



**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, 2017

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, 2017**

Board of Directors:

Gloria Gonzales	President
Alex Sisneros	Vice-President
Anna Flores	Secretary
Lori Baca	Treasurer
Henry Talache	Member

Staff:

Juliet Salazar	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

Wayne Johnson, 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, 2017. 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 under "Tiered System Reporting Main Page".

The Association's revenue calculation and tier determination were documented on the form provided at 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 \$137,922 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 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 for quarter ending June 30, 2017 by \$16,474.91; and quarters ending September 30, 2017, and December 30, 2017 by \$33,397. Cash was overstated on quarterly reports. Additionally, the general ledger/trial balance revenues and expenditures were overstated by \$16,474.91. See Finding 2017-001.

- 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, 2017.

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 2017 consist of water dues, contractual services and capital outlay appropriations. 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 33% 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 33% 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 34% 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 34% 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 FY17 budget via board resolution dated January 1, 2017 and was properly approved by DFA-LGD. The Association had one budget adjustment increasing the loan payments category from \$13,000 to \$46,400. The budget adjustment request was properly approved by the local public body's governing body and DFA-LGD.

- 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 \$165,610 exceeded budgeted expenditures of \$155,545. See Finding 2017-003.

- 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 13.

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, 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



Santa Fe, New Mexico

May 24, 2018

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, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Water Dues	\$ 122,415	\$ 122,415	\$ 132,680	\$ 10,265
Connection/Reconnection Charges	1,850	1,850	2,648	798.00
Membership and Meter Sales	146	146	146	-
Late Fees and Penalties	-	-	404	404
Miscellaneous	-	-	2,044	2,044
Total Revenues	<u>124,411</u>	<u>124,411</u>	<u>137,922</u>	<u>13,511</u>
Cash balance budgeted				
Total Revenues and cash balance budgeted				
Expenses:				
Salaries and Benefits	46,000	46,000	38,198	7,802
Electricity	6,400	6,400	6,918	(518)
Other Utilities	6,335	6,335	6,921	(586)
System Parts & Supplies	2,430	2,430	9,544	(7,114)
System Repairs & Maintenance	5,300	5,300	6,481	(1,181)
Office and Administrative Expenses	8,200	8,200	7,639	561
Professional Services	16,735	16,735	21,021	(4,286)
Insurance	5,400	5,400	4,405	995
Dues, Fees, Permits and Licenses	1,435	1,435	277	1,158
Taxes and Fees	7,300	7,300	9,160	(1,860)
Training	1,500	1,500	1,996	(496)
Miscellaneous	2,110	2,110	-	2,110
Loan Payments	13,000	46,400	53,050	(6,650)
Total Expenses	<u>\$ 122,145</u>	<u>\$ 155,545</u>	<u>\$ 165,610</u>	<u>\$ (10,065)</u>
	2,266	(31,134)	(27,688)	3,446

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, 2017

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

Chamita 2017 Final Projected Budget
 PO Box 1301 San Juan Pueblo, NM 87566
 chamitamdwca@windstream.net
 (505)852-9952

Calendar Year
 2017

	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	86,412							
Savings								
CDs	137,611							
Investments								
Beginning Balance TOTAL	\$ 224,023							
REVENUES								
Water Sales (Water Use Fees)	122,415	27,392	29,574	40,533	35,181	132,680	(10,265)	108%
Connection/Reconnection Charges	1,850		125	2,473	50	2,648	(798)	143%
Membership and Meter Sales (Utility Service Fees)	146		37	73		110	36	75%
Late Fees and Penalties (Other Fines and Forfeits)	0		285			285	(285)	-
Gross Receipts Tax (Other State shared taxes)	0					0	0	-
Other Operating Revenue (miscellaneous - other)	0		16,808	17,597	377	34,782	(34,782)	-
TOTAL	\$ 124,411	27,392	46,829	60,677	35,608	170,505	(48,094)	137%
EXPENDITURES								
Salaries - Operator, Bookkeeper, etc.	46,000	9,351	9,896	9,461	9,509	38,217	7,783	83%
Employee Benefits and Expenses	-	0	0			0	0	-
Electricity	6,400	1,545	1,997	1,503	1,873	6,918	(518)	108%
Other Utilities - Gas, Water, Sewer, Telephone	6,335	2,172	1,205	1,334	1,371	6,081	254	96%
System Parts and Supplies	2,430	181	1,561	7,812		9,554	(7,124)	393%
System Repairs and Maintenance	5,300	336	0	4,261	2,232	6,830	(1,530)	129%
Vehicle Expenses	-	0	0			0	0	-
Office and Administrative Expenses	8,200	1,013	3,610	1,650	834	7,108	1,092	87%
Professional Services - Accounting, Engineering, Legal	16,735	48	4,933	12,174	3,866	21,021	(4,286)	126%
Insurance	5,400	0	4,305	100		4,405	995	82%
Dues, Fees, Permits and Licenses	1,435	277	0			277	1,158	19%
Taxes - Gross Receipts Tax, Water Conservation Fee	7,300	1,499	1,518	2,198	3,944	9,160	(1,860)	125%
Training	1,500	491	392		1,113	1,996	(496)	133%
Miscellaneous	2,110	324	10	100		434	1,676	21%
Annual debt service - Loan 1	13,000	12,653	0	33,397	7,000	53,050	(40,050)	408%
Annual debt service - Loan 2						0	0	-
TOTAL	\$ 122,145	29,890	29,428	73,991	31,742	165,051	(42,906)	135%
Ending Balance	226,289					229,478		
LESS: Operating Reserve								
Emergency Reserve								
Capital Improvement Reserve	137,611							
Debt Reserve								
Ending Available Cash Balance	\$ 88,678					\$ 229,478		

