

**STATE OF NEW MEXICO
CANJILON MUTUAL DOMESTIC WATER CONSUMERS AND
MUTUAL SEWAGE WORKS ASSOCIATION**

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

**For the Year Ended
December 31, 2019**



STATE OF NEW MEXICO
CANJILON MUTUAL DOMESTIC WATER CONSUMERS
AND MUTUAL SEWAGE WORKS ASSOCIATION
DECEMBER 31, 2019
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**STATE OF NEW MEXICO
CANJILON MUTUAL DOMESTIC WATER CONSUMERS
AND MUTUAL SEWAGE WORKS ASSOCIATION
OFFICIAL ROSTER
DECEMBER 31, 2019**

Board of Directors

Name	Title
Cipie Maes	President
Ross Martinez	Vice-President
Sabino Rivera	Secretary/Treasurer
Thomas Montano	Director
Belinda Valdez	Director



INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Canjilon Mutual Domestic Water Consumers
And Mutual Sewage Works Association
and
Brian S. Colón, Esq.
New Mexico State Auditor
Santa Fe, New Mexico

I have performed the procedures enumerated below which were agreed to by the State of New Mexico Canjilon Mutual Domestic Water Consumers and Mutual Sewage Works Association (the "Association") and the New Mexico State Auditor (the specified parties), solely to assist users in evaluating the Association's financial reporting and compliance relating to its Cash, Capital Assets, Revenues, Expenditures, Journal Entries, and Budget information and its compliance with Section 12-6-3(B) NMSA 1978 and Section 2.2.2.16 NMAC, as of and for the year ended December 31, 2019. The Association is responsible for its financial reporting as described above. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, I 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.

In accordance with Tier 4 of the Audit Act – Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC, my procedures and associated findings are as follows:

1. REVENUE DETERMINATION

Procedures

Verify the local public body's revenue calculation and tier determination documented on the form provided at www.osanm.org under "Tier System Reporting Main Page".

Findings

The Association's revenue calculation and tier determination was agreed to the trial balance without exception. Total revenue was \$81,282 which requires Tier 4 agreed-upon procedures.

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. For purposes of performing my procedures "timely" means completion of the bank reconciliations within one month after the last day of the reporting month and "complete" means that statements for bank and investment accounts are all accounted for by the Association.

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 Department of Finance & Administration - Local Government Division (DFA-LGD). For purposes of performing my procedures "accuracy" means that reconciling items agree to deposit slips and subsequent bank or investment statements, and the reconciliations are mathematically correct.

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.

Findings

Bank accounts were complete and on-hand. 33% or 4 reconciliations were tested. 2 reconciliations tested were not accurate, the reconciled balance did not equal the general ledger balance. See item #2017-001 in the accompanying schedule of findings and responses. All quarterly financial reports were submitted to DFA. Pledged collateral was not required during the year because 100% of the balances were insured.

3. CAPITAL ASSETS

Procedures

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

Findings

The Association performed their annual capital asset inventory without exception.

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 revenues 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.

Findings

Revenue was analytically tested and met expectations without exception. 13 receipts totaling \$24,648 or 30.3% of total receipts were tested and were determined to be properly recorded as to amount, classification and period.

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 cancelled 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 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Findings

46 disbursements or 30% of total disbursements were selected to test, for a total of \$23,841. All vendor disbursements tested were properly supported and approved and in compliance with the state Per Diem and Mileage Act. No disbursements were noted that were subject to the State Procurement Code or State Purchasing Regulations.

6. JOURNAL ENTRIES

Procedures

Test all non-routine journal entries, adjustments and reclassifications, posted to the general ledger 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

The Association did not have any general journal entries in 2019.

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.

Findings

A budget was properly prepared and approved by the Association’s Board of Directors and was properly certified by DFA-LGD. Actual expenses exceeded budgeted amounts at the fund level, which is the legal level of budgetary control, see item #2016-001 in the accompanying schedule of findings and responses. The Schedule of Revenues and Expenditures - Budget and Actual (Cash Basis) is presented on page 7 of this report.

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.

Findings

The agreed-upon procedures report was submitted to the Office of the State Auditor after the due date. See item 2016-002 in the accompanying schedule of findings and responses. Nothing else was noted.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. I was 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 Association's financial reporting and compliance as described above. Accordingly, I do not express such an opinion or conclusion. 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 State of New Mexico Canjilon Mutual Domestic Water Consumer and Mutual Sewage Works Association, the New Mexico Office of the State Auditor, the New Mexico Legislature, and the New Mexico Department of Finance and Administration Local Government Division and is not intended to be and should not be used by anyone other than those specified parties.

