

**State of New Mexico**  
**Desert Aire Mutual Domestic Water**  
**And Sewer Works Association**

Independent Accountant's Report on  
Applying Agreed Upon Procedures  
June 30, 2018

**STATE OF NEW MEXICO  
DESERT AIRE MUTUAL DOMESTIC  
WATER AND SEWER WORKS ASSOCIATION**

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JUNE 30, 2018**

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**STATE OF NEW MEXICO  
DESERT AIRE MUTUAL DOMESTIC  
WATER AND SEWER WORKS ASSOCIATION**

**OFFICIAL ROSTER  
JUNE 30, 2018**

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**BOARD OF DIRECTORS**

Daniel Herrera, President

Pamela Aguirre, Vice President

Carolyn Massey, Treasurer

Jeremy De Graaf, Secretary

# WATTS CPA, P.C.

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

To Wayne A. Johnson, New Mexico State Auditor and  
Members of the Board of Directors  
Desert Aire Mutual Domestic Water  
And Sewer Works Association  
Anthony, New Mexico

I have performed the procedures enumerated below, which were agreed to by the Desert Aire Mutual Domestic Water and Sewer Works Association (the "Association") and the New Mexico State Auditor, solely to assist you with respect to the compliance with Tier 4 of the Audit Act - Section 12-6-3 B (5) NMSA 1978 and Section 2.2.2.16 NMAC of Desert Aire Mutual Domestic Water and Sewer Works Association as of and for the year ended June 30, 2018. The Association's management is responsible for the Association's accounting records. 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 those parties specified in the report. Consequently, I 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. My 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."

### Results

I recalculated the Association's revenue calculation and verified that tier 4 is the correct determination.

## 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

- a. The Association has six bank accounts. I obtained all bank reconciliations prepared for FY 2018 and noted that there was nothing noted as to when they were prepared so timeliness cannot be determined. The Association had all statements on hand.
- b. I selected five months of bank reconciliations, which is greater than 30% of the reconciliations, and recalculated them, noting no errors. For four of the months' reconciliations, I traced the ending balance to the general ledger, the related supporting documentation including bank statements and details of reconciling items and the financial reports submitted to DFA-LGD. All accounts selected for testwork were reconciled properly.

c. All of the bank account deposits were fully insured in FY 2018 and did not require collateral as required by Section 6-10-17 NMSA 1978, NM Public Money Act.

### 3. Capital Assets

#### Procedures

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

#### Results

The Association performed a capital asset inventory which I verified by obtaining a copy of the capital asset inventory.

### 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 revenue equal to at least 30% of the total dollar amount using 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

I identified the types of revenue that the Association receives by reviewing the budget, agreements, rate schedules and underlying documentation. The Association receives revenues from customers for connecting to the system, water usage fees, interest and miscellaneous other income.

a. I performed an analytical review of revenues by comparing actual revenue to the budgeted revenue for the year for each type of revenue. The results of the analytical review were as expected.

b. I judgementally selected all revenue transactions for four months, which totaled greater than 30% of all revenue, and agreed all to their respective supporting documentation and the bank statement.

c. I judgementally selected all revenue items for four months and found that each was recorded correctly in the general ledger for classification, amount and period based on the supporting documentation.

### 5. Expenditures

#### Procedures

Select a sample of cash disbursements equal to at least 30% of the total dollars amount and test for 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

a. I judgementally selected 19 cash disbursements which totaled greater than 30% of total disbursements, and determined that the amount recorded as disbursed agrees to adequate supporting documentation for all 14 disbursements. I also verified that the amount, payee, date and description agree to the vendor's invoice, purchase order, contract and canceled check, as appropriate for the same 19 disbursements.

b. I judgementally selected 19 cash disbursements which totaled greater than 30% of total disbursements, and determined that the disbursements were properly authorized and approved in compliance with budget, legal requirements and established policies and procedures for all 19 disbursements.

c. None of the tested disbursements required a bid process for FY 2018.

6. Journal Entries

Procedures

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.

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

Results

a. & b. There was one non-routine journal entries posted to the general ledger for FY 2018. No exception noted.

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

a. I verified by reviewing the board of director's minutes and correspondence from DFA-LGD that the original budget was approved by the Association's governing body and DFA-LGD, respectively.

b. I determined that total actual expenditures exceeded the final budget at the total fund level. See finding 2018-001.

c. See the attached page 6 for the statement of revenues and expenditures budget and actual - budgetary basis.

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(I)(3)(C) NMAC.

