65050 · Telephone, Telecommunications	1,166.77
65000 · Operations - Other	22.59
Total 65000 · Operations	1,508.61
65100 · Other Types of Expenses	
65120 · Insurance - Liability, D and O	252.00
65150 · Memberships and Dues	45.00
65170 · Staff Development	250.00
65100 · Other Types of Expenses - Other	3,260.10
Total 65100 · Other Types of Expenses	3,807.10
68330 · Bank Service Charges	8.14
Total Expense	172,166.22
Net Ordinary Income	-6,505.94
Net Income	<u>-6,505.94</u>

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

## Schedule of Findings and Responses

### Prior Year Findings:

The last AUP procedures were performed for the year ended December 31, 2014

<u>Number</u>	<u>Description</u>	<u>Status</u>
2014-001	Late Submission of IPA Recommendation Form	Resolved
2014-002	Segregation of Duties on Approval of Disbursements and Review of Receipts	Resolved
2014-003	Adequate Supporting Documentation for Disbursement (Expenditures)	Resolved

### Current year Findings:

None

## Exit Conference

On April 28, 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 in a closed meeting:

Santa Cruz Water Association

Johnny Marquez, President

Margaret Trujillo, Secretary/Treasurer

Zlotnick, Laws & Sandoval, PC

Richard Sandoval, CPA