



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

---

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED UPON PROCEDURES - TIER 4  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

**MORTON**  
ACCOUNTING, LLC

certified public accountants | consultants

**CHAMITA MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION  
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES - TIER 4  
TABLE OF CONTENTS**

Official Roster.....	1
Independent Accountant's Report on Applying Agreed Upon Procedures - Tier 4.....	2
Schedule of Revenues and Expenditures - Budget and Actual (Cash Basis).....	7
Copy of Year End Financial Report Submitted to DFA-LGD.....	8
Schedule of Findings and Responses.....	9
Exit Conference.....	13

**CHAMITA MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION  
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES - TIER 4  
OFFICIAL ROSTER AS OF DECEMBER 31, 2019**

**Board of Directors:**

Gloria Gonzales	President
Alex Sisneros	Vice-President
Joyce B. Garcia y Balkey	Interim Secretary
Lori Baca	Treasurer
Henry Talache	Member

**Staff:**

Juliet Salazar	Office Manager
Catherine Naranjo	Assistant Office Manager
Gloria Gonzales	Water Operator/Meter Reader



1512 Pacheco Street  
Suite D-204  
Santa Fe, NM 87505  
505.303.3557 (o)

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES-TIER 4

Brian S. Colón, Esq., New Mexico State Auditor  
and Gloria Gonzales, President  
Chamita Mutual Domestic Water Consumers and Sewage Works Association #3090

We have performed the procedures enumerated below, which were agreed to by the Chamita Mutual Domestic Water Consumers and Sewage Works Association (Association) and the New Mexico State Auditor (specified parties), solely to assist you in determining compliance with provisions of the Audit Act for Tier 4 entity per Section 12-6-1 et seq., NMSA 1978 as of and for the year ended December 31, 2019. The Association management is responsible for maintaining its accounting records and the subject matter. 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 enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated 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".**

The Association's revenue calculation and tier determination were documented on the form provided at [www.osanm.org](http://www.osanm.org) under the "Tier System Reporting Main Page" and it was determined that the Association is under the Tier 4 reporting procedures as the Association's revenue of \$158,073 was between \$50,000 and \$250,000 (on cash basis, excluding capital outlay funds).

**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.**

Obtained and viewed bank reconciliations for bank accounts for the fiscal year noting they were complete, on hand, and performed in a timely manner (monthly). 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.**

Obtained and viewed four bank reconciliations (equal to 30% of the entity's bank reconciliations) and determined that they were mathematically accurate, and agreed the Association's quarterly DFA-Local Government Division reports with general ledger balances. However, reconciled cash and investment balances did not agree to DFA-Local Government quarterly reports (after exclusion of invalid bank account, see Finding 2017-002) for quarters ending April 30, 2019 by \$264.15, June 30, 2019 by \$346.65; September 30, 2019 by \$386.89, and December 30, 2019 by \$565.22. Cash was understated on quarterly reports. Additionally, the general ledger/trial balance revenues were understated by \$415.87, and expenses overstated by \$27.69. See Finding 2019-001.

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

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

**3. Capital Assets**

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

Obtained and viewed the capital asset inventory for fiscal year ending December 31, 2019.

**4. Revenue**

**Identify the nature and amount of revenue from all 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.**

The main revenue sources of the Association for fiscal year 2019 consist of water dues and connection/reconnection charges. No unusual or unexplained variances were noted between budgeted revenue and actual revenue.

**Select a sample of revenue 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.**

A sample of cash receipts and deposits was judgmentally selected (equal to 30% of the total dollar amount of revenue). The amount recorded in the general ledger agreed to the supporting documentation and the bank statement for all of the items sampled.

- 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.**

A sample of cash receipts and deposits was judgmentally selected (equal to 30% of the total amount of revenue); supporting documentation was obtained noting the transactions were appropriately recorded as to classification, amount and period for all items sampled.

## **5. Expenditures**

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

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

Obtained supporting documentation for cash disbursement transactions (totaling 30% of total expenses). We verified that amount, payee, date and description agreed to the supporting documentation, as appropriate for all items sampled.

