



MACIAS, GUTIERREZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
TIERRA AMARILLA, NEW MEXICO

STATE OF NEW MEXICO

**ALCALDE MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION**

Independent Accountants' Report on Applying
Agreed-Upon Procedures (Tier 4)

Year Ended December 31, 2018

STATE OF NEW MEXICO

ALCALDE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

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Agreed-Upon Procedures (Tier 4)**

Year Ended December 31, 2018

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

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES (TIER 4)

To: Alfredo Montoya, Chairman
Alcalde Mutual Domestic Water Consumers Association #3009
and
Brian S. Colón, Esq.
New Mexico State Auditor

We have performed the procedures enumerated below, which were agreed to by the Alcalde Mutual Domestic Water Consumers Association (AMDWCA) and the Office of the State Auditor on the Tier Verification, Cash, Capital Assets, Revenue, Expenditures, Journal Entries, Budget and Other for the year ended **December 31, 2018**, included in the accompanying information provided to us by management of the AMDWCA. The Alcalde Mutual Domestic Water Consumers Association is responsible for the Tier Verification, Cash, Capital Assets, Revenue, Expenditures, Journal Entries, Budget and Other as of and for the year ended December 31, 2018, included in the accompanying information provided to us by management of the AMDWCA. The sufficiency of these procedures is solely the responsibility of those 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 the associated 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 under "Tiered System Reporting Main Page."

We verified AMDWCA's revenue calculation and tier determination. Alcalde Mutual Domestic Water Consumers Association's cash basis revenue was between the **Tier 4** lower and upper limits and no capital outlay expended.

2. Cash

Procedures

- 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) Test at least 30% of the bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to the Department of Finance and Administration, Local Government Division (DFA-LGD).
- c) Determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

Results of Procedures Performed

- a) The AMDWCA pays a fee accountant, who uses Intuit-EasyACCT trial balance software, to record cash transactions, make journal entries and prepare monthly bank reconciliations and monthly financial statements. At year-end, the AMDWCA has one checking account, one savings account and one certificate of deposit (CD). Bank reconciliations are performed on a timely basis and all bank statements were complete and on-hand for the entire year. The bank only provides a statement on the CD annually when it matures.
- b) We tested 33% of all bank reconciliations that revealed no exceptions. Required quarterly financial cash reports were submitted to DFA-LGD during the year and at year-end, we traced the ending balances to those reports.
- c) Cumulative bank account balances never exceeded uninsured limits and, therefore, pledged collateral was not required on uninsured balances at any time during the year.

3. Capital Assets

Procedures

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

Results of Procedures Performed

The Alcalde Mutual Domestic Water Consumers Association performed a yearly inventory as required by Section 12-6-10 NMSA, 1978 and maintains a capital asset listing.

4. Revenue

Procedures

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 revenue equal to at least 30% of the total dollar amount and test 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.

Results of Procedures Performed

- a) An analytical review of prior-year to current-year revenue revealed no unexplained or unusual variations. The test of actual revenue compared to budgeted revenue for the year for each revenue type revealed no exceptions.
- b) We requested supporting documentation for eight (8) summary deposits (46% of total revenue) from a total of 16 summary deposits for the year. Amounts recorded on Intuit-EasyACCT financial statements and general ledger agreed with deposit tickets, other supporting documentation provided and the bank statements, without exception.

- c) Amounts were properly recorded on a cash basis as to classification, amount and period per review of supporting documentation, without exception.

5. Expenditures

Procedures

Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test 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 check clearing amount (cancelled checks not returned), 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 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Results of Procedures Performed

- a) We requested supporting documentation for 28 disbursements (34% of total expenditures) from a total of 142 disbursements for the year. The amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and check clearing amount, as appropriate.
- b) We determined that the disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures. Some invoices are approved by the water operator and others are approved through the monthly financial statement approval process.
- c) The bid process or request for proposal process, purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

6. Journal Entries

Procedures

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

Results of Procedures Performed

- a) The AMDWCA's fee accountant prepares, on a monthly basis, routine journal entries to record interest income earned for the month, entries to reclassify gross receipts tax from water revenue and entries to record returned checks. Journal entries appear reasonable and have supporting documentation.
- b) The AMDWCA has procedures that require journal entries to be reviewed and approved. All journal entries are reviewed and approved through the monthly financial statement approval process.

7. Budget

Procedures

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.

Results of Procedures Performed

- a) We determined that the AMDWCA submitted a 2018 budget to DFA-LGD that was approved by the governing body and the DFA/LGD. There were no subsequent budget adjustments.
- b) Total actual expenses did not exceed the preliminary budget by at the total fund level, the legal level of budgetary control.
- c) The AMDWCA prepared and submitted to DFA-LGD a Profit and Loss Budget vs. Actual for the year ended December 31, 2018 (herein Exhibit B). A schedule of revenues and expenses – budget and actual was prepared from AMDWCA records on the accrual budgetary basis. This schedule is included herein as Exhibit A.