**CHAMITA MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Status of Prior Year Findings:

The following findings were resolved during fiscal year 2017:

2015-001 - Pledged Collateral on Uninsured Deposits

Association deposits did not exceed \$250,000, therefore pledged collateral was not required.

Current Year Findings:

2017-001: 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 quarter ending June 30, 2017 by \$16,474.91; and quarters ending September 30, 2017, and December 30, 2017 by \$33,397. Cash was overstated on quarterly reports. Additionally, the general ledger/trial balance revenues and expenditures were overstated by \$16,474.91; quarterly ending December 31, 2107 report revenues and expenditures did not match general ledger/trial balance by \$32,583 and \$559, 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 cashed out two Certificates of Deposit (CD's) during the year - one for \$16,474.91, and one for \$16,922.17. The proceeds were used towards debt repayment. The balances in cash and investments were not adjusted on the quarterly reports to reflect the decrease in CD's. In addition, the Association incorrectly recorded revenue and expense for first CD in the amount \$16,474.91, causing revenue and expenditures on the general ledger/trial balance to be overstated.

CHAMITA MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

Current Year Findings, Continued:

2017-001: Incorrect Balances Reported on DFA-Local Government Quarterly Reports, Continued

Effect:

Cash and investments in the quarterly reports were overstated for three quarters noted above. The general ledger/trial balance revenue and expenses were overstated by \$16,474.91, prior to adjustment, at year end.

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.

Entity Response and Corrective Action Plan:

The Association has made the appropriate correction to the general ledger/trial balance to correct the \$16,474.91 error. The Office Manager will prepare the quarterly reports from the general ledger/trial balance of the Association. A secondary review by a Board Member will be performed to ensure that amounts in the quarterly report are in agreement with the Association's general ledger/trial balance. These procedures will begin immediately. The Association will consider obtaining assistance from an external consultant, if/when non-routine transactions arise.

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 several years.

Criteria:

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

**CHAMITA MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Current Year Findings, Continued:

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

Cause:

The Association was aware that the general ledger/trial balance included the invalid account noted above, however, did not know how to correct the invalid balance. Management believes the amount was transferred to another account in previous years.

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 support will be provided to the Board for review and approval at the next scheduled board meeting during fiscal year 2018.

2017-003: Actual Expenditures Exceeded Budgeted Expenditures at Fiscal Year End

Condition:

Actual expenditures of \$165,610 exceeded budgeted expenditures \$155,545 at fiscal year end.

Criteria:

Local government bodies must comply with 6-6-1 to 6-6-19 NMSA 1978. Budgetary compliance is at the fund level for local government entities.

Cause:

The Association opted to make additional loan payments to pay down debt during the fiscal year. A budget adjustment request was approved but did not cover the associated loan payments made during the year.

**CHAMITA MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

Current Year Findings, Continued:

**2017-003: Actual Expenditures Exceeded Budgeted Expenditures at Fiscal Year End,
Continued**

Effect:

Noncompliance with budgeted expenditures.

Recommendation:

We recommend that the Association budget conservatively to include all potential expenditure activity for the fiscal year. Further, we recommend review of budget to actual expenditures periodically and process budget adjustments as necessary to preclude exceeding the budgeted expenditures.

Entity Response and Corrective Action Plan:

The Association Board will continue to budget conservatively to include all anticipated expenditures for the coming fiscal year. In addition, the Office Manager will be monitoring expenditures against budget on a monthly basis and provide budget reporting to the Association Board. Procedures will begin immediately. Budget adjustment requests will be performed as needed.

**CHAMITA MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION
EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2017**

On May 24, 2018, an exit conference was held 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

Morton Accounting Services, LLC:

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