

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

TOWN OF COCHITI LAKE, NEW MEXICO

Report of Independent Accountant on the
Application of Agreed-Upon Procedures
and
Compilation Report of Independent Accountant and
Compiled Financial Statements

June 30, 2016

TOWN OF COCHITI LAKE, NEW MEXICO

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TOWN OF COCHITI LAKE, NEW MEXICO

List of Principal Officials

June 30, 2016

Town Assembly

Alan Plaza	Mayor
Bill Riker	Mayor Pro-Tem
Suzanne Guy	Assembly Member
David Valley	Assembly Member

Town Administration

Dolly Kauley	Administrator
Chelsea Segura	Clerk/Treasurer

Report of Independent Accountant on the Application of Agreed-Upon Procedures

Mr. Timothy Keller, New Mexico State Auditor and
The Town Assembly
Town of Cochiti Lake, New Mexico
Cochiti Lake, New Mexico

We have performed the procedures enumerated below, which were agreed to by the Town of Cochiti Lake, New Mexico (Town) and the New Mexico State Auditor (the specified parties), solely to assist users in evaluating the Town's financial reporting relating to its cash, capital assets, debt, revenues, expenditures, journal entries, and budget information and its compliance with Section 12-6-3 B (6) NMSA 1978 and Section 2.2.2.16 NMAC, as of and for the year ended June 30, 2016. The Town's management is responsible for its accounting records, financial reporting, and compliance with the State Auditor rules as described above.

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 are as follows:

In accordance with Tier VI of the Audit Act – Section 12-6-3 B (6) NMSA 1978 and Section 2.2.2.16 NMAC, the procedures and associated findings are as follows:

1. Verify the Local Public Body's Revenue Calculation for Tiered System Reporting

We used the tiered system reporting worksheet provided by the New Mexico State Auditor's Office to recalculate the tiered system reporting calculation prepared by the Town.

Findings Resulting from Procedure 1

Our procedures confirmed that the Town should have Tier VI procedures.

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

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The Town Assembly
Town of Cochiti Lake, New Mexico

- c) Determine whether the local public body's financial institutions have provided it with 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

Findings Resulting from Procedures 2(a) – 2(c): See findings 2014-001, 2016-001, and 2016-002 for details.

1. For the purposes of performing these procedures “timely” means completion of the bank reconciliations within one month after the last day of the reporting month. Bank reconciliations were prepared on a timely basis.
2. The Town has four cash or investment accounts. When we initially performed our work only one of the four reconciliations had reconciled balances that matched the balance per the general ledger. The reconciled cash balances appeared to be correct, but the general ledger balances appeared to be incorrect. In addition, three of the four reconciliations had checks and deposits outstanding greater than 30 day.

We informed management of the Town that the cash balances were incorrect. The Town then reconciled the accounts so that they agree to the cash per the general ledger used to prepare the compiled financial statements included with this report.

3. The amount of cash reported to DFA was \$906,629, which is \$5,630 less than the reconciled balances.
4. The Town has uncollateralized public funds. See the Schedule of Pledged Collateral for detail on the uncollateralized balance.

3. Capital Assets

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

Findings Resulting from Procedure 3

The Town is performing the required yearly inventory.

4. Debt

If the local public body has any debt, verify that the required payments were made during the year. If the debt agreements require reserves, verify that the local public body is in compliance with those requirements.

Findings Resulting from Procedure 4

The Town acquired debt in the year ending June 30, 2016. However, the first payments on the debt are due in the 2016 – 2017 year. The debt agreement does not require reserves.

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The Town Assembly
Town of Cochiti Lake, New Mexico

5. Revenue

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.

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 in 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.

Findings Resulting from Procedures 5(a) – 5(c):

The Town has recorded revenue correctly.

6. Expenditures: See findings 2016-003 and 2016-004 for details.

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 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).

Findings Resulting from Procedures 6(a) – 6(c)

1. Payments for non-recurring purchases are not approved either before or after the purchase.

Mr. Timothy Keller, New Mexico State Auditor and
The Town Assembly
Town of Cochiti Lake, New Mexico

2. The Town did not have adequate support for all transactions tested.
3. Two credit card statements were tested for support. The Town did not have support for any transaction on the credit card statements. None of the transactions were approved either before or after the purchase.
4. For payroll disbursements, we found that timesheets are not approved and that some employees did not submit timesheets supporting their hours worked.

7. Journal Entries: See finding 2016-005 for details.

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

Findings Resulting from Procedures 7(a) – 7(b)

1. Journal entries are not reviewed and approved by someone other than the person entering the journal entries into the system.
2. The Town does not keep support for the journal entries made into the accounting system.

8. Budget: See finding 2016-006 for details.

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.
- 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.

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Town of Cochiti Lake, New Mexico

Findings Resulting from Procedures 8(a) – 8(c)

1. We verified that the budget and subsequent budget adjustments were approved by the Town's Assembly and the DFA-LGD.
2. The Town's general and special revenue fund exceed their authorized final budgets.
3. Budget schedules have been prepared and are presented after this agreed-upon procedures report.

9. Capital Outlay Appropriations

Capital outlay appropriations procedures are only performed when capital outlay appropriation money has been expended during the fiscal year. The Town did not expend any capital outlay appropriations. Therefore, no testwork has been performed in this area.

10. 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 2.2.2.10(I)(3)(C) NMAC.

Findings Resulting from Procedure 10

See the Schedule of Findings and Responses beginning on page 8.

* * * * *

I was not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the Town's financial reporting to the State Auditor as described above. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the information and use of the Town, the New Mexico Office of the State Auditor, the New Mexico Legislature, and the New Mexico Department of Finance and is not intended to be, and should not be, used by anyone other than those specified parties.