James L. Hartogensis, CPA LLC

Albuquerque, New Mexico

August 31, 2020

**SCHEDULE OF REVENUES &
EXPENDITURES - BUDGET AND
ACTUAL (CASH BASIS)**

STATE OF NEW MEXICO
CANJILON MUTUAL DOMESTIC WATER CONSUMERS
AND MUTUAL SEWAGE WORKS ASSOCIATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (CASH BASIS)
YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		Favorable (Unfavorable)
REVENUES:				
Water sales	\$ 76,806	\$ 76,806	\$ 76,938	\$ 132
Service fees	-	-	1,450	1,450
Other income	-	-	2,894	2,894
Total Revenues	<u>\$ 76,806</u>	<u>\$ 76,806</u>	<u>\$ 81,282</u>	<u>\$ 4,476</u>
EXPENDITURES:				
Operator	\$ 11,999	\$ 11,999	\$ 11,954	\$ 45
Benefits	160	160	232	(72)
Electricity	4,000	4,000	3,759	241
Other Utilities	1,431	1,431	1,476	(45)
System parts and supplies	4,680	4,680	2,904	1,776
System repairs and maintenance	15,774	15,774	19,851	(4,077)
Vehicle expenses	1,456	1,456	1,612	(156)
Office and administrative expenses	6,264	6,264	3,840	2,424
Professional services	2,500	2,500	2,884	(384)
Insurance	5,439	5,439	3,876	1,563
Dues, fees, permits and licenses	320	320	2,731	(2,411)
Taxes	4,273	4,273	5,944	(1,671)
Training	2,347	2,347	-	2,347
Miscellaneous	2,799	2,799	4,872	(2,073)
Debt service	13,420	13,420	13,366	54
Total expenditures	<u>\$ 76,862</u>	<u>\$ 76,862</u>	<u>\$ 79,301</u>	<u>\$ (2,439)</u>

YEAR-END DFA REPORT

STATE OF NEW MEXICO
CANJILON MUTUAL DOMESTIC WATER CONSUMERS
AND MUTUAL SEWAGE WORKS ASSOCIATION
YEAR-END DFA REPORT
YEAR ENDED DECEMBER 31, 2019

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

Calendar Year
2019

	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	34,361							
Savings								
CDs	-							
Investments	-							
Beginning Balance TOTAL	\$ 34,361							
REVENUES								
Water Sales (Water Use Fees)	76,806	17,929	19,448	20,505	19,055	76,938	(131)	100%
Connection/Reconnection Charges		0				0	0	-
Membership and Meter Sales (Utility Service Fees)		500	950			1,450	(1,450)	-
Late Fees and Penalties (Other Fines and Forfeits)		0				0	0	-
Gross Receipts Tax (Other State shared taxes)		0				0	0	-
Other Operating Revenue (miscellaneous - other)		2,594		300		2,894	(2,894)	-
TOTAL	\$ 76,806	21,024	20,398	20,805	19,055	81,282	(4,476)	106%
EXPENDITURES								
Salaries - Operator, Bookkeeper, etc.	11,999	2,612	3,210	3,015	3,117	11,954	45	100%
Employee Benefits and Expenses	160	0		232	0	232	(72)	145%
Electricity	4,000	1,469	1,097	423	770	3,759	241	94%
Other Utilities - Gas, Water, Sewer, Telephone	1,431	363	369	371	373	1,476	(46)	103%
System Parts and Supplies	4,680	153	549	1,446	757	2,904	1,776	62%
System Repairs and Maintenance	15,774	2,339	98	8,481	8,933	19,851	(4,076)	126%
Vehicle Expenses	1,456	293	331	628	359	1,612	(155)	111%
Office and Administrative Expenses	6,264	1,492	976	382	990	3,840	2,424	61%
Professional Services - Accounting, Engineering, Legal	2,500	0	2,884		0	2,884	(384)	115%
Insurance	5,439	0			3,876	3,876	1,563	71%
Dues, Fees, Permits and Licenses	320	2,731			0	2,731	(2,411)	853%
Taxes - Gross Receipts Tax, Water Conservation Fee	4,273	1,100	1,761	1,334	1,749	5,944	(1,671)	139%
Training	2,347	0			0	0	2,347	0%
Miscellaneous	2,799	2,075	2,797		0	4,872	(2,073)	174%
Loans								
Annual debt service - Loan 1	7,092	1,773	1,773	1,773	1,773	7,092	0	100%
Annual debt service - Loan 2	6,328	1,528	1,582	1,582	1,582	6,274	54	99%
TOTAL	\$ 76,862	17,929	17,426	19,668	24,278	79,300	(2,438)	103%
Ending Balance	34,305					36,342		
LESS: Operating Reserve								
Emergency Reserve								
Capital Improvement Reserve								
Debt Reserve								
Ending Available Cash Balance	\$ 34,305					\$ 36,342		

STATE OF NEW MEXICO
CANJILON MUTUAL DOMESTIC WATER CONSUMERS
AND MUTUAL SEWAGE WORKS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2019

Current Year Findings

2016-001 Excess of Expenditures Over Authorized Budget (significant deficiency, noncompliance)

Condition: The Association's expenditures exceeded the authorized budget by \$2,439. This condition remains unchanged from 2018. There has been no progress in remediating the finding.

