

State of New Mexico
Desert Aire Mutual Domestic Water
And Sewer Works Association
Independent Accountant's Report on
Applying Agreed Upon Procedures
June 30, 2017

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

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JUNE 30, 2017**

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

**OFFICIAL ROSTER
JUNE 30, 2017**

BOARD OF DIRECTORS

Daniel Herrera, President
Pamela Aguirre, Vice President
Carolyn Massey, Treasurer
Jeremy De Graaf, Secretary
Tim McAuley, Member at Large

WATTS CPA, P.C.

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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 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, 2017. 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 six bank accounts. I obtained all bank reconciliations prepared for FY 2017 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 2017 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 14 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 14 disbursements.

b. I judgementally selected 14 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 14 disbursements.

c. None of the tested disbursements required a bid process for FY 2017.

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 were no non-routine journal entries posted to the general ledger for FY 2017.

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 did not exceed the final budget at the legal level of budgetary control. The Association does not budget for grants and capital outlay.

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(1)(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
November 29, 2017

**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, 2017**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget- Favorable (Unfavorable)
Revenues:				
Meter hook ups	\$ 11,330	\$ 11,330	\$ -	\$ (11,330)
Membership fees	309	309	-	(309)
Water sales tax and fees	119,789	119,789	124,454	4,665
Reconnection fees and fines	206	206	-	(206)
Miscellaneous	1,236	1,236	-	(1,236)
Total revenues	132,870	132,870	124,454	(8,416)
Expenditures:				
Accounting fees	3,708	3,708	-	3,708
Advertising	515	515	-	515
Audit	6,695	6,695	8,119	(1,424)
Auto expense	824	824	-	824
Bank charges / purchase of checks	515	515	1,139	(624)
Board expense - cell phone	1,545	1,545	-	1,545
Board expense - lodging	1,030	1,030	-	1,030
Board expense - meals & ent.	618	618	-	618
Board expense - training	1,545	1,545	-	1,545
Board expense - travel	1,545	1,545	-	1,545
Board expense - meetings	206	206	-	206
Contract labor / O&M	15,450	15,450	37,081	(21,631)
Disposal coupons Dona Ana	1,339	1,339	-	1,339
Duties, fees & subscriptions	515	515	533	(18)
Gasoline expense	618	618	-	618
Insurance - liability	7,210	7,210	3,780	3,430
Legal fees	3,605	3,605	40	3,565
Loan payments	5,253	5,253	10,944	(5,691)
Nsf returned checks	206	206	-	206
Office expense	4,120	4,120	3,386	734
Pest control	206	206	-	206
Postage	2,060	2,060	1,796	264
Professional fees	4,120	4,120	2,123	1,997
Rent - equipment	824	824	123	701

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, 2017**

Repairs and maintenance	1,545	1,545	137	1,408
Repairs and maintenance (well)	2,060	2,060	428	1,632
Supplies	1,545	1,545	2,379	(834)
Wages	26,780	26,780	-	26,780
Reimbursements	309	309	24,964	(24,655)
Taxes - GRT	6,489	6,489	3,724	2,765
Taxes - payroll	2,781	2,781	-	2,781
Taxes - property	1,236	1,236	-	1,236
Taxes - WCI assessment fee	52	52	446	(394)
Taxes - water conservation	824	824	1,008	(184)
Utilities - disposal	257	257	-	257
Utilities - electricity	2,575	2,575	-	2,575
Utilities - electricity - well	15,450	15,450	16,610	(1,160)
Utilities - Internet	824	824	-	824
Utilities - telephone - office	3,605	3,605	4,261	(656)
Reserve	2,266	2,266	-	2,266
Total expenditures	<u>132,870</u>	<u>132,870</u>	<u>123,021</u>	<u>9,849</u>
Increase in cash	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,433</u>	<u>\$ 1,433</u>
				Concluded

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

**YEAR END FINANCIAL REPORT AS SUBMITTED TO DFA
JUNE 30, 2017**

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

2017 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
Beginning balances:								
Cash	31,668							
Savings								
CDs								
Investments								
Beginning Balance TOTAL	\$ 31,668							
REVENUES								
Water Sales /Gross Tax	119,789	34,293	24,312	23,609	24,409	106,623	13,166	89%
Connection/Reconnection Charges	11,330	1,800	1,500	4,293	5,656	13,249	(1,919)	117%
Membership and Meter Sales	309					0	309	0%
Late Fees and Penalties	206					0	206	0%
Other Operating Revenue (miscellaneous - other)	1,236	515	315	155	176	1,161	75	94%
TOTAL	\$ 132,870	36,608	26,127	28,057	30,241	121,033	11,837	91%
EXPENDITURES								
Other Utilities - Electricity, Telephone	22,712	6,008	4,709	5,040	4,810	20,568	2,144	91%
System Parts , Supplies, Repair & Maintanance	48,204	11,563	7,481	17,971	5,017	42,032	6,172	87%
Office and Administrative Expenses	4,120	647	751	152	390	1,940	2,180	47%
Professional Services - Accounting, Engineering, Legal	18,643	4,110	1,509	4,509	0	10,129	8,514	54%
Insurance	7,210	1,925		446	1,855	4,226	2,984	59%
Dues, Fees, Permits and Licenses	1,236	788	374	846	332	2,340	(1,104)	189%
Taxes - Gross Receipts Tax, Water Conservation Fee	11,382	2,990	2,122	1,519	1,189	7,821	3,561	69%
Training	6,489					0	6,489	0%
Miscellaneous	5,356	20	117	0	580	716	4,640	13%
Annual debt service - Loan 1	7,519	2,654	3,143	2,565	2,582	10,944	(3,425)	146%
Annual debt service - Loan 2						0	0	-
TOTAL	\$ 132,870	30,706	20,205	33,048	16,757	100,715	32,155	76%
Ending Balance	31,668					51,986		
LESS: Operating Reserve								
Emergency Reserve								
Capital Improvement Reserve								
Debt Reserve								
Ending Available Cash Balance:	\$ 31,668					\$ 51,986		

I HEREBY CERTIFY THE CONTENTS IN THIS REPORT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND THAT THIS REPORT DEPICTS ALL

President/Chairperson

Date

8-2-17

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

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

Summary of Findings:

Current year findings:

None

Prior year findings:

<u>Finding</u>	<u>Status</u>
2016-001 Lack of documentation for capital outlay grants	Resolved
2015-001 Receipt documentation inaccurate	Resolved
2014-001 Bank reconciliations not proper	Resolved
2012-002 Grant status reports not available/provided	Resolved
2010-001 Disbursement policy and procedures inadequate	Resolved
2010-004 Reports not submitted timely to NMSAO	Resolved

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

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2017**

An exit conference was conducted on November 29, 2017 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
Victor Chavarria	Accountant - IT

Watts CPA, P.C.

Brad Watts	Shareholder
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