Porch & Associates, LLC

Albuquerque, New Mexico
May 1, 2017

TOWN OF COCHITI LAKE, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
GENERAL
Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 59,723	59,723	62,043	2,320
Franchise fees	8,000	8,000	7,747	(253)
Grants - state	146,213	146,213	136,028	(10,185)
Interest and investment income	-	-	12,137	12,137
Other	7,316	7,316	7,498	182
Total revenues	221,252	221,252	225,453	4,201
Expenditures				
General government	177,288	178,788	112,373	66,415
Public works and utilities	-	-	67,730	(67,730)
Culture and recreation	58,301	58,301	64,404	(6,103)
Total expenditures	235,589	237,089	244,507	(7,418)
Deficiency of revenues over expenditures	(14,337)	(15,837)	(19,054)	(3,217)
Other financing sources (uses)				
Transfers in - General Obligation Bonds	7,737	7,737	10,367	2,630
Operating transfers out	-	(1,500)	-	1,500
Total other financing sources (uses)	7,737	6,237	10,367	4,130
Net change in fund balance	(6,600)	(9,600)	(8,687)	913
Prior year cash appropriated	6,600	9,600	8,687	
	\$ -	-	-	
Non-GAAP change in fund balance			\$ (8,687)	
Change from:				
Property taxes receivable			1,305	
Accounts receivable			7	
Accounts payable			(858)	
Accrued payroll, taxes and benefits			(2,851)	
Refunds due			(148)	
Deferred property taxes			(6,573)	
GAAP change in fund balance			\$ (17,805)	

TOWN OF COCHITI LAKE, NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE
Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
EMS contract	\$ 40,000	40,000	30,000	(10,000)
Grants - state	113,326	193,326	193,773	447
Carryover fine funds	-	35,728	-	(35,728)
Charges for services	37,000	37,000	19,817	(17,183)
Other	150	150	1,490	1,340
Total revenues	190,476	306,204	245,080	(61,124)
Expenditures				
Public safety	125,022	146,022	144,712	1,310
Capital outlay	44,462	228,440	375,840	(147,400)
Total expenditures	169,484	374,462	520,552	(146,090)
Deficiency of revenues over expenditures	20,992	(68,258)	(275,472)	(207,214)
Other financing sources (uses)				
Proceeds from the issuance of debt	-	-	322,419	322,419
Net change in fund balance	\$ 20,992	(68,258)	46,947	115,205
Non-GAAP change in fund balance			\$ 46,947	
Change from:				
Deferred ambulance revenues			(3,354)	
GAAP change in fund balance			\$ 43,593	

**TOWN OF COCHITI LAKE, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2016**

Status of Prior Year Findings

2004-001 Investments

Updated and repeated

TOWN OF COCHITI LAKE, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2016

2014-001 Insufficient Pledged Collateral on Public Deposits – Other Matter – Repeat Finding

Condition: The Town has deposits in a financial institution which does not provide pledged collateral on deposits in excess of allowable federally backed insurance programs such as the FDIC or NCUA. The financial institution is covered by SIPC insurance, which is not a federally backed program. The Town has uninsured and uncollateralized public funds in the amount of \$120,737.

Progress Towards Implementing the Prior Year Corrective Action Plan: The has not made any progress is resolving this finding.

Criteria: The Public Money Act (6-10-1 to 6-10-63, NMSA 1978) (Act) section 6-10-10-A requires deposits to be insured by an agency of the United States. Section 6-10-16-1 of the Act requires public money to be secured by pledged collateral as defined in Section 6-10-16 of the Act in amounts required by Section 6-10-15 of the Act. As applied to the Town, these two sections of the Act mean that 50% of the balance of deposits not covered by FDIC insurance should have pledged collateral provided by the financial institution.

Effect: The Town has uninsured and uncollateralized public funds. The Town could sustain a loss in the event of the failure of the financial institution.

Cause: The Town's management is not familiar with the requirements of the Act.

Recommendations: The Town read and understand the requirements of the Act. The Town should then consider changing its deposit structure so that it is in compliance with the Act.

Management's Response: On November 3, 2016 the Assembly of the Town of Cochiti Lake approved Resolution 2016-11 to sell the TVA Cumulative Preferred Securities. These securities comprise \$40,802 of the \$120,737 uncollateralized balance.

As pointed out in the Findings, the full \$120,737 is covered by SIPC. In addition, Raymond James & Associates has purchased Excess SIPC coverage through various Lloyd's of London syndicates. The aggregate firm limit is \$750 million, with a sub-limit of \$1.9 million per customer. As of January 31, 2017, the uncollateralized securities comprise less than 17% of the total of the investments held at Raymond James by the Town.

However, management is aware of requirements of the Public Money Act and will comply with its requirements by also disposing of the TVA cumulative preferred securities as well as the Vanguard Short Term Federal Fund and the Vanguard Short Term Treasury Fund. The Town Administrator anticipates the securities will be sold by the end of March 2017.

TOWN OF COCHITI LAKE, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2016

2016-001 Bank Reconciliations

Condition: The Town does not have a process to reconcile the cash and investment accounts to the general ledger. During our testwork, we noted that the Town has four cash or investment accounts. Of the four accounts, only one reconciliation had reconciled balances that matched the balance per the general ledger. The reconciled cash balances appear to be correct, but the general ledger balances appear to be incorrect. In addition, three of the four reconciliations had checks and deposits outstanding greater than 30 day. The reconciliations were corrected before this report was produced, but the error was not caught and corrected by the Town.

Criteria: Good accounting practices require properly reconciled cash and investment accounts. In addition, all reconciliations should be reviewed by someone other than the person performing the reconciliation function.