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

Obtained supporting documentation for cash disbursement transactions (totaling 30% of total expenses) and verified that they were properly authorized and approved in compliance with 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).**

The Association did not have any procurements nor mileage and per diem payments.

## **6. Journal Entries**

**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.**

The Association utilizes Quickbooks to record cash receipts and disbursements transactions only and does not prepare formal journal entries.

- b. 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 utilizes Quickbooks to record cash receipts and disbursements transactions only and does not prepare formal journal entries.

## **7. Budget**

**Obtain the original fiscal year budget and all budget adjustments made throughout the fiscal year and perform the following test work:**

- 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.**

The Association adopted the FY19 budget via board resolution dated January 16, 2019 and was properly approved by DFA-LGD. The Association had no budget adjustments.

- b. 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.**

We determined that the legal level of budgetary control is at the fund level. Total expenditures of the Association of \$153,698 did not exceed budgeted expenditures of \$155,500.

- 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.**

See Schedule of Revenues and Expenses, Budget and Actual (Non-GAAP Cash Basis) on page 7.

## **8. Other**

**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 all required content detailed in Section 2.2.2.10(L) NMAC.**

See schedule of findings and responses on page 9.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 the Association, The New Mexico Office of the State Auditor, the New Mexico 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 those specified parties.

MORTON ACCOUNTING SERVICES, LLC

*Morton Accounting Services, LLC*

Santa Fe, New Mexico  
June 6, 2020



**CHAMITA MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION**  
**SCHEDULE OF REVENUES AND EXPENSES -**  
**BUDGET AND ACTUAL (NON-GAAP CASH BASIS)**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Water Dues	\$ 156,000	\$ 156,000	\$ 149,902	\$ (6,098)
Connection/Reconnection Charges	3,000	3,000	3,900	900
Membership and Meter Sales	200	200	183	(17)
Late Fees and Penalties	-	-	25	25
Miscellaneous	-	-	4,063	4,063
Total Revenues	<u>159,200</u>	<u>159,200</u>	<u>158,073</u>	<u>(1,127)</u>
Expenditures:				
Salaries and Benefits	50,000	50,000	48,066	1,934
Electricity	8,400	8,400	9,687	(1,287)
Other Utilities	7,000	7,000	3,055	3,945
System Parts & Supplies	9,000	9,000	5,803	3,197
System Repairs & Maintenance	5,300	5,300	3,506	1,794
Office and Administrative Expenses	10,000	10,000	17,812	(7,812)
Professional Services	15,000	15,000	10,786	4,214
Insurance	5,300	5,300	8,580	(3,280)
Dues, Fees, Permits and Licenses	500	500	1,063	(563)
Taxes and Fees	8,000	8,000	10,125	(2,125)
Training	3,000	3,000	1,563	1,437
Loan Payments	34,000	34,000	33,653	347
Total Expenditures	<u>\$ 155,500</u>	<u>\$ 155,500</u>	<u>\$ 153,698</u>	<u>\$ 1,802</u>

**CHAMITA MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION**  
**COPY OF YEAR END FINANCIAL REPORT SUBMITTED TO DFA-LGD**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

INSTRUCTIONS: Cells in which are meant to be filled out are explained below. All other columns are locked and not meant to be filled out.

1 Fill out the Approved Budget, 1st Qtr, 2nd Qtr, 3rd Qtr, 4th Qtr columns.

2 Fill out Cash, Savings, CDs, Investments under the "Approved Budget" column with APPROVED BUDGET at beginning of yr. THESE AMOUNTS DO NOT CHANGE THROUGHOUT THE YEAR.

3 Fill out Reserves (if reserve amounts change throughout the year under the "Year to Date(YTD) Totals" column.

**MDWCA Name:** Chamita MDWCA  
**Mailing Address:** PO Box 1301  
**Email Address:** [loan@mdwca.com](mailto:loan@mdwca.com)  
**Phone number:** (505)852-9952

