

# **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, 2017**

# THE UNIVERSITY OF CHICAGO

OFFICE OF THE DEAN OF STUDENTS

1100 EAST 58TH STREET, CHICAGO, ILLINOIS 60637

TEL: 773-936-3333 FAX: 773-936-3334

**Canoncito @ Apache Canyon Mutual Domestic Water Association**  
**Table of Contents**  
**Fiscal Year Ending December 31, 2017**

	<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, 2017**

**Board of Directors**

Rita Gurule, President

Andy Ortiz, Vice President/Treasurer

Teri Gonzales, Secretary

**Administration**

Ana Berry, Accounts Manager

Rudy Martinez, Water Operator

## Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Directors

Canoncito @ Apache Canyon Mutual Domestic Water Association

Canoncito, New Mexico

and

Wayne Johnson, 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, 2017, 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](http://www.osanm.org) under "Tiered System Reporting Main Page."

Based on a review of the Association's general ledger, total revenues for the fiscal year ending December 31, 2017 were \$75,195 and the Association did not receive a capital outlay appropriation. Based on this information, the Association was properly determined to be a Tier 4 entity for FY17 since their total revenues were between \$50,000 and \$250,000 and they did not receive a capital outlay appropriation.

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, 2017, 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.

The randomly selected 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 FY16 revenue and actual FY17 revenue 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 \$6,055 more than budgeted revenues for FY17. 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 was judgmentally selected and tested which amounted to approximately 34% 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 36% 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 and legal requirements. However, the Association has not established any written procurement policies and procedures. See Finding 2016-001 on p. 6.

- 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, no non-routine journal entries were posted to the general ledger during the fiscal year, and none were noted during the agreed-upon procedures.

- 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 January 4, 2017 (Resolution #2016-2) which was approved by DFA-LGD in a letter to the Association dated February 10, 2017. There were no budget adjustments in 2017.



- 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 FY17 did not exceed the final approved budget. According to the Association's general ledger, actual expenditures for FY17 were \$8,110 less than budgeted expenditures.

- 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.

Based on 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  
April 30, 2018

**Canoncito @ Apache Canyon Mutual Domestic Water Association  
Schedule of Findings and Responses  
Fiscal Year Ending December 31, 2017**

**Status of Prior Year Findings**

Finding 2010-001. Actual Expenditures Exceeded the Approved Budget – Resolved.

Finding 2016-002. Incomplete Balance Sheet – Resolved.

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

**Current Year Findings**

**Finding 2016-001. No Written Procurement Policies and Procedures**

Condition

The Association does not have any written procurement policies and procedures to control the purchase of goods and services and ensure compliance with the State Procurement Code.

The Association did not take any corrective action in 2017 to resolve this prior year finding.

Criteria

Adequate procurement policies and procedures provide for the fair and equal treatment of all persons involved in public procurement, maximize the purchasing value of public funds and provide safeguards for maintaining a procurement system of quality and integrity.

Effect

Without adequate procurement policies and procedures, there is a lack of internal control over cash disbursements and the Association is at risk of noncompliance with the State Procurement Code.

Cause

The District's Board of Directors was unaware of the importance to establish written procurement policies and procedures.

Recommendation

The Board of Directors should establish and implement written procurement policies and procedures to ensure compliance with the State Procurement Code (Sections 13-1-28 through 13-1-199 NMSA 1978). The procurement policy should include a record retention

**Canoncito @ Apache Canyon Mutual Domestic Water Association  
Schedule of Findings and Responses  
Fiscal Year Ending December 31, 2017**

policy whereas all procurement documentation shall be filed, retained and safeguarded for at least five years after the end of the fiscal year in which the procurement occurred.

**Management's Response**

The Association now has a better understanding of what a procurement policy is and will adopt a policy at our Board of Directors meeting to be held on May 9, 2018.

**Canoncito @ Apache Canyon MDWA**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP Cash Basis)**  
**For the Fiscal Year Ending December 31, 2017**