Effect: The Town did not know what actual cash balances were by fund. This was corrected before this report was published.

Cause: Town staff does not adequately review the reconciliations and their balances relative to the general ledger.

Recommendations: The Town should implement procedures that require all reconciliations to be reviewed by someone other than the person performing the reconciliation function. This review should include comparing the reconciled balances to the general ledger and reviewing the reconciliations for old outstanding items.

Management's Response: The Town does have a process to reconcile the cash and investment accounts to the General Ledger. The bookkeeper who previously worked for the Town did use the process.

All accounts are currently reconciled to the General Ledger through January 31, 2017. The Town has two paid administrative positions. Reconciliations will be reviewed by the employee who has not prepared the reconciliation.

Town staff is working to clear all old outstanding items.

TOWN OF COCHITI LAKE, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2016

2016-002 Cash Reporting to the Department of Finance and Administration (DFA)
Local Government Division

Condition: The cash balances reported by the Town to the Department of Finance and Administration's Local Government Division (DFA-LGD) do not agree with the reconciled cash balances. The amount of cash reported to DFA was \$906,629, which is \$5,630 more than the reconciled balances.

Criteria: Quarterly reporting required by DFA-LGD require cash balances to be reported by the Town.

Effect: The Town is not in compliance with DFA-LGD requirements.

Cause: Town staff does not adequately review the reconciliations and their balances relative to the general ledger. Town staff does not adequately review the DFA-LGD quarterly report to ensure it agrees with the reconciled cash balances by fund.

Recommendations: The Town should develop a process to ensure that the DFA-LGD reports are properly prepared and reviewed.

Management's Response: All Cash Balance have been corrected in the Town's General Ledger. Moreover, the Town has provided extensive written information to the Local Government Division (LGD). However, we have been told by the LGD that corrections to the quarterly reports for this fiscal year, last fiscal year and the FYE 2016-2017 Budget are not possible until our Compilation based on Agreed Upon Procedures has been submitted to the State Auditor's Office and approved by the same.

Proper account reconciliations will resolve the DFA quarterly report issues.

TOWN OF COCHITI LAKE, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2016

2016-003 Inadequate Segregation of Duties – Material Weakness

Condition: The Town's accountant performs most of the accounting, reconciling, and record keeping functions of the Town without review or oversight by a person unrelated to these activities. Review is necessary to ensure errors and fraud are not occurring. Inadequate review allows the possibility that fraud could be committed and not detected.

We tested twenty-five cash and payroll disbursements. We noted the following errors caused by inadequate review and inadequate segregation of duties:

1. Three payments for non-recurring purchases were not approved either before or after the purchase. The total of the payments was \$3,507.80.
2. One payment tested in the amount of \$143.00 did not have adequate support.
3. Two credit card statements were tested for support. The Town did not have support for any transaction on the credit card statements. None of the transactions were approved either before or after the purchase. The total of the two statements was \$2,820.64.
4. For payroll disbursements, we found that timesheets are not approved and that some employees did not submit timesheets supporting their hours worked.

Criteria: The Generally Accepted Government Auditing Standards, 2011 Revision, Chapter 4 paragraph 19 requires that when an auditor provides an opinion on financial statements, auditors should also report on internal control over financial reporting. In order for auditors to report on internal control they must evaluate and, in some instances, test those controls.

In evaluating internal controls, one of the areas reviewed is segregation of duties in an accounting system. Review and oversight by a person unrelated to the accounting activities is a form of segregation of duties. Inadequate segregation of duties is a reportable condition.

Effect: Employees of the Town could commit fraud and then hide the transactions in the accounting records and transactions.

Cause: Inadequate segregation of duties and insufficient review of reconciliations, transactions, and reports.

TOWN OF COCHITI LAKE, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2016

2016-003 Inadequate Segregation of Duties – Material Weakness (Continued)

Recommendations: The Town should develop procedures, at a minimum, for the following:

- All reconciliations should be reviewed by a person other than the person who prepares the reconciliation. The person performing the review function should sign and date the reconciliation indicating the review.
- Timesheets should be reviewed by someone not related to the payroll function. Final payroll reports should be reviewed and reconciled to the accounting system by someone not related to the payroll function.
- All adjusting journal entries should be reviewed and approved before they are entered into the accounting system. Someone unrelated to the accounting function should review the accounting system each month to ensure unapproved adjusting journal entries have not been entered.
- Credit card purchases should be reconciled to the original receipt or invoice each month. Someone unrelated to the accounting function should review the reconciliation and purchase support each month to ensure the purchases are proper, supported, and are not for personal use.

Management's Response:

Reconciliations

Reconciliations will be reviewed, signed and dated by the Town Administrator.

Payroll Disbursements

The Town has four part-time employee positions, two salaried and two hourly positions. Currently, one of the hourly positions is open. Historically, only hourly employees have completed time sheets. These time sheets are submitted to the Town Administrator for approval and then forwarded to the bookkeeper for payroll processing. The Town is aware of pending Department of Labor regulations which may make it necessary for all employees to complete time sheets. However, due to an Injunction issued by one or more Federal Courts, these Regulations have been suspended. All employees are required to complete Leave Requests for time taken off due to vacation or illness.

The Town uses the Assisted Payroll function provided by QuickBooks. This system posts payroll transactions to the General Ledger. The confirmation reports are printed out upon the completion of the payroll and placed with the payroll records. Payroll checks and Direct Deposit notices are given to the Town Administrator. She obtains the proper signatures and distributes the checks and earnings statements.

TOWN OF COCHITI LAKE, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2016

2016-003 Inadequate Segregation of Duties – Material Weakness (Continued)

Approval for Non-recurring and credit card purchases

The Town of Cochiti has implemented a Purchase Order System for non-recurring purchases such as supplies, maintenance, training, town events. In addition, any charge on the Town credit card must be supported by a Purchase Order and receipt.

