

Accounting & Auditing Services, LLC

Financial Audits + Agreed Upon Procedures + Tax + Consulting

Canoncito @ Apache Canyon Mutual Domestic Water Association

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the Fiscal Year Ending December 31, 2018

Canoncito @ Apache Canyon Mutual Domestic Water Association
Table of Contents
Fiscal Year Ending December 31, 2018

	<u>Page</u>
Table of Contents	i
Official Roster	ii
Independent Accountant's Report	1
Schedule of Findings and Responses	6
Schedule of Revenues and Expenditures – Budget and Actual	8
Copy of Year-End Financial Report Submitted to DFA-LGD	9
Exit Conference	10

**Canoncito @ Apache Canyon Mutual Domestic Water Association
Official Roster
Fiscal Year Ending December 31, 2018**

Board of Directors

Rita Gurule, President/Secretary

Andy Ortiz, Vice President/Treasurer

Administration

Ana Berry, Accounts Manager

Rudy Martinez, Certified Water Operator

Robert Gurule , Meter Reader

Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Directors

Canoncito @ Apache Canyon Mutual Domestic Water Association

Canoncito, New Mexico

and

Brian S. Colon, Esq., New Mexico State Auditor

Santa Fe, New Mexico

I have performed the procedures enumerated below for the Canoncito @ Apache Canyon Mutual Domestic Water Association (Association) for the year ended December 31, 2018, solely to assist in determining compliance with the provisions of the Audit Act for a Tier 4 entity per Section 12-6-3 B (4) NMSA 1978, Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978. The procedures were agreed to by the Association through the New Mexico Office of the State Auditor. The Association's management is responsible for its accounting records and the subject matter. 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 the 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 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."

Based on a review of the Association's general ledger, total revenues (Non-GAAP cash basis) for the fiscal year ending December 31, 2018 were \$189,131. Based on this information, the Association was properly determined to be a Tier 4 entity for 2018 since their total revenues were between \$50,000 and \$250,000 and they did not receive or expend a capital outlay appropriation during the fiscal year.

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.

The bank reconciliations were performed on a monthly basis in a timely manner. All bank statements for the fiscal year were complete and on hand. As of December 31, 2018, the Association has one checking account at Bank of America. The Association did not have any investment accounts.

- 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.

33% of all the bank statements for 2018 were tested. The bank reconciliations 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. 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.

The bank account balances of the Association were fully insured by the FDIC. Pledged collateral was not required since the Association's bank balances were well below \$250,000 during the fiscal year.

3. Capital Assets

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

At the end of the fiscal year, the Association did not have any movable chattels and equipment costing more than \$5,000. No capital asset purchases during the fiscal year were noted during the agreed-upon procedures.

4. Revenue

- a. Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation. Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

The revenue sources of the Association consist of monthly water billings, new membership fees, and a grant from the NM Office of the State Auditor to pay for audit fees. The variances between the actual revenues for 2017 and 2018 were adequately explained by the Bookkeeper; no unusual or unexplained variances were noted.

The actual revenue compared to budgeted revenue for each type of revenue was reviewed. According to the Association's general ledger, actual revenues were \$10,052 more than budgeted revenues for 2018. No significant or unusual variances were noted.

b. Select a sample of revenues equal to at least 30% of the total dollar amount and test the following attributes:

- i. Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.

A sample of cash receipts and deposits were selected and tested which amounted to approximately 77% of total revenues. The amount recorded in the general ledger agreed with the supporting documentation and the bank statement.

- ii. 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, modified accrual or accrual basis.

The cash receipts tested were properly classified and recorded in the general ledger on the cash basis of accounting.

5. Expenditures

a. Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test the following attributes:

- i. Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to vendor's invoice, purchase order, contract and canceled check, as appropriate.

A sample of cash disbursements were tested which amounted to approximately 67% of total expenditures. 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.

- ii. Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

The cash disbursements tested were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

- iii. 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), State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

None of the cash disbursements tested exceeded the amounts requiring sealed bids or requests for proposals. The cash disbursements tested were processed in accordance with applicable provisions of the State Procurement Code and the Per Diem and Mileage Act.

6. Journal Entries

- a. Test all non-routine journal entries, adjustments and reclassifications posted to the general ledger for the following attributes:
 - i. Journal entries appear reasonable and have supporting documentation.