**Calendar Year Final Budget 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
<b>Beginning balances:</b>								
Cash	104,309							
Savings	28,022							
CDs	76,643							
Investments								
<b>Beginning Balance TOTAL</b>	<b>\$ 208,973</b>							
<b>REVENUES</b>								
Water Sales (Water Use Fees)	156,000	37,728	35,262	39,121	37,790	149,902	6,098	96%
Connection/Reconnection Charges	3,000	2,700	1,200		25	3,925	(925)	131%
Membership and Meter Sales (Utility Service Fees)	200					0	200	0%
Late Fees and Penalties (Other Fines and Forfeits)		85			45	130	(130)	-
Gross Receipts Tax (Other State shared taxes)						0	0	-
Other Operating Revenue (miscellaneous - other)		369	257	2,751	324	3,700	(3,700)	-
<b>TOTAL</b>	<b>\$ 159,200</b>	<b>40,882</b>	<b>36,719</b>	<b>41,872</b>	<b>38,184</b>	<b>157,657</b>	<b>1,543</b>	<b>99%</b>
<b>EXPENDITURES</b>								
Salaries - Operator, Bookkeeper, etc.	50,000	11,323	11,677	12,870	12,223	48,093	1,907	96%
Employee Benefits and Expenses						0	0	-
Electricity	8,400	2,211	1,553	2,091	1,645	7,500	900	89%
Other Utilities - Gas, Water, Sewer, Telephone	7,000	1,634	4,946	3,632	1,509	11,721	(4,721)	167%
System Parts and Supplies	9,000	723	3,994	1,085		5,803	3,197	64%
System Repairs and Maintenance	5,300	1,412	0			1,412	3,888	27%
Vehicle Expenses						0	0	-
Office and Administrative Expenses	10,000	6,057	1,058	5,169	1,578	13,863	(3,863)	139%
Professional Services - Accounting, Engineering, Legal	15,000	640	6,130	1,278	2,737	10,786	4,214	72%
Insurance	5,300		8,480	100		8,580	(3,280)	162%
Dues, Fees, Permits and Licenses	500	306	0		321	627	(127)	125%
Taxes - Gross Receipts Tax, Water Conservation Fee	8,000	1,895	1,955	2,276	3,998	10,125	(2,125)	127%
Training	3,000	750	813			1,563	1,437	52%
Miscellaneous						0	0	-
Annual debt service - Loan 1	34,000	16,163	7,000	3,500	7,000	33,653	\$47	99%
Annual debt service - Loan 2						0	0	-
<b>TOTAL</b>	<b>\$ 156,500</b>	<b>43,105</b>	<b>47,608</b>	<b>32,001</b>	<b>31,012</b>	<b>153,726</b>	<b>1,774</b>	<b>99%</b>
<b>Ending Balance</b>	<b>212,673</b>					<b>212,905</b>		
LESS: Operating Reserve								
Emergency Reserve								
Capital Improvement Reserve								
Debt Reserve								
<b>Ending Available Cash Balance</b>	<b>\$ 212,673</b>					<b>212,905</b>		

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

**Status of Prior Year Findings:**

The following finding was repeated during Fiscal Year 2019:

**2017-002 - Invalid Cash Account on General Ledger/Trial Balance**

**Current Year Findings:**

**2017-002: Invalid Cash Account on General Ledger/Trial Balance**

**Condition:**

The Association's general ledger/trial balance included an invalid checking account in the amount of \$7,895.28. The account has been closed for various years. *Progress: Despite efforts, the Office Manager was unable to obtain history/supporting documents from bank or other sources on old account. The research is in progress.*

**Criteria:**

The general ledger/trial balance should reflect valid assets, liabilities and other activity of the Association.

**Cause:**

Despite efforts, the Office Manager was unable to obtain history/supporting documents from bank or other sources. The research is in progress.

**Effect:**

Cash and total assets were overstated by \$7,895.28 on the general ledger/trial balance.

**Recommendation:**

We recommend that the Association draft a journal entry and provide documentation to remove the invalid balance from the general ledger/trial balance. The journal entry should be reviewed and approved by the Board as it involves removal of a cash asset.

**Entity Response and Corrective Action Plan:**

The Office Manager will propose a journal entry for removal of invalid general ledger balance of \$7,895.28. The journal entry and any associated research/support will be provided to the Board for review and approval at a scheduled board meeting during fiscal year 2020.