While management is always sensitive to the possibility of collusion, it believes that the risks are low. In the General Fund, non-recurring expenses account for about 8-9% of total budgeted expenditures. And while non-recurring, these expenditures are expected. All Town checks must have two signatures, including at least one signature of an Assembly member. Supporting invoices or statements are attached to the check prior to review and signature. No employee may sign any check payable to himself or herself. These procedures, along with the Purchase Order system should significantly reduce the risk of improper payments.

Management is considering hiring an outside accountant to review its accounting entries and reports on a monthly or quarterly basis. Management does not believe that it is practicable for an Assembly member to “review all journal entries, invoices, and cash disbursements before being made”.

Timeline and Designation of Employee Positions

The Town’s outside accountant is currently reconciling bank statements on a monthly basis and requiring approved purchase orders and receipts for all non-recurring purchases. In addition, when presenting checks for signature by the Town Administrator and an Assembly member, supporting documentation is attached for review prior to signature.

Management is considering hiring an outside accountant to review its accounting entries and reports on a monthly or quarterly basis. A decision will be made prior to year-end, in conjunction with preparation of the 2017-2018 fiscal year budget. In any event, when hiring a new bookkeeper, emphasis will be placed current qualification.

**TOWN OF COCHITI LAKE, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2016**

2016-004 Written Policies and Procedures – Other Matters

Condition: The Town does not have written policies and procedures for the accounting functions.

Criteria: NMAC 2.20.5.8 states that each local body shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP. The internal control structure shall include written administrative controls (rules, procedures, and practice and policies that affect the Town).

Effect: The Town does not have a guide for employees to follow which describes each significant operational area. The Town may not have the ability to perform certain functions if an employee quits or retires before their knowledge is passed on to another employee.

Cause: The Town has not been told they should develop written policies and procedures.

Recommendations: The Town should develop written policies and procedures for each significant operational area. These documents should be presented to and approved by the Town Assembly.

Management's Response: The Town does have some written procedures relating to basic payroll, bookkeeping, budgeting and reporting functions.

Management is in the process of reviewing, revising and supplementing these procedures. A longer-term project will include a more comprehensive guide to these functional areas, as well as the overall operating policies of the Town.

Management expects that the bulk of the procedures should be in place by the beginning of Fiscal year 2017-2018. The Town Administrator and the outside Town accountant will write the procedures.

**TOWN OF COCHITI LAKE, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2016**

2016-005 Segregation of Duties Relating to Adjusting Journal Entries – Material Weakness

Condition: Adjusting journal entries are not reviewed and approved by someone other than the person making the entry.

Criteria: Good accounting practices require segregation of duties in order to prevent mistakes and fraud.

Effect: An employee of the Town could commit fraud without the fraud being discovered. The accounting reports may contain errors.

Cause: Inadequate segregation of duties.

Recommendations: The Town should consider hiring an outside accountant to review all the work of Town staff. Alternatively, the Town should consider having a board member review all journal entries before being made.

Management's Response: Management is considering hiring an outside accountant to review its accounting entries and reports on a monthly or quarterly basis. Management does not believe that it is practicable for an Assembly member to “review all journal entries, invoices, and cash disbursements before being made”.

Under current practice, the Assembly member who provides the second signature for checks has the supporting documents for the expenditure and is encouraged to ask pertinent questions regarding the expenditure. By their signature on the check, they are signifying that they are satisfied that the expenditure is properly documented. However, management does not believe that Assembly member review of all journal entries provides any additional internal control. The Assembly consists of volunteer elected officials. While some may come from a financial background, there is no requirement that any person have a background in finance or municipal government.

The Town Assembly, in conjunction with the Town Administrator and outside Town accountant will determine the feasibility of the hiring an outside accountant to review entries and provide oversight. This decision will be made in conjunction with preparation of the 2017-2018 Budget.

TOWN OF COCHITI LAKE, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2016

2016-006 Excess of Expenditures Over Authorized Budget – Other Matters

Condition: The Town's expenditures exceeded the authorized budget in the following funds:

- General fund by \$7,418
- Special revenue fund by \$146,090

Criteria: Section 6-6-6, NMSA 1978, required the Town to keep expenditures within budgeted amounts.

Effect: The Town may not have precise information for planning the activities and cash flows in the funds that are over budget.

Cause: Insufficient budget tracking procedures. The town does not have an accounting system that allows them to account for each fund separately.

Recommendations: The Town should develop a process to ensure that funds do not exceed their budgets.

Management's Response: In the last fiscal year, the Town bookkeeper lacked sufficient experience to correctly enter a number of transactions in the Town's books and records. These errors, combined with the Town's lean approach to budgeting, created errors in the Town's budget. The errors in the Town's books and ledgers have now been corrected. The Town is searching for a new bookkeeper and has arranged for training and oversight. The Town has started the budgeting process for 2017-2018 and is looking closely at projecting repairs and replacement timing and costs for aging equipment. Moreover, the Town administrative office will communicate with its Volunteer Fire Department and EMS service to assist them in more effective Budgeting.

Management, including the Assembly, Town Administrator, and outside Town Accountant is currently working to develop a more realistic budget for the 2017-2018 fiscal year. Moreover, the new procedures under development will include a more careful monthly review of Budget to Actual financials so that BARS, when necessary, may be passed prior to expenditures, rather than after.

TOWN OF COCHITI LAKE, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2016

2016-007 Generally Accepted Accounting Principles – Other Matter

Condition: The Town is not presenting financial statements at the fund level. The Town has combined all special revenue funds into a single fund. The funds are budgeted separately and should be presented separately in the financial statements.