Criteria: Section 6-6-6, NMSA 1978 requires the Association to keep expenditures within budgeted amounts. 2.2.2.10 R(1)(a) requires reporting a finding if actual expenditures exceed budgeted expenditure at the legal level of budgetary control, which is at the fund level for the Association.

Cause: The Association has not yet fully implemented adequate budget tracking procedures.

Effect: The Association does not have accurate information to make informed, prudent decisions or maintain compliance with laws and regulations relating to budgets. The Association may not be fulfilling its fiduciary duty to its members.

Recommendation: The Association should consider using spreadsheets to track monthly budget to actual revenues and expenditures. These spreadsheets should be reported to the Association Board on a monthly basis, which will assist management and the Board in making timely, informed decisions, as well as helping the Association to make timely budget amendments when necessary.

Agency's Response: The Board Members and the Bookkeeper will start immediately to evaluate the budget quarterly when submitting to DFA, to ensure we are still within the allocated budget amounts. The Board will review expenditures based on the current year budget and work with what is remaining in the budget that was approved. The Board will also adjust the budget if needed for any emergency repairs with proper documentation to DFA.

STATE OF NEW MEXICO
CANJILON MUTUAL DOMESTIC WATER CONSUMERS
AND MUTUAL SEWAGE WORKS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2019

Current Year Findings, continued

2016-002 – Agreed-Upon Procedures Report Not Submitted by the Due Date (noncompliance)

Condition: The agreed-upon procedures and report was not completed and filed by the statutory due date of May 31, 2020. The Association did not create a policy for compliance with the State Audit Rule and has not made any progress toward clearing this prior year finding.

Criteria: The State Audit Rule requires completion and submission of the report five months after year-end or May 31, 2020.

Cause: The Association was unable to provide the necessary documentation to complete the engagement within the required deadline.

Effect: Legislators and other interested parties did not have timely information upon which to base decisions.

Recommendation: The Association should create a policy to comply with the due dates, including recommending an IPA by December 1 and filing the required reports by May 31.

Agency's Response: The Association President and Board will immediately create a policy and procedure to submit the IPA recommendation to the State Auditor Office before December 1 and complete the audit requirements within the 5 month period. The Bookkeeper will ensure to enter the report into the OSA website.

STATE OF NEW MEXICO
CANJILON MUTUAL DOMESTIC WATER CONSUMERS
AND MUTUAL SEWAGE WORKS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2019

Current Year Findings, continued

2017-001 Bank Reconciliations (significant deficiency)

Condition: There was a variance between the reconciled balance on the bank reconciliations and the general ledger balance for December 2019 for both the operating and savings accounts. The operating account reconciled balance was \$26,474 and the general ledger balance was \$25,855. The savings account reconciled balance was \$18,496. The general ledger balance was \$6,694. The Association made progress towards clearing the prior year finding by completing all bank reconciliations timely.

Criteria: When reconciling bank accounts, good accounting practices require the bank balance to be reconciled to the general ledger balance.

Cause: After the bank account was reconciled, transactions were posted that affect the cash balance.

Effect: Bank reconciliations were inaccurate.

Recommendation: If transactions are posted after the bank account is reconciled, a new reconciliation should be prepared and documented.

Agency Response: The Association's bookkeeper will immediately start to review transactions that may affect cash and determine which transactions are occurring that affect cash after the bank reconciliations are prepared. Once these transactions are identified the bookkeeper will explore different methods for recording these transactions. If a transaction is posted that affects cash balances from a prior period, a revised bank reconciliation will be prepared.

STATE OF NEW MEXICO
CANJILON MUTUAL DOMESTIC WATER CONSUMERS
AND MUTUAL SEWAGE WORKS ASSOCIATION
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2019

Prior Year Finding	Current Year Status
2017-001 Bank Reconciliations and DFA Quarterly Reports	Repeated and modified
2016-001 Exceeded Budget Authority	Repeated and modified
2016-002 Late Agreed-Upon Procedures report and IPA Recommendation	Repeated and modified

STATE OF NEW MEXICO
CANJILON MUTUAL DOMESTIC WATER CONSUMERS
AND MUTUAL SEWAGE WORKS ASSOCIATION
EXIT CONFERENCE
YEAR ENDED DECEMBER 31, 2019

The report contents were discussed at an exit conference held on August 31, 2020, with the following in attendance:

**Canjilon Mutual Domestic Water Consumers
and Mutual Sewage Works Association**

Cipie Maes	President
Martha Montoya	Bookkeeper

James L. Hartogenesis, CPA LLC

James Hartogenesis, CPA, CGFM	Principal
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