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

**2019-001: Incorrect Balances Reported on DFA-Local Government Quarterly Reports**

**Condition:**

Reconciled cash and investment balances did not agree to DFA-Local Government quarterly reports for Obtained and viewed four bank reconciliations (equal to 30% of the entity's bank reconciliations) and determined that they were mathematically accurate, and agreed first quarter DFA-Local Government Division report with general ledger balances. However, reconciled cash and investment balances did not agree to DFA-Local Government quarterly reports (after exclusion of invalid bank account noted in Finding 2017-001), for quarters ending April 30, 2019 by \$264.15, June 30, 2019 by \$346.65; September 30, 2019 by \$386.89, and December 30, 2019 by \$565.22. Cash was understated on quarterly reports. Additionally, the quarterly report revenues were understated by \$415.87, and expenses overstated by \$27.69, respectively.

**Criteria:**

Amounts reported on DFA-Local Government quarterly reports should agree to the amounts recorded in the official books of record, the Association's general ledger/trial balance. Amounts on the Association's general ledger/trial balance should accurately reflect the activity of the Association.

**Cause:**

The Association appears to have used bank balances rather than reconciled General Ledger Balances to create the quarterly reports, resulting in minor differences.

**Effect:**

Cash and investments in the quarterly reports were understated for quarters noted above. The 4th quarter report was overstated by \$415.87, and expenses were understated by \$27.69.

**Recommendation:**

We recommend that the Association implement a review and approval process over quarterly reports, to include a reconciliation to general ledger/trial balance. Further we recommend that the Association engage an external consultant to obtain assistance with recording non-routine transactions, as needed.

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

**Current Year Findings, Continued:**

**2019-001: Incorrect Balances Reported on DFA-Local Government Quarterly Reports, Continued**

**Entity Response and Corrective Action Plan:**

Going forward, the Office manager will be reconciling the quarterly reports to the general ledger (balance sheet and profit & loss statements, for respective quarters). They will be reviewed a Board representative for accuracy.

**2019-002: Late Contract and Report Submission**

**Condition:**

The Association did not submit the Agreed Upon Procedures Contract to the New Mexico Office of the State Auditor by the due date of 1/30/2020, but submitted the contract on 5/26/20, resulting in insufficient time to perform procedures by the report submission due date of 6/1/2020.

**Criteria:**

Per 2.2.2.8 (F)(8)(f) NMAC, local public bodies that qualify for the tiered system pursuant to Subsections A and B of 2.2.2.16 NMAC with a fiscal year end other than June 30 shall use a due date 30 days after the end of the fiscal year, for submission of contracts. Per 2.2.2.9 (A)(1)(j) NMAC, agencies with a fiscal year-end other than June 30 shall submit the audit report no later than five months after the fiscal year-end;

**Cause:**

The Association did was not aware of the contract submission deadline. In addition, the Association had difficulties with the electronic contracting process and due to COVID-19, telephone calls were made to NMSAO, but response was delayed.

**Effect:**

Noncompliance with 2.2.2.8 (F)(8)(f) NMAC and 2.2.2.9 (A)(1)(j) NMAC.

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

**Current Year Findings, Continued:**

**2019-002: Late Contract and Report Submission, Continued**

**Recommendation:**

We recommend that the Association submit the contract within the timeframe required above in order to timely complete agreed upon procedures and submission of report by statutory

**Entity Response and Corrective Action Plan:**

Office manager will set a tickler reminder to ensure that contract process is started each January, and submitted by the deadline. We will contact the Office of the State Auditor, pertaining to any contract submission issues that may arise. The agreed upon procedures will be started early enough to enable submission by the statutory deadline of June 1.

**CHAMITA MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION  
EXIT CONFERENCE  
FOR THE YEAR ENDED DECEMBER 31, 2019**

On June 6, 2020, an exit conference was held at the offices of the Association with the following individuals to discuss the results of the agreed-upon procedures and contents of this report.

**Chamita Mutual Domestic Water Consumers and Sewage Works Association:**

Gloria Gonzales	Board President
Juliet Salazar	Office Manager
Catherine Naranjo	Assistant Office Manager

**Morton Accounting Services, LLC:**

Janet Pacheco-Morton, CPA, CGFM	Principal
---------------------------------	-----------