Criteria: Generally accepted accounting principles applicable to governmental entities requires presentation of financial statements at the fund level.

Effect: The Town does not have financial statements presented in compliance with generally accepted accounting principles.

Cause: Town staff is not familiar with governmental accounting.

Recommendations: The Town should consider changing the way it uses its accounting system so that each fund may be presented separately.

Management's Response: The Town does use Fund accounting for all revenues and expenditures. The current version of its accounting package does not provide a method for creating Fund based Balance Sheets. However, the Town is exploring methods for producing a Balance Sheet for each Fund, as well as Fund based Income Statement presentation that is currently available.

The Town Administrator expects the new system to be in place by the beginning of the 2017-2018 fiscal year. The current outside accountant has agreed to implement the changes.

**TOWN OF COCHITI LAKE, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended June 30, 2016**

2016-008 Late Audit Report – Other Matters

Condition: The Town did not submit its audit by the December 15, 2016 deadline required by the New Mexico State Auditor’s Audit Rule.

Criteria: Municipal audits must be submitted to the New Mexico State Auditor by December 15th.

Effect: The Town may be ineligible for state or federal funding.

Cause: As noted in the findings above, and in the Independent Accountant’s Report on Agreed-Upon Procedures, there were several errors in the Town’s reconciliations and financial statements that were not found until the procedures performed by the Independent Public Accountant. The Town needed time to correct these errors prior to issuing this report.

Auditor’s Recommendations: The Town should consider hiring an outside accountant to review the reconciliations and work performed by the Town’s accountant.

Management’s Response: As noted in the responses above, the Town is making changes that to personnel and practices that will ensure and on time report next year. The timing of implementation and people responsible are noted in the management responses above.

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS
10612 ROYAL BIRKDALE NE
ALBUQUERQUE, NM 87111

Compilation Report of Independent Public Accountant

Mr. Timothy Keller, New Mexico State Auditor and
the Town Assembly
Town of Cochiti Lake, New Mexico
Cochiti Lake, New Mexico

Management is responsible for the accompanying financial statements of the governmental activities of the Town of Cochiti Lake, New Mexico (Town), as of and for the year ended June 30, 2016, and related notes to the financial statements, which collectively comprise the Town's basic financial statements, in accordance with the requirements of Section 2.2.2.16 New Mexico Administrative Code (NMAC). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management of the Town has the following errors in its financial statements:

- The Town has combined two separately budgeted special revenue funds into a single special revenue fund. The funds should be stated separately in the financial statements.
- Property taxes receivable and deferred property taxes on the balance sheet are the same figures as reported in the June 30, 2015 compilation report. The Town's property tax revenue cannot be correct.
- Other receivables on the balance sheet is the same figure as reported in the June 30, 2015 compilation report. The Town's general revenue cannot be correct.
- Ambulance receivables and allowance for doubtful accounts on the balance sheet is the same figure as reported in the June 30, 2015 compilation report. The ambulance revenue cannot be correct.
- Accounts payable on the balance sheet is the same figure as reported in the June 30, 2015 compilation report. The Town's expenses cannot be correct.
- Capital asset expenditures does not agree to capital asset additions.
- Retained earnings does not roll forward from 2015 to 2016 by \$1,130. This indicates the entries have been made to closed years.

Mr. Timothy Keller, New Mexico State Auditor and
the Town Assembly
Town of Cochiti Lake, New Mexico
Cochiti Lake, New Mexico

The amount by which these departures from general accepted accounting principles would affect the assets, liabilities, revenues, and expenditures of the governmental activities is not reasonably determinable.

These omissions result in the financial statements being presented on a basis of accounting other than GAAP, or accounting principles generally accepted in the United States of America.

Management has elected to omit the government-wide financial statements and notes related to the government-wide financial statements required by accounting principles generally accepted in the United States of America. If the omitted government-wide financial statements and related note disclosures were included in the financial statements they might influence the user's conclusions about the Town's financial position, respective changes in financial position, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Other Information

The schedules required by Section 2.2.2 NMAC, as listed in the Supplementary Information – Supporting Schedules section of the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Porch & Associates, LLC

Albuquerque, New Mexico
May 1, 2017

TOWN OF COCHITI LAKE, NEW MEXICO
BALANCE SHEETS
June 30, 2016

	General	Special Revenue	Total
ASSETS			
Cash and cash equivalents	\$ 41,518	145,478	186,996
Investments	714,003	-	714,003
Property taxes receivable	11,656	-	11,656
Accounts receivable	1,574	1,226	2,800
	<hr/>		
Total assets	\$ 768,751	146,704	915,455
	<hr/> <hr/>		
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 4,321	6,637	10,958
Accrued payroll, taxes, and benefits	7,804	-	7,804
Refunds payable	148	-	148
Deferred ambulance revenues	-	1,133	1,133
	<hr/>		
Total liabilities	12,273	7,770	20,043
	<hr/> <hr/>		
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	4,378	-	4,378
	<hr/>		
FUND BALANCES			
Restricted, special revenues	-	138,934	138,934
Unassigned	752,100	-	752,100
	<hr/>		
Total fund balances	752,100	138,934	891,034
	<hr/> <hr/>		
Total liabilities and fund balances	\$ 768,751	146,704	915,455
	<hr/> <hr/>		

See independent accountant's compilation report and accompanying notes.

