

**LA CIENEGA
MUTUAL DOMESTIC WATER ASSOCIATION**

**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED UPON PROCEDURES**

FOR THE FISCAL YEAR ENDING DECEMBER 31, 2019



**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
AGREED UPON PROCEDURES
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019**

TABLE OF CONTENTS

Official Roster	1
Independent Accountant’s Report on Applying Agreed Upon Procedures	2
Supplemental Attachments:	
Tier 4 Agreed-upon Procedures	3
Schedule of Revenues and Expenditures - Budget and Actual	8
<u>Year End Financial Reports Submitted to DFA:</u>	
Profit and Loss Budget vs Actual	9
Schedule of Findings and Responses	10
Exit Conference	13

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
AGREED UPON PROCEDURES
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019**

OFFICIAL ROSTER

Board of Directors

Reynaldo Romero, President
Tamara Montoya, Vice President
Archie Perea, Treasurer
Robert