8. Other

Procedures

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 (L) NMAC.

Results of Procedures Performed

No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud, illegal acts, noncompliance or any internal control deficiencies.

* * * * *

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Tier Verification, Cash, Capital Assets, Revenue, Expenditures, Journal Entries, Budget and Other of the Alcalde Mutual Domestic Water Consumers Association for the year ended December 31, 2018, included in the accompanying information provided to us by management of the AMDWCA. Accordingly, we do not express such an opinion or conclusion. 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 Alcalde Mutual Domestic Water Consumers Association, the New Mexico State Auditor's Office and 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 the specified parties.

Macias, Gutierrez & Co., CPAs, P. C.

Macias, Gutierrez & Co., CPAs, P. C.
Tierra Amarilla, New Mexico 87575
May 23, 2019

STATE OF NEW MEXICO
ALCALDE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Schedule of Revenues and Expenses-Budget and Actual (Accrual Basis)
Year Ended December 31, 2018

| | Budgeted Amounts | | Actuals | Variance |
|--|------------------|------------------|------------------|----------------------------|
| | Original | Final | | Favorable (Unfavorable) |
| Revenues: | | | | |
| Water Sales (Water User Fees) | \$ 130,000 | \$ 130,000 | \$ 132,947 | \$ 2,947 |
| Connection/Reconnection Charges | 2,000 | 2,000 | 25 | (1,975) |
| Meter Deposits | - | - | 25 | 25 |
| Interest Income | 150 | 150 | 129 | (21) |
| Sale of Water Rights | 5,000 | 5,000 | 2,500 | (2,500) |
| | <u>137,150</u> | <u>137,150</u> | <u>135,626</u> | <u>(1,524)</u> |
| Total revenues | | | | |
| Cash balance budgeted | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total revenues and cash balance budgeted | <u>137,150</u> | <u>137,150</u> | <u>135,626</u> | <u>(1,524)</u> |
| Expenses: | | | | |
| Salaries - Operator, Bookkeeper, etc. | 16,800 | 16,800 | 16,800 | - |
| Employee Benefits and Expenses | 1,400 | 1,400 | 1,395 | 5 |
| Electricity | 22,000 | 22,000 | 18,566 | 3,434 |
| System Parts and Supplies | 16,500 | 16,500 | 9,018 | 7,482 |
| System Repairs and Maintenance | 9,500 | 9,500 | 14,691 | (5,191) |
| Office and Administrative Expenses | 2,950 | 2,950 | 2,573 | 377 |
| Professional Services - Accounting, Engr., Legal | 25,640 | 25,640 | 25,683 | (43) |
| Insurance | 4,200 | 4,200 | 4,222 | (22) |
| Dues, Fees, Permits and Licenses | 300 | 300 | 341 | (41) |
| Taxes - Gross Receipts Tax, Water Cons. Fee | 2,400 | 2,400 | 707 | 1,693 |
| Training | 1,500 | 1,500 | 250 | 1,250 |
| Miscellaneous | 17,700 | 17,700 | - | 17,700 |
| | <u>120,890</u> | <u>120,890</u> | <u>94,246</u> | <u>26,644</u> |
| Total expenses | | | | |
| Excess revenues over (under) expenses | <u>\$ 16,260</u> | <u>\$ 16,260</u> | <u>\$ 41,380</u> | <u>\$ 25,120</u> |

MDWCA Name:
Mailing Address:
Email Address:
Phone number:

ALCALDE MDWCA

Calendar Year
2018

| | APPROVED BUDGET | 1st QR: Jan - Mar | 2nd QR: Apr - Jun | 3rd QR: Jul - Sept | 4th QR: Oct -Dec | Year to Date(YTD) Totals | YTD (over)/under BUDGET | % of Budget |
|--|-------------------|----------------------|----------------------|-----------------------|---------------------|-----------------------------|----------------------------|----------------|
| Beginning balances: | | | | | | | | |
| Cash | 27,631 | | | | | | | |
| Savings | 85,681 | | | | | | | |
| CDs | 21,500 | | | | | | | |
| Investments | | | | | | | | |
| Beginning Balance TOTAL | \$ 134,812 | | | | | | | |
| REVENUES | | | | | | | | |
| Water Sales (Water Use Fees) | 130,000 | 28,953 | 31,908 | 37,433 | 34,653 | 132,947 | (2,947) | 102% |
| Connection/Reconnection Charges | 2,000 | 25 | 0 | 0 | 0 | 25 | 1,975 | 1% |
| Membership and Meter Sales (Utility Service Fees) | 5,000 | | | 25 | 0 | 25 | 4,975 | 1% |
| Late Fees and Penalties (Other Fines and Forfeits) | | | | | | 0 | 0 | - |
| Gross Receipts Tax (Other State shared taxes) | | | | | | 0 | 0 | - |
| Other Operating Revenue (miscellaneous - other) | 150 | 2,515 | 16 | 16 | 82 | 2,629 | (2,479) | 1753% |
| TOTAL | \$ 137,150 | 31,493 | 31,924 | 37,473 | 34,735 | 135,626 | 1,524 | 99% |
| EXPENDITURES | | | | | | | | |
| Salaries - Operator, Bookkeeper, etc. | 16,800 | 4,200 | 4,200 | 4,200 | 4,200 | 16,800 | 0 | 100% |
| Employee Benefits and Expenses | 1,400 | 365 | 356 | 335 | 339 | 1,395 | 5 | 100% |
| Electricity | 22,000 | 4,389 | 5,142 | 4,920 | 4,116 | 18,566 | 3,434 | 84% |
| Other Utilities - Gas, Water, Sewer, Telephone | | | | | | 0 | 0 | - |
| System Parts and Supplies | 16,500 | 4,003 | 1,985 | 1,092 | 1,938 | 9,018 | 7,482 | 55% |
| System Repairs and Maintenance | 9,500 | 5,193 | 3,162 | 1,365 | 4,972 | 14,691 | (5,191) | 155% |
| Vehicle Expenses | | | | | | 0 | 0 | - |
| Office and Administrative Expenses | 2,950 | 387 | 918 | 378 | 889 | 2,573 | 377 | 87% |
| Professional Services - Accounting, Engineering, Legal | 25,640 | 5,989 | 5,191 | 9,975 | 4,528 | 25,683 | (43) | 100% |
| Insurance | 4,200 | | 4,222 | 0 | 0 | 4,222 | (22) | 101% |
| Dues, Fees, Permits and Licenses | 300 | 94 | 120 | 52 | 75 | 341 | (41) | 114% |
| Taxes - Gross Receipts Tax, Water Conservation Fee | 2,400 | 314 | 152 | 241 | 0 | 707 | 1,693 | 29% |
| Training | 1,500 | | 105 | 145 | 0 | 250 | 1,250 | 17% |
| Miscellaneous | 17,700 | | 0 | | 0 | 0 | 17,700 | 0% |
| Loans | | | | | | | | |
| Annual debt service - Loan 1 | | | | | | 0 | 0 | - |
| Annual debt service - Loan 2 | | | | | | 0 | 0 | - |
| TOTAL | \$ 120,890 | 24,933 | 25,553 | 22,704 | 21,057 | 94,247 | 26,643 | 78% |
| Ending Balance | 151,072 | | | | | 176,190 | | |
| LESS: Operating Reserve | | | | | | (440) | | |
| Emergency Reserve | | | | | | | | |
| Capital Improvement Reserve | | | | | | | | |
| Debt Reserve | | | | | | | | |
| Ending Available Cash Balance | \$ 151,072 | | | | | \$ 176,630 | | |

I HEREBY CERTIFY THE CONTENTS IN THIS REPORT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND THAT THIS REPORT DEPICTS ALL FUNDS.

 President/Chairperson

 Date

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

**Schedule of Findings and Responses
Year Ended December 31, 2018**

| | <u>Type of Finding *</u> | <u>Prior Year Finding Number</u> | <u>Current Year Finding Number</u> |
|---|----------------------------------|--|--|
| Current Year Findings: | | | |
| None Reported | N/A | N/A | N/A |
| Follow-up on Prior Year Findings: | | | |
| Segregation of Duties on the Review and Approval of all Disbursements, Receipts and Journal Entires | C | 2010-4 | Resolved |
| Quarterly Financial Reports do not agree with the Approved Budget | D | 2016-001 | Resolved |
| Late Report | D | N/A | Resolved |
| No Capital Assets Inventory performed at year-end | D | N/A | Resolved |

*** Legend for Findings:**

- A. Fraud
- B. Illegal Act(s)
- C. Internal Control Deficiency(ies)
- D. Noncompliance

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

**Exit Conference
Year Ended December 31, 2018**

EXIT CONFERENCE

The report contents were discussed at a telephonic exit conference held on May 30, 2019 with the following in attendance:

Alcalde Mutual Domestic Water Consumers Association

By telephone:

Alfredo Montoya, Chairman

Accounting Firm

James R. (Jim) Macias, CPA