**Exhibit 1**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Water Fees	\$ 65,371	\$ 65,371	\$ 69,884	\$ 4,513
Audit Fee Grant	-	-	3,210	3,210
Transfer Fees	-	-	1,500	1,500
Membership and Meter Sales	500	500	-	(500)
Gross Receipts Tax	3,269	3,269	-	(3,269)
Miscellaneous	-	-	601	601
<b>Total Revenues</b>	<b>\$ 69,140</b>	<b>\$ 69,140</b>	<b>\$ 75,195</b>	<b>\$ 6,055</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Remote Sensors	\$ -	\$ -	\$ 281	\$ (281)
System Parts and Supplies	600	600	-	600
Repairs & Maintenance	1,692	1,692	2,578	(886)
Software Support	-	-	847	(847)
Water Testing	-	-	585	(585)
Insurance	2,800	2,800	2,835	(35)
Office and Administrative	1,314	1,314	-	1,314
Bank Charges	-	-	168	(168)
Dues, Fees, Permits and Licenses	160	160	-	160
Mileage	-	-	775	(775)
PO Box Rental	-	-	86	(86)
Postage	-	-	257	(257)
Public Regulation Commission	-	-	30	(30)
Storage Unit	-	-	590	(590)
Supplies	-	-	441	(441)
Professional Services	22,924	22,924	-	22,924
Bookkeeping	-	-	10,272	(10,272)
Audit - AUP	-	-	3,659	(3,659)
Meter Reader	-	-	3,320	(3,320)
Water Operator	-	-	12,800	(12,800)
Taxes - GRT and WCF	3,418	3,418	2,412	1,006
Electricity	10,140	10,140	8,732	1,408
Miscellaneous	4,776	4,776	5,003	(227)
Loan Payment - NMED 93-03	18,854	18,854	3,479	15,375
Loan Payment - NMED 94-05	1,340	1,340	707	633
Interest - WTB	-	-	52	(52)
<b>Total Expenditures</b>	<b>\$ 68,018</b>	<b>\$ 68,018</b>	<b>\$ 59,908</b>	<b>\$ 8,110</b>

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

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

Canoncito @ Apache Canyon MDWA  
 PO Box 6051  
 aicwa@msn.com  
 505-490-2128

**Calendar Year**

		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
<b>Beginning balances:</b>	Cash	(1,024)							
	Savings								
	CDs								
	Investments								
	<b>Beginning Balance TOTAL</b>	<b>\$ (1,024)</b>							
<b>REVENUES</b>									
	Water Sales (Water Use Fees)	65,371	15,099	16,655	15,672	19,130	66,556	(1,185)	102%
	Connection/Reconnection Charges						0	0	-
	Membership and Meter Sales (Utility Service Fees)	500					0	500	0%
	Late Fees and Penalties (Other Fines and Forfeits)						0	0	-
	Gross Receipts Tax (Other State shared taxes)	3,269	755	833	784	957	3,328	(59)	102%
	Other Operating Revenue (miscellaneous - other)		0	3,710	1,000	600	5,310	(5,310)	-
	<b>TOTAL</b>	<b>\$ 69,140</b>	<b>15,854</b>	<b>21,198</b>	<b>17,456</b>	<b>20,687</b>	<b>75,195</b>	<b>(6,055)</b>	<b>109%</b>
<b>EXPENDITURES</b>									
	Salaries - Operator, Bookkeeper, etc.						0	0	-
	Employee Benefits and Expenses						0	0	-
	Electricity	10,140	2,127	1,839	2,465	2,182	8,613	1,528	85%
	Other Utilities - Gas, Water, Sewer, Telephone						0	0	-
	System Parts and Supplies	600					0	600	0%
	System Repairs and Maintenance	1,692	2,556			1,262	3,818	(2,126)	226%
	Vehicle Expenses						0	0	-
	Office and Administrative Expenses	1,314	647	47	323	982	1,998	(684)	152%
	Professional Services - Accounting, Engineering, Legal	22,924	6,647	10,304	6,791	6,624	30,367	(7,443)	132%
	Insurance	2,800					2,835	(35)	101%
	Dues, Fees, Permits and Licenses	160		30			30	130	19%
	Taxes - Gross Receipts Tax, Water Conservation Fee	3,418	483	774	1,119	354	2,730	688	80%
	Training						0	0	-
	Miscellaneous	4,776	600	1,777	1,563	1,394	5,334	(558)	112%
	Loans								
	Annual debt service - Loan 1	18,854	4,713	4,713	4,713	4,713	18,852	2	100%
	Annual debt service - Loan 2	1,340	0	1,287	0	0	1,287	53	96%
	<b>TOTAL</b>	<b>\$ 68,018</b>	<b>17,773</b>	<b>20,770</b>	<b>16,974</b>	<b>20,345</b>	<b>75,863</b>	<b>(7,845)</b>	<b>112%</b>
	<b>Ending Balance</b>	<b>98</b>					<b>(1,692)</b>		
	LESS: Operating Reserve								
	Emergency Reserve								
	Capital Improvement Reserve								
	Debt Reserve								
	<b>Ending Available Cash Balance</b>	<b>\$ 98</b>					<b>(1,692)</b>		

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

1/31/2017  
 Date

**Canoncito @ Apache Canyon Mutual Domestic Water Association  
Exit Conference  
Fiscal Year Ending December 31, 2017**

On April 30, 2018, 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