

STATE OF NEW MEXICO

CANON

**MUTUAL DOMESTIC WATER CONSUMERS
AND SEWAGE WORKS ASSOCIATION**

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED UPON PROCEDURES**

FOR THE YEAR ENDED DECEMBER 31, 2019

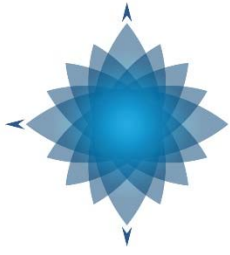


STATE OF NEW MEXICO
CANON MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION
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FOR THE YEAR ENDED DECEMBER 31, 2019

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**STATE OF NEW MEXICO
CANON MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION
OFFICIAL ROSTER
FOR THE YEAR ENDED DECEMBER 31, 2019**

<u>Board of Directors</u>	<u>Title</u>
Lee Graves	President
Frances Strain	Secretary
Sally Lucero	Treasurer
 Staff	
James Stout	Operator
Sherri Barcroft	Bookkeeper



**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED UPON PROCEDURES**

Brian S. Colón
New Mexico State Auditor
and
Members of the Board
Canon Mutual Domestic Water Consumers and Sewage Works Association
Jemez Pueblo, New Mexico

We have performed the procedures enumerated below, which were agreed by the State of New Mexico, Canon Mutual Domestic Water Consumers and Sewage Works Association (Association) for the year ended December 31, 2019, solely to assist you with respect to the Association's compliance for a Tier 4 engagement of Tier 4 of the Audit Act Section 12-6-1 NMSA 1978 et seq. The procedures were agreed to by the Association through the Office of the New Mexico State Auditor. The Canon Mutual Domestic Water Consumers and Sewage Works Association management is responsible for the organization's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the America 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 representations regarding the sufficiency of the procedures described below either for the purposes for which this report has been requested or for any other purpose.

The procedures we performed, and the associated findings are included in this report.

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 4 agreed upon procedures. 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 management and others within the Association, the State Auditor, the Department of Finance and Administration – Local Government Division, and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Integrity Accounting + Consulting, LLC

Integrity Accounting & Consulting, LLC
Albuquerque, NM

May 7, 2020

**STATE OF NEW MEXICO
CANON MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE ASSOCIATION
AGREED UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Our procedures and findings are as follows:

1. Verify Tier

Procedures

- a. 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"

Results of Procedures Performed

- a. We verified the Association's revenue calculation and tier determinations. The Association's cash basis revenue was between the Tier 4 lower and upper limits and had no state capital outlay.

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

Results of Procedures Performed

- a. The bank reconciliations were performed monthly in a timely manner. All bank statements for the fiscal year were complete and on-hand. For the period January 1, 2019 through December 31, 2019, the Association had one checking account and four savings accounts, all in the same financial institution, and utilizes Quickbooks to record cash transactions.
- b. The randomly selected five month-end bank reconciliations (42%) were accurate, and the ending balances on the bank reconciliations agreed with the Association's general ledger, supporting documentation and the financial reports submitted to DFA-LGD.
- c. Cumulative single-institution bank account balances never exceeded limits and, therefore, pledged collateral was not required at any time on any uninsured deposit balances.

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AGREED UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2019**

3. Capital Assets

Procedures

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

Results of Procedures Performed

- a. Capital assets of the Association include data processing equipment, furniture and fixtures, and equipment. The Association performed a yearly inventory and has an official listing of the capital assets.

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.

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 type of revenue revealed no exceptions.
- b. We requested supporting documentation for twenty-five (25) deposits (42.77% of total revenue) from a total of 118 deposits for the year. For the sample selected, the amount recorded in the general ledger agreed with the supporting documentation and the bank statements, without exception.

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FOR THE YEAR ENDED DECEMBER 31, 2019

- c. Per review of supporting documentation for the transactions tested, amounts were properly recorded on an accrual basis as to classification, amount, 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 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).

Results of Procedures Performed

- a) We requested supporting documentation for twenty-five (25) cash disbursements equal 71.58% of the total dollar amount for the year. The amounts recorded as disbursed agreed with the supporting documentation. The amount, payee, date and description of the purchase agreed with the vendor's invoice, contract and canceled check. The Association does not use purchase order forms.
- b) For the sample selected, disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c) 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).

6. Journal Entries

Procedures

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

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AGREED UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2019

- 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

The CMDWCSWA utilizes Quickbooks to record cash transactions but the bookkeeper prepares formal journal entries at the end of each month to record receivable accruals and make minor adjustments to gross receipts taxes (GRT) due to rounding. The results of our tests are as follows:

- a. Journal entries are reasonable and have supporting documentation.
- b. The CMDWCSWA has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed through approval of monthly financial statements.

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) Verified through the minutes and correspondence that the original budget was approved by the Association's governing body and was approved by DFA-LGD on February 6, 2019. The Association made one budget adjustment in FY19 that was approved by the DFA-LGD on December 30, 2019.
- b) Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control.

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CANON MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE ASSOCIATION
AGREED UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2019**

- c) A schedule of revenues and expenditures – budget and actual (page 7) was prepared from the DFA-LGD approved budget and the Association’s records on the accrual budgetary basis used by the Association, revealed no exceptions.

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(1)(3)(C) 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.

STATE OF NEW MEXICO
CANON MUTUAL DOMESTIC WATER CONSUMERS & SEWAGE WORKS ASSOCIATION
SCHEDULE OF REVENUES AND EXPENSES
BUDGET (ACCRUAL BASIS) AND ACTUAL
For the Year Ended December 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Water Sales	\$ 85,356	97,656	90,059	(7,597)
New Membership and Meter Sales			3,743	3,743
Late Fees			2,780	2,780
Other (miscellaneous)	-	-	2,460	2,460
Total revenues	<u>85,356</u>	<u>97,656</u>	<u>99,042</u>	<u>1,386</u>
Expenditures:				
Current:				
Salaries-Operator, Bookkeeper	36,611	36,611	32,015	4,596
Electricity	4,000	4,000	2,018	1,982
System parts and supplies	20,500	20,500	16,955	3,545
System parts and maintenance	5,000	5,000	5,003	(3)
Vehicle expense	2,641	2,641	1,565	1,076
Office and Administrative Fees	3,900	3,900	4,186	(286)
Professional Services	11,924	11,924	5,625	6,299
Insurance	4,400	4,400	3,397	1,003
Dues, Fees, Permits and Licences	750	750	405	345
Taxes	300	300	171	129
Training	2,500	2,500	624	1,876
Annual debt service-Loan 1	24,455	24,455	24,455	-
Miscellaneous	730	730	-	730
Total expenditures	<u>117,711</u>	<u>117,711</u>	<u>96,418</u>	<u>21,293</u>
Excess (deficiency) of revenues over (under) expenditures	(32,355)	(20,055)	2,624	22,679
Budgeted cash carryover	<u>-</u>	<u>20,055</u>		
Net Change in fund balance	<u>\$ -</u>	<u>-</u>		

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

Canon Mutual Domestic Water Consumers & Sewage Works Association (Jemez)
1459 Hwy 485, Jemez Pueblo, NM 87024
cmdwa.bookkeeper@gmail.com

Calendar Year
2019

Revised 12/10/19

ADJUSTMENT

	APPROVED BUDGET	1st QR: Jan - Mar	2nd QR: Apr - Jun	3rd QR: Jul - Sept	4th QR: Oct - Dec	2018 4 th Qtr Revenue Not Reported	Year to Date(YTD) Totals	YTD (over)/under BUDGET	% of Budget
Beginning balances:									
Cash	136,742								
Savings									
CDs									
Investments									
Beginning Balance TOTAL	\$136,742								
REVENUES									
Water Sales (Water Use Fees)	89,856	21,458	22,510	25,198	20,893		90,059	(203)	#N/A
Connection/Reconnection Charges	450	301	70		1,502		1,874	(1,424)	#N/A
Membership and Meter Sales (Utility Service Fees)	4,000		1,000	1,743	1,000		3,743	257	#N/A
Late Fees and Penalties (Other Fines and Forfeits)	2,750	620	620	690	850		2,780	(30)	#N/A
Gross Receipts Tax (Other State shared taxes)							0	0	#N/A
Other Operating Revenue (miscellaneous - other)	600	125	88	123	126	124	586	14	#N/A
TOTAL	\$97,656	22,505	24,288	27,754	24,371	124	99,042	(1,386)	#N/A
EXPENDITURES									
Salaries - Operator, Bookkeeper, etc.	36,611	8,276	8,534	8,870	6,335		32,015	4,596	#N/A
Employee Benefits and Expenses							0	0	#N/A
Electricity	4,000	693	460	594	271		2,018	1,982	#N/A
Other Utilities - Gas, Water, Sewer, Telephone							0	0	#N/A
System Parts and Supplies	20,500		356	7,744	8,855		16,955	3,545	#N/A
System Repairs and Maintenance	5,000	3,750	1,273	(1,764)	1,745		5,003	(3)	#N/A
Vehicle Expenses	2,641	399	604	295	267		1,565	1,076	#N/A
Office and Administrative Expenses	3,900	1,570	1,165	1,211	240		4,186	(286)	#N/A
Professional Services - Accounting, Engineering, Legal	11,924		4,014	1,451	160		5,625	6,299	#N/A
Insurance	4,400	100	3,297				3,397	1,003	#N/A
Dues, Fees, Permits and Licenses	750	166	10	10	219		405	345	#N/A
Taxes - Gross Receipts Tax, Water Conservation Fee	300	93		78			171	129	#N/A
Training	2,500		143		481		624	1,876	#N/A
Miscellaneous	730						0	730	#N/A
Loans									
Annual debt service - Loan 1	24,455	20,404		4,050			24,455	0	#N/A
Annual debt service - Loan 2							0	0	#N/A
TOTAL	\$117,711	35,449	19,857	22,540	18,572	-	96,418	21,293	#N/A
Ending Balance	116,687						139,366		
LESS: Operating Reserve							4,856		
Emergency Reserve									
Capital Improvement Reserve									
Debt Reserve									
Ending Available Cash Balance	\$116,687						\$134,510		

DEPicts ALL FUNDS



President/Chairperson

1-21-2020
Date

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

PRIOR YEAR FINDINGS

NONE

CURRENT YEAR FINDINGS

NONE

STATE OF NEW MEXICO
CANON MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION
OTHER DISCLOSURES
FOR THE YEAR ENDED DECEMBER 31, 2019

B. EXIT CONFERENCE

The contents of the report for the Canon Mutual Domestic Water Consumers and Sewage Works Association were discussed on, May 7, 2020. The following individuals were in attendance.

Canon Mutual Domestic Water Consumers and Sewage Works Association Officials

Lee Graves, Board President

Frieda Solano, Treasurer (Current)

Sherri Barcroft, Bookkeeper

Integrity Accounting & Consulting Personnel

Erick Robinson, CPA, CFE, Partner