Results

No additional information came to my attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. I was 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 accounting records. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the information and use of Desert Aire Mutual Domestic Water and Sewer Works Association, the New Mexico State Auditor, the New Mexico Legislature and the DFA-LGD and is not intended to be and should not be used by anyone other than those specified parties.

Watts CPA, P.C.

El Paso, Texas  
December 13, 2018

**STATE OF NEW MEXICO  
DESERT AIRE MUTUAL DOMESTIC  
WATER AND SEWER WORKS ASSOCIATION**

**STATEMENT OF REVENUES AND EXPENDITURES  
- BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance with Final Budget- Favorable (Unfavorable)</b>
<b>Revenues:</b>				
Meter hook ups	\$ 11,600	\$ 11,600	\$ -	\$ (11,600)
Membership fees	900	900	-	(900)
Water sales tax and fees	120,000	120,000	120,872	872
Reconnection fees and fines	200	200	-	(200)
Miscellaneous	800	800	-	(800)
<b>Total revenues</b>	<b>133,500</b>	<b>133,500</b>	<b>120,872</b>	<b>(12,628)</b>
<b>Expenditures:</b>				
Accounting fees	3,600	3,600	-	3,600
Advertising	500	500	-	500
Audit	6,500	6,500	11,210	(4,710)
Auto expense	800	800	-	800
Bank charges / purchase of checks	500	500	2,334	(1,834)
Board expense - cell phone	1,000	1,000	-	1,000
Board expense - lodging	1,000	1,000	-	1,000
Board expense - meals & ent.	600	600	-	600
Board expense - training	1,500	1,500	-	1,500
Board expense - travel	1,500	1,500	-	1,500
Board expense - meetings	200	200	-	200
Contract labor / O&M	20,000	20,000	27,166	(7,166)
Disposal coupons Dona Ana	1,300	1,300	-	1,300
Duties, fees & subscriptions	500	500	198	302
Gasoline expense	600	600	-	600
Insurance - liability	7,000	7,000	5,422	1,578
Legal fees	3,500	3,500	1,055	2,445
Loan payments	5,100	5,100	7,214	(2,114)
Nsf returned checks	200	200	339	(139)
Office expense	4,000	4,000	991	3,009
Pest control	200	200	-	200
Postage	2,000	2,000	1,068	932
Professional fees	4,000	4,000	-	4,000
Rent - equipment	800	800	308	492

Continued

**STATE OF NEW MEXICO  
DESERT AIRE MUTUAL DOMESTIC  
WATER AND SEWER WORKS ASSOCIATION**

**STATEMENT OF REVENUES AND EXPENDITURES  
- BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2018**

Repairs and maintenance	1,500	1,500	569	931
Repairs and maintenance (well)	2,000	2,000	3,738	(1,738)
Supplies	1,500	1,500	16,498	(14,998)
Wages	26,000	26,000	-	26,000
Reimbursements	300	300	31,945	(31,645)
Taxes - GRT	6,300	6,300	12,102	(5,802)
Taxes - payroll	2,700	2,700	-	2,700
Taxes - property	1,200	1,200	-	1,200
Taxes - WCI assessment fee	50	50	-	50
Taxes - water conservation	800	800	-	800
Utilities - disposal	250	250	-	250
Utilities - electricity	2,500	2,500	-	2,500
Utilities - electricity - well	15,000	15,000	15,365	(365)
Utilities - Internet	800	800	-	800
Utilities - telephone - office	3,500	3,500	1,416	2,084
Reserve	2,200	2,200	-	2,200
<b>Total expenditures</b>	<u>133,500</u>	<u>133,500</u>	<u>138,938</u>	<u>(5,438)</u>
Increase in cash	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (18,066)</u>	<u>\$ (18,066)</u>
				Concluded

Preliminary draft for discussion purposes only  
**STATE OF NEW MEXICO**  
**DESERT AIRE MUTUAL DOMESTIC**  
**WATER AND SEWER WORKS ASSOCIATION**

**YEAR END FINANCIAL REPORT FOR DFA**  
**JUNE 30, 2018**

Desert Aire MDWC & SA  
 2360 Desert Aire Dr Chaparral, NM 88081  
 dgramon@awsd.us  
 575-882-3922