According to the Association's Bookkeeper, four non-routine journal entries were posted to the general ledger during the fiscal year to record \$110,329 of loan proceeds from Santa Fe County, two entries totaling \$84,775.34 to record two loan payoff payments to the NM Environment Department, and a \$2,299.46 entry to adjust the accounts receivable balance on the balance sheet to agree with the water billing system. The journal entries appear reasonable and accurate according to the supporting documentation.

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

The Association has a procedure in place to ensure that non-routine journal entries posted to the general ledger by the Bookkeeper are reviewed and approved by the Board of Directors.

7. Budget

- a. Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following test work:
 - i. 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.

The Association's Board of Directors adopted a formal budget during a board meeting on December 12, 2017 (Resolution #2017-5) which was approved by DFA-LGD in a letter to the Association dated February 8, 2018. The Board of Directors revised the original budget on November 6, 2018 (Resolution #2018-4). The budget adjustment was approved by DFA-LGD on November 14, 2018.

- ii. Determine whether the total actual expenditures exceeded the final budget at the legal level of budgetary control; if the answer is yes, report a compliance finding.

Total expenditures for the fiscal year ending December 31, 2018 exceeded the final approved budget. According to the Association's general ledger, actual expenditures for FY18 were \$5,784 more than budgeted expenditures. See Exhibit 1 on p. 8. Also, see Finding 2018-001 on p. 6.

- iii. 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, modified accrual or accrual basis) for each individual fund.

From the transactions recorded in the Association's general ledger, the Schedule of Revenues and Expenditures was prepared on the cash basis of accounting. See Exhibit 1 on p. 8.

8. Other

- a. 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.

No other findings were noted during the agreed-upon procedures.

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 subject matter. 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 with the Association, the New Mexico State Auditor, the NM Department of Finance and Administration – Local Government Division, and the NM State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Accounting & Auditing Services, LLC
Accounting & Auditing Services, LLC
Santa Fe, New Mexico
March 18, 2019

**Canoncito @ Apache Canyon Mutual Domestic Water Association
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2018**

Status of Prior Year Findings

Finding 2016-001. No Written Procurement Policies and Procedures – Resolved.

Finding 2017-001. Inaccurate Cash Balances on Quarterly Reports to DFA-LGD – Resolved.

Current Year Findings

Finding 2018-001 – Actual Expenses Exceeded the Approved Budget

Condition

For the fiscal year ending December 31, 2018, the Association’s actual expenditures exceeded the approved budget by \$5,784.

Criteria

According to state law, Section 6-6-6 NMSA 1978, “When any budget for a local public body has been approved and received by a local public body, it is binding upon all officials and governing authorities, and no governing authority or official shall allow or approve claims in excess thereof, and no official shall pay any check or warrant in excess thereof, and the allowances or claims or checks or warrants so allowed or paid shall be a liability against the officials so allowing or paying those claims or warrants, and recovery for the excess amounts so allowed or paid may be had against the bondsmen of those officials.”

Effect

Excessive spending can create financial problems for the Association. Claims against the officials of the Association could occur for future non-compliance with Section 6-6-6 NMSA 1978.

Cause

Management did not process a sufficient budget adjustment request to ensure that total expenditures do not exceed budgeted expenditures. Management thought that a budget adjustment request was not necessary since total revenues exceeded total expenditures.

Canoncito @ Apache Canyon Mutual Domestic Water Association
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2018

Recommendation

The Board of Directors should implement a monitoring procedure to ensure that total expenditures do not exceed budgeted expenditures during the fiscal year. If it is forecasted that total expenditures will exceed the approved budget, the accounts manager should submit a budget adjustment request to the Board of Directors and DFA-LGD for approval before the end of the fiscal year.

Management's Response

Effective April 1, 2019, the Accounts Manager and the Board of Directors will review the budget every quarter to make sure we are not exceeding the budgeted expenses and the Accounts Manager will send budget adjustment requests to DFA for approval when necessary.

