

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

Independent Accountant's Report on
Applying Agreed Upon Procedures
June 30, 2019

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

**TABLE OF CONTENTS
JUNE 30, 2019**

	Page
Official Roster	1
Independent Accountant's Report on Agreed Upon Procedures	2
Year End Report Submitted to DFA and Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	6
Schedule of Findings and Responses	7
Exit Conference	8

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

**OFFICIAL ROSTER
JUNE 30, 2019**

BOARD OF DIRECTORS

Daniel Herrera, President

Pamela Aguirre, Vice President

Carolyn Massey, Treasurer

Jeremy De Graaf, Secretary

WATTS CPA, P.C.

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Brian S. Colón, Esq. New Mexico Office of the 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 Office of the 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, 2019. 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 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 two bank accounts. I obtained all bank reconciliations prepared for FY 2019 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. No financial reports were submitted to DFA-LGD. All accounts selected for testwork were reconciled properly.

c. All of the bank account deposits were fully insured in FY 2019 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 18 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 18 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 18 disbursements.

b. I judgementally selected 18 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 18 disbursements.

c. None of the tested disbursements required a bid process for FY 2019.

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 2019. 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., b., c. In prior years, the Association has been in the process of a merger with Anthony Water Sewer District (AWSD). The Association provided correspondence from the DFA where the DFA notified the

Association that for 2019 they should include their budget with AWSO, which is what the Association did. The merger was not completed by the end of FY 2019.

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 11, 2019

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

**YEAR END REPORT SUBMITTED TO DFA AND
STATEMENT OF REVENUES AND EXPENDITURES
- BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2019**

The Association was instructed by DFA to combine their budget and reporting with Anthony Water and Sanitation District and as a result, does not have a budget or year end DFA report.

**STATE OF NEW MEXICO
DESERT AIRE MUTUAL DOMESTIC
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**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

Summary of Findings:

Current year findings:

None

Prior year findings:

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

Finding 2018-001 is no longer applicable because the DFA instructed the Association to include their budget with AWSW for FY 2019.

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

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2019**

An exit conference was conducted on December 11, 2019 with the following individuals in attendance:

Desert Aire Mutual Domestic Water and Sewer Works Association

Daniel Herrera	President
Jose Terrones	Superintendent
Robert Coleman	Office Manager

Watts CPA, P.C.

Brad Watts	Shareholder
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