TOWN OF COCHITI LAKE, NEW MEXICO
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2016

	General	Special Revenue	Total
Revenues			
Property taxes	\$ 56,634	-	56,634
Franchise fees	7,747	-	7,747
Grants - state	136,028	193,773	329,801
EMS contract	-	30,000	30,000
Charges for services	-	16,463	16,463
Interest and investment income	12,137	-	12,137
Other	7,498	1,490	8,988
Total revenues	220,044	241,726	461,770
Expenditures			
Current			
General government	116,082	-	116,082
Public works and utilities	67,730	-	67,730
Culture and recreation	64,404	-	64,404
Public safety	-	144,712	144,712
Capital outlay	-	375,840	375,840
Total expenditures	248,216	520,552	768,768
Deficiency excess of revenues over expenditures before other financing sources	(28,172)	(278,826)	(306,998)
Other financing sources			
Transfers in - General Obligation Bonds	10,367	-	10,367
Proceeds from the issuance of debt	-	322,419	322,419
Total other financing sources	10,367	322,419	332,786
Net change in fund balances	(17,805)	43,593	25,788
Fund balance, beginning of year	769,905	95,341	865,246
Fund balance, end of year	\$ 752,100	138,934	891,034

See independent accountant's compilation report and accompanying notes.

**TOWN OF COCHITI LAKE, NEW MEXICO
NOTES TO COMPILED FINANCIAL STATEMENTS
SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES
REQUIRED BY ACCEPTED ACCOUNTING PRINCIPLES GENERALLY
ACCEPTED IN THE UNITED STATES OF AMERICA ARE NOT INCLUDED
June 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity. The Town of Cochiti Lake, New Mexico (Town) is located on property leased in 1969 from the Pueblo de Cochiti (Pueblo), a federally recognized Native American tribe, for a period of ninety-nine years. The Town operates under a 1970 Charter granted by the Pueblo.

The Town is governed by a Town Assembly which consists of five persons elected for four-year terms. The Assembly elects one member as Mayor, one as Mayor Pro-Tem, and hires a Town Administrator and Town Clerk.

Under the terms of an agreement with the Pueblo, the Town is required to provide fire and rescue services to the Town and the Pueblo. The Pueblo must approve the Town's grants, contracts, and other activities. In October 2004, the Pueblo took over operation of the Town's utilities, as permitted by the original Master Lease.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities.

A. Financial Reporting Entity

As required by GAAP, financial statements are presented for the Town and its component units. A legally separate organization that does not qualify as a primary government is a potential component unit. The normal criterion for deciding whether a potential component unit is, in fact, a component unit is financial accountability. Financial accountability is determined by analyzing fiscal dependency, board appointments, financial benefit or burden relationships, or the ability of the primary government to impose its will on the potential component unit. Based on these criteria, the Town has no component units.

The financial statements of the Town do not include those of the Cochiti Lake Improvement Trust Fund (ITF) which was presented as a discrete component unit in years before 2006. The ITF was originally established as a legally separate trust fund for the purpose of improving the infrastructure of the Town. However, this trust fund is now under the control of the Pueblo, and neither the funds nor the financial information are available to the Town.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are recorded.

**TOWN OF COCHITI LAKE, NEW MEXICO
NOTES TO COMPILED FINANCIAL STATEMENTS
SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES
REQUIRED BY ACCEPTED ACCOUNTING PRINCIPLES GENERALLY
ACCEPTED IN THE UNITED STATES OF AMERICA ARE NOT INCLUDED
June 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

A. Financial Reporting Entity (Continued)

Governmental financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

The Town did not have any business-type activities during the year ended June 30, 2016.

The Town follows the following revenue recognition principles applied to nonexchange transactions which are in accordance with GASB *Statement 33, Accounting and Reporting for Nonexchange Transactions*:

Derived tax revenues are recognized as revenue in the period when the underlying exchange transaction has occurred and the resources are available. The Town currently does not have any derived tax revenues.

Imposed nonexchange revenues – ad valorem taxes are levied and collected by the Town. The assessed valuations on improvements as supplied by the Sandoval County Treasurer are utilized, and a rate of 0.17 is applied. The tax is levied August 1 of each year, and is due December 31 of each year.

Imposed nonexchange revenue other than property taxes are recognized in the period when an enforceable legal claim has arisen and the resources are available.

Government-mandated nonexchange transactions and voluntary nonexchange transactions are recognized when all applicable eligibility requirements have been met and the resources are available. These include grant revenues, state shared taxes and intergovernmental revenue. Grant revenues are recognized as revenues when the related costs are incurred.

Other revenues susceptible to accrual are investment income and charges for services. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is actually received.

**TOWN OF COCHITI LAKE, NEW MEXICO
NOTES TO COMPILED FINANCIAL STATEMENTS
SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES
REQUIRED BY ACCEPTED ACCOUNTING PRINCIPLES GENERALLY
ACCEPTED IN THE UNITED STATES OF AMERICA ARE NOT INCLUDED
June 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

A. Financial Reporting Entity (Continued)

The Town reports the following governmental funds:

General Fund. The General Fund is the Town's primary operating fund. It accounts for all of the financial resources of the general government except those required to be accounted for in another fund.

Special Revenue Fund. The Special Revenue Fund is used to account for the operations of the Volunteer Fire Department and the Emergency Medical Department.

B. Cash and Investments

Cash includes amounts in demand deposits and certificates of deposit. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

All investments are stated at fair value that is determined by using selected bases. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

The Town does not have an investment policy. Town funds are invested in accordance with New Mexico State Statute 6-10-36 which provides for the following investments:

1. United States Treasury Securities (Bills, Notes and Bonds) and other securities issued by the United States government or its agencies or instrumentalities that are either direct obligations of the United States of America, the Federal Home Loan Mortgage Corp., the Federal National Mortgage Association, the Federal Farm Credit Bank, or the Student Loan Marketing Association, or are backed by the full faith and credit of the United States government.
2. Insured and/or collateralized (with U.S. Government Securities and/or New Mexico Bonds) certificates of deposit of banks, savings and loan associations, and credit unions, pursuant to State Board of Finance Collateral Policies.

**TOWN OF COCHITI LAKE, NEW MEXICO
NOTES TO COMPILED FINANCIAL STATEMENTS
SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES
REQUIRED BY ACCEPTED ACCOUNTING PRINCIPLES GENERALLY
ACCEPTED IN THE UNITED STATES OF AMERICA ARE NOT INCLUDED
June 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

B. Cash and Investments (Continued)

3. Money market funds whose portfolios consist entirely of United States Government Securities or agencies sponsored by the United States government.
4. Investments in the New Mexico State Treasurer external investment pool (Local Government Investment Pool).

C. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from ad valorem taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

D. Fund Balances

The Town follows GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement defines fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance — amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance — amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance — amounts constrained to specific purposes by the Town itself, using its highest level of decision-making authority (i.e., Town Assembly). To be reported as committed, amounts cannot be used for any other purpose unless the Town takes the same highest level action to remove or change the constraint.

**TOWN OF COCHITI LAKE, NEW MEXICO
NOTES TO COMPILED FINANCIAL STATEMENTS
SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES
REQUIRED BY ACCEPTED ACCOUNTING PRINCIPLES GENERALLY
ACCEPTED IN THE UNITED STATES OF AMERICA ARE NOT INCLUDED
June 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

D. Fund Balances (Continued)

- Assigned fund balance — amounts the Town intends to use for a specific purpose. Intent can be expressed by the Town Assembly or by an official or body to which the Town Assembly delegates the authority.
- Unassigned fund balance — amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Town does not currently have a policy regarding whether committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those classifications could be used.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town Directors have provided otherwise in its commitment or assignment actions.

E. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

F. Budgetary Information

Actual amounts on the budgetary basis are prepared on the cash basis of accounting which recognizes revenues when received and expenditures when paid. Annual budgets are adopted for the general and special revenue funds.

**TOWN OF COCHITI LAKE, NEW MEXICO
NOTES TO COMPILED FINANCIAL STATEMENTS
SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES
REQUIRED BY ACCEPTED ACCOUNTING PRINCIPLES GENERALLY
ACCEPTED IN THE UNITED STATES OF AMERICA ARE NOT INCLUDED
June 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

F. Budgetary Information (Continued)

The Town follows defined procedures in establishing the budgetary data reflected in the financial statements. Each year the Town determines amounts required for construction, maintenance, operations and debt service expenditures. Budget amounts are as originally adopted and as amended by the Town Assembly and approved by the Local Government Division of the State of New Mexico Department of Finance and Administration (DFA) and are prepared on a cash basis. The Town submits a proposed budget to DFA for the fiscal year commencing the following July 1. DFA must approve the budget prior to its legal enactment.

To meet legal compliance actual expenditures cannot exceed the total budgeted expenditures for the fund on a cash basis. Adjustments to the budget must be submitted to and approved by DFA in the form of a “budget adjustment request”. The Town does not use encumbrances.

The budget is prepared on the cash basis, which differs from GAAP. Budgetary comparisons presented in these financial statements are on this Non-GAAP budgetary basis. The legal level of budgetary control is at the fund level.

In accordance with the requirements of Section 2.2.2.10.A (2) (b) of 2.2.2 NMAC Requirements for Contracting and Conducting Audits of Agencies and the allowance made by GASB 34, footnote 53, the budgetary comparison statements for the general fund has been included as part of the basic financial statements.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**TOWN OF COCHITI LAKE, NEW MEXICO
NOTES TO COMPILED FINANCIAL STATEMENTS
SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES
REQUIRED BY ACCEPTED ACCOUNTING PRINCIPLES GENERALLY
ACCEPTED IN THE UNITED STATES OF AMERICA ARE NOT INCLUDED
June 30, 2016**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

H. Implementation of New Accounting Standards

During the year ended June 30, 2016, the Town adopted the following Government Accounting Standards Board Statements (GASB):

GASB No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. The statement is not applicable to the Town because the Town does not have a pension in place.

GASB No. 69 – *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The statement is not applicable to the Town because the Town is not involved in these activities.

GASB No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The Town has not extended any nonexchange financial guarantees and, thus, this statement is not applicable to the town.

GASB No. 71 – *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement is not applicable to the Town because the Town does not have a pension in place.

**TOWN OF COCHITI LAKE, NEW MEXICO
NOTES TO COMPILED FINANCIAL STATEMENTS
SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES
REQUIRED BY ACCEPTED ACCOUNTING PRINCIPLES GENERALLY
ACCEPTED IN THE UNITED STATES OF AMERICA ARE NOT INCLUDED
June 30, 2016**

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is, in the event of the failure of a depository financial institution, the Town will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the Town's name. As of June 30, 2016, the Town's cash, cash equivalent, and investments balances total of \$910,694 was exposed to credit risk in the amount of \$120,737 as follows:

Uninsured and uncollateralized	<u>\$ 120,737</u>
--------------------------------	-------------------

In accordance with Section 6-10-17, NMSA, 1978 Compilation, the Town is required to collateralize an amount equal to one-half of the public money in excess of \$250,000 at each financial institution.

The total balance in any single financial institution may at times exceed the \$250,000 in FDIC coverage available to individual depositors. The Town is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account.

Credit Risk. The Town has no formal policy on managing credit risk. State law limits investments to United States Government obligations, commercial paper with A-1 or better ratings, corporate bonds with a BBB+ or better rating, asset backed obligations with an AAA or better rating, or repurchase agreements.

Investments

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. The Town has no formal policy limiting the amount of investments or deposits at any single institution or with any single issuer.