Canoncito @ Apache Canyon MDWA
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP Cash Basis)
For the Fiscal Year Ending December 31, 2018

Exhibit 1

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Water Fees	\$ 65,000	\$ 65,000	\$ 75,962	\$ 10,962
Audit Fee Grant	-	-	1,700	1,700
Transfer Fees	-	-	1,050	1,050
Membership and Meter Sales	500	500	-	(500)
Gross Receipts Tax	3,250	3,250	-	(3,250)
Miscellaneous:				
Loan Proceeds - Santa Fe County	-	110,329	110,329	-
Other	-	-	91	91
Total Revenues	\$ 68,750	\$ 179,079	\$ 189,131	\$ 10,052
Expenditures:				
Current:				
Bookkeeping, Operator, Meter Reader	\$ 26,877	\$ 26,877	\$ 25,841	\$ 1,036
Electricity	8,388	8,388	6,981	1,407
System Repairs and Maintenance	-	-	1,256	(1,256)
Office and Administrative	1,150	1,150	1,825	(675)
Professional Services	3,210	30,864	30,609	255
Insurance	2,835	2,835	2,790	45
Dues, Fees, Permits and Licenses	150	150	162	(12)
Taxes - GRT, WCF, Property	3,600	3,600	5,815	(2,215)
Training	-	-	96	(96)
Miscellaneous	650	6,435	15,090	(8,655)
Debt Service Payments:				
NMED Loan 93-03	18,854	77,331	70,771	6,560
NMED Loan 94-05	1,340	19,753	21,881	(2,128)
Water Trust Board	-	-	49	(49)
Total Expenditures	\$ 67,054	\$ 177,383	\$ 183,167	\$ (5,784)

Copy of Year-End Financial Report Submitted to DFA-LGD

Name: Canoncito @ Apache Canyon MDWA
Mailing Address: PO Box 6051 Santa Fe NM 87502
Email Address: afcwa@msn.com
Phone number: 505-490-2128

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	(1,692)							
	Savings								
	CDs								
	Investments								
	Beginning Balance TOTAL	\$ (1,692)							
REVENUES									
	Water Sales (Water Use Fees)	65,000	18,256	17,731	13,051	23,306	72,344	(7,344)	111%
	Connection/Reconnection Charges						0	0	-
	Membership and Meter Sales (Utility Service Fees)	500	250	400		400	1,050	(550)	210%
	Late Fees and Penalties (Other Fines and Forfeits)						0	0	-
	Gross Receipts Tax (Other State shared taxes)	3,250	913	887	653	1,165	3,617	(367)	111%
	Other Operating Revenue (miscellaneous - other)	110,329		1,700	110,329	90	112,119	(1,790)	102%
	TOTAL	\$ 179,079	19,419	20,718	124,033	24,962	189,131	(10,948)	106%
EXPENDITURES									
	Salaries - Operator, Bookkeeper, etc.	26,877	7,287	6,647	6,564	5,342	25,841	1,036	96%
	Employee Benefits and Expenses						0	0	-
	Electricity	8,388	2,120	1,919	1,983	899	6,921	1,467	83%
	Other Utilities - Gas, Water, Sewer, Telephone						0	0	-
	System Parts and Supplies	-					0	0	-
	System Repairs and Maintenance	-	678	0	578		1,256	(1,256)	-
	Vehicle Expenses						0	0	-
	Office and Administrative Expenses	1,150	476	607	327	568	1,978	(828)	172%
	Professional Services - Accounting, Engineering, Legal	30,864	54	2,901	27,654		30,609	255	99%
	Insurance	2,835				2,790	2,790	45	98%
	Dues, Fees, Permits and Licenses	150	162				162	(12)	108%
	Taxes - Gross Receipts Tax, Water Conservation Fee	3,600	1,565	962	1,006	2,282	5,815	(2,215)	162%
	Training					96	96	(96)	-
	Miscellaneous	6,435	2,116	2,162	7,423	3,346	15,047	(8,612)	234%
	Loans								
	Annual debt service - Loan 1	77,931	4,719	3,427	61,904	2,050	72,101	5,230	93%
	Annual debt service - Loan 2	19,753	1,285	1,286	19,270		21,843	(2,090)	111%
	TOTAL	\$ 177,383	20,464	19,911	126,710	17,374	184,458	(7,075)	104%
	Ending Balance	4					2,980		
	LESS: Operating Reserve								
	Emergency Reserve								
	Capital Improvement Reserve								
	Debt Reserve								
	Ending Available Cash Balance	\$ 4					\$ 2,980		

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.

Rita Gurule
 President/Chairperson

1/23/2019
 Date

**Canoncito @ Apache Canyon Mutual Domestic Water Association
Exit Conference
Fiscal Year Ending December 31, 2018**

On March 18, 2019, the following officials held an exit conference and discussed the results of the agreed upon procedures and the contents of this report:

Canoncito @ Apache Canyon Mutual Domestic Water Association

Rita Gurule, President, Board of Directors
Ana Berry, Accounts Manager

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, Audit Manager