2018 Calendar Year

	APPROVED BUDGET	1st QR: Jul 1 - Sept 30th	2nd QR: Oct 1 - Dec 31st - Jun	3rd QR: Jan 1- Mar 31st	4th QR: April 1- June 30th	Year to Date(YTD) Totals	YTD (over)/under BUDGET	% of Budget
<b>Beginning balances:</b>								
Cash	51,986							
Savings								
CDs								
Investments								
Beginning Balance TOTAL	\$ 51,986							
<b>REVENUES</b>								
Water Sales /Gross Tax	120,000	32,405	25,365	23,353	26,278	107,402	12,598	90%
Connection/Reconnection Charges and Late Penalties Fees	200					0	200	0%
Membership and Meter Sales	12,500	4,479	2,275	2,057	4,177	12,988	(488)	104%
Other Operating Revenue (miscellaneous - other)	800	205	163	150	400	917	(117)	115%
<b>TOTAL</b>	<b>\$ 133,500</b>	<b>37,089</b>	<b>27,803</b>	<b>25,561</b>	<b>30,855</b>	<b>121,308</b>	<b>12,192</b>	<b>91%</b>
<b>EXPENDITURES</b>								
Other Utilities - Electricity, Telephone	22,050	6,053	3,817	3,439	3,473	16,781	5,269	76%
System Parts - Supplies, Repair & Maintenance	25,100	14,365	5,336	12,338	9,781	41,820	(16,720)	167%
Office and Administrative Expenses	34,200	664	7,809	459	333	9,265	24,935	27%
Professional Services - Accounting, Engineering, Legal	18,100	3,995	5,480	1,736		11,210	6,890	62%
Insurance	7,000	2,783			2,640	5,422	1,578	77%
Dues, Fees, Permits and Licenses	700	380	1,287	574	330	2,571	(1,871)	367%
Taxes - Gross Receipts Tax, Water Conservation Fee	11,050	2,637	3,093	3,372	1,182	10,284	766	93%
Training	5,800					0	5,800	0%
Miscellaneous	4,400	320	217	75	208	819	3,581	19%
Loans								
Annual debt service - Loan 1	5,100	1,976	755	747	3,736	7,214	(2,114)	141%
Annual debt service - Loan 2						0	0	-
<b>TOTAL</b>	<b>\$ 133,500</b>	<b>33,172</b>	<b>27,794</b>	<b>22,738</b>	<b>21,682</b>	<b>105,386</b>	<b>28,114</b>	<b>79%</b>
<b>Ending Balance</b>	<b>51,986</b>					<b>67,907</b>		
LESS: Operating Reserve								
Emergency Reserve								
Capital Improvement Reserve								
Debt Reserve								
<b>Ending Available Cash Balance</b>	<b>\$ 51,986</b>					<b>\$ 67,907</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.

\_\_\_\_\_  
 President/Chairperson

\_\_\_\_\_  
 Date

7-30-18

*Yes  
 That's*

**STATE OF NEW MEXICO  
DESERT AIRE MUTUAL DOMESTIC  
WATER AND SEWER WORKS ASSOCIATION**

**SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2018**

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**Summary of Findings:**

**Current year findings:**

**2018-001 - Expenses in Excess of Authorized Budget - Compliance**

**Condition** - The Association exceeded its authorized budget by \$5,438.

**Criteria** - Section 6-6-6 of the New Mexico State Statutes prohibits any payments in excess of the approved budget unless budget adjustments are made and approved by Department of Finance and Administration's Local Government Division.

**Cause** - The Association prepared its budget on the cash basis, but did not properly adjust the budget for additional unanticipated expenses during the fiscal year.

**Effect** - The Association is not in compliance with state statute. The Association's board is provided a monthly budget to actual comparison to review during its monthly board meetings but did not act on adjusting the budget for additional supplies and other items during the year.

**Recommendation** - We recommend the Board utilize the reports provided by the accountant to evaluate the budget position at least quarterly and adjust the budget as necessary to acknowledge and accommodate any overages in the line item expenditures.

**Management Response and Planned Corrective Action** - The Association has been in the process of merging with the Anthony Water & Sanitation District. We have communicated with DFA, who has advised us that beginning with FY 2019, the budget should be included with Anthony Water & Sanitation District's budget which we have already done.

Position responsible: Office Manager  
Timeline: June 30, 2018

**Prior year findings:**

**None**

**STATE OF NEW MEXICO  
DESERT AIRE MUTUAL DOMESTIC  
WATER AND SEWER WORKS ASSOCIATION**

**EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2018**

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An exit conference was conducted on December 13, 2018 with the following individuals in attendance:

**Desert Aire Mutual Domestic Water and Sewer Works Association**

Pamela Aguirre  
Jose Terrones  
Robert Coleman

Vice President  
Superintendent  
Office Manager

**Watts CPA, P.C.**

Brad Watts

Shareholder