**TOWN OF COCHITI LAKE, NEW MEXICO
NOTES TO COMPILED FINANCIAL STATEMENTS
SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES
REQUIRED BY ACCEPTED ACCOUNTING PRINCIPLES GENERALLY
ACCEPTED IN THE UNITED STATES OF AMERICA ARE NOT INCLUDED
June 30, 2016**

NOTE 3. LONG-TERM OBLIGATIONS

During the year ended June 30, 2016, the following changes occurred:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Loans payable	\$ -	322,419	-	322,419	17,097

In October 2015, the Town entered into a loan agreement with the New Mexico Finance Authority in the amount of \$322,419. The purpose of the loan was for the purchase of a fire truck. The yearly debt service payments are made by intercepting the Town’s state fire allotment. Interest rate increases from 1.787 to 4.270% over the life of the loan. The maturity date is May 1, 2028.

The following is a schedule of the debt service requirements to maturity for the loan:

Year Ending June 30	Principal	Interest	Total
2017	\$ 17,097	17,336	34,433
2018	23,575	10,939	34,514
2019	24,109	10,412	34,521
2020	24,774	9,761	34,535
2021	25,537	9,015	34,552
2022 to 2026	142,214	30,771	172,985
2027 to 2028	65,113	4,161	69,274
	<u>\$ 322,419</u>	<u>92,395</u>	<u>414,814</u>

NOTE 5. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters for which the government carries commercial insurance. The Town did not have an insurance policy in place during the year to address these types of risks as it had no employees or capital assets. Management will evaluate the need for a commercial insurance policy on an ongoing basis.

**TOWN OF COCHITI LAKE, NEW MEXICO
NOTES TO COMPILED FINANCIAL STATEMENTS
SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES
REQUIRED BY ACCEPTED ACCOUNTING PRINCIPLES GENERALLY
ACCEPTED IN THE UNITED STATES OF AMERICA ARE NOT INCLUDED
June 30, 2016**

NOTE 6. PERA PENSION PLAN

The Town of Cochiti Lake does not participate in PERA. NMSA 10-14-2(B) defines employment for purposes of PERA as “service performed by an employee in the employ of the state, or any political subdivision thereof”. Pursuant to the Town’s Charter, adopted on the 25th day of August 1970 by the Pueblo de Cochiti and the Secretary of the Interior, the Town is a political subdivision of the Pueblo de Cochiti, not the state of New Mexico. As such, Town employees are not eligible to participate in PERA.

NOTE 7. EXPENDITURES IN EXCESS OF BUDGET

The Town’s expenditures exceeded budgeted amounts in the General fund by \$7,418, and in the Special Revenue fund by \$146,090.

NOTE 8. RESTATEMENT

The Town has presented a Statement of Fiduciary Assets and Liabilities in the year ending June 30, 2015. In the current year, it was found that the fiduciary fund did not meet the generally accepted accounting principles requirements for inclusion in the Town’s financial statements. The removal of the fiduciary fund did not impact the Town’s fund balances because fiduciary funds do not report fund balance.

TOWN OF COCHITI LAKE, NEW MEXICO
SCHEDULE OF DEPOSIT ACCOUNTS
June 30, 2016

Type	Depository	Account Name	Depository Balance	Reconciled Balance
Interest bearing checking	NM Bank and Trust	General Fund	\$ 45,571	41,518
Interest bearing checking	NM Bank and Trust	EMS	54,414	53,094
Interest bearing checking	NM Bank and Trust	Fire Protection Fund	96,706	92,384
			<u>196,691</u>	<u>186,996</u>
Laddered CDs	Raymond James	Investments	422,330	422,330
Bank Deposits	Raymond James	Investments	115,934	115,934
US Agency Securities	Raymond James	Investments	55,002	55,002
Mutual Funds	Raymond James	Investments	79,936	79,936
Preferred securities	Raymond James	Investments	40,801	40,801
			<u>714,003</u>	<u>714,003</u>
		Total cash, cash equivalents, and investments	<u>\$ 910,694</u>	<u>900,999</u>

Insurance coverage for investments:

Laddered CD's are placed at financial institutions in increments less than \$250,000. All laddered CD's are FDIC insured.

Bank deposits held by Raymond James are FDIC insured.

US Agency Securities are backed by the full faith and credit of the United States Government and are exempt from the pledged collateral requirements.

TOWN OF COCHITI LAKE, NEW MEXICO
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2016

	NM Bank and Trust	Ramond James	Total
Deposits at June 30, 2016	\$ 196,691	714,003	910,694
Less: FDIC coverage and other security	196,691	593,266	789,957
Uninsured public funds	-	120,737	120,737
Pledged collateral held by the pledging bank's trust department or agent but not in the Town's name	-	-	-
Uninsured and uncollateralized	\$ -	120,737	120,737
50% pledged collateral requirement per statute	\$ -	60,369	60,369
Total pledged collateral	-	-	-
Pledged collateral (over) under the requirement	\$ -	60,369	60,369

Pledged collateral at June 30, 2016 consists of the following:

Security at fair market value	CUSIP	Maturity	
None			\$ - - -

TOWN OF COCHITI LAKE, NEW MEXICO
EXIT CONFERENCE
Year Ended June 30, 2016

An exit conference was held on October 25, 2016, and attended by the following:

Town of Cochiti Lake, New Mexico

David Valley, Assembly Member
Dolly Kauley, Administrator
Chelsea Segura, Clerk/Treasurer

Porch & Associates LLC

Thad Porch, Managing Principal

* * * * *

The financial statements were prepared by Porch & Associates LLC from the books and records of the Town. However, the contents of these financial statements remain the responsibility of the Town's management.