

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, 2018

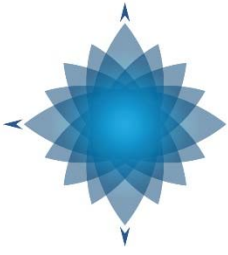


STATE OF NEW MEXICO
CANON MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION
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FOR THE YEAR ENDED DECEMBER 31, 2018

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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, 2018**

<u>Board of Directors</u>	<u>Title</u>
Kurt Moore	Acting President
Frances Strain	Secretary
Lee Graves	Treasurer
Rita Lucero	Member
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, 2018, 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 3, 2019

**STATE OF NEW MEXICO
CANON MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE ASSOCIATION
AGREED UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2018**

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, 2018 through December 31, 2018, 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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CANON MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE ASSOCIATION
AGREED UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 thirty (30) deposits (42.47% of total revenue) from a total of 113 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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AGREED UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2018

- 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 (20) disbursements (48.89% of total expenses) out of a total of 70 disbursements 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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CANON MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE ASSOCIATION
AGREED UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2018

- 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 20, 2018. The Association made one budget adjustment in FY18 that was by the DFA-LGD on July 9, 2018.
- 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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AGREED UPON PROCEDURES
FOR THE YEAR ENDED DECEMBER 31, 2018

- 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 WTER CONSUMERS & SEWAGE WORKS ASSOCIATION
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (ACCRUAL BASIS) AND ACTUAL
For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Water Sales	\$ 87,516	87,516	89,235	1,719
New Membership			1,000	1,000
Late fees			3,070	3,070
Other revenue			320	320
Total revenues	<u>87,516</u>	<u>87,516</u>	<u>93,625</u>	<u>6,109</u>
Expenditures:				
Current:				
Salaries-Operator, Bookkeeper	32,313	32,313	32,459	(146)
Electricity	4,000	4,000	2,564	1,436
System parts and supplies	11,000	11,000	8,776	2,224
System parts and maintenance	5,000	5,000	4,829	171
Vehicle expense	2,000	2,000	2,092	(92)
Office and Administrative Fees	2,900	2,900	2,340	560
Professional Services	11,354	11,354	6,099	5,255
Insurance	4,400	4,400	3,232	1,168
Dues, Fees, Permits and Licences	650	650	472	178
Taxes	300	300	103	197
Training	2,500	2,500	629	1,871
Annual debt service-Loan 1	8,100	23,100	20,396	2,704
Miscellaneous	730	730		730
Total expenditures	<u>85,247</u>	<u>100,247</u>	<u>83,991</u>	<u>16,256</u>
Excess (deficiency) of revenues over (under) expenditures	2,269	(12,731)	9,633	22,365
Budgeted cash carryover		<u>12,731</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
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	123,171							
Savings								
CDs								
Investments								
Beginning Balance TOTAL	\$123,171							
REVENUES								
Water Sales (Water Use Fees)	87,516	20,769	24,268	23,882	20,196	89,115	(1,599)	#N/A
Connection/Reconnection Charges					120	120	(120)	#N/A
Membership and Meter Sales (Utility Service Fees)					1,000	1,000	(1,000)	#N/A
Late Fees and Penalties (Other Fines and Forfeits)		710	740	720	900	3,070	(3,070)	#N/A
Gross Receipts Tax (Other State shared taxes)						0	0	#N/A
Other Operating Revenue (miscellaneous - other)		115	117	88		320	(320)	#N/A
TOTAL	\$87,516	21,594	25,125	24,690	22,216	93,625	(6,109)	#N/A
EXPENDITURES								
Salaries - Operator, Bookkeeper, etc.	32,313	7,172	8,086	8,229	8,973	32,459	(146)	#N/A
Employee Benefits and Expenses						0	0	#N/A
Electricity	4,000	735	632	676	521	2,564	1,436	#N/A
Other Utilities - Gas, Water, Sewer, Telephone						0	0	#N/A
System Parts and Supplies	11,000	1,713		3,030	4,033	8,776	2,224	#N/A
System Repairs and Maintenance	5,000	808	183	347	3,491	4,829	171	#N/A
Vehicle Expenses	2,000	420	642	491	539	2,092	(92)	#N/A
Office and Administrative Expenses	2,900	388	1,160	572	221	2,340	560	#N/A
Professional Services - Accounting, Engineering, Legal	11,354	495	3,854	1,200	550	6,099	5,255	#N/A
Insurance	4,400	100	3,132			3,232	1,168	#N/A
Dues, Fees, Permits and Licenses	650	162	10	92	208	472	178	#N/A
Taxes - Gross Receipts Tax, Water Conservation Fee	300	93			10	103	197	#N/A
Training	2,500	225	404			629	1,871	#N/A
Miscellaneous	730					0	730	#N/A
Loans								
Annual debt service - Loan 1	23,100	17,025	2,025	2,025	(679)	20,396	2,704	#N/A
Annual debt service - Loan 2						0	0	#N/A
TOTAL	\$100,247	29,335	20,128	16,662	17,867	83,992	16,255	#N/A
Ending Balance	110,440					132,804		
LESS: Operating Reserve						(3,938)		
Emergency Reserve								
Capital Improvement Reserve								
Debt Reserve								
Ending Available Cash Balance	\$110,440					\$136,742		

DEPICTS ALL FUNDS.

Kurt R Moore

President/Chairperson

2/5/18

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, 2018**

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, 2018

B. EXIT CONFERENCE

The contents of the report for the Canon Mutual Domestic Water Consumers and Sewage Works Association were discussed on, May 3, 2019. The following individuals were in attendance.

Canon Mutual Domestic Water Consumers and Sewage Works Association Officials

Kurt Moore, Board President (current)

Lee Graves, Treasurer

Sherri Barcroft, Bookkeeper

Integrity Accounting & Consulting Personnel

Erick Robinson, CPA, CFE, Partner

Jela Basista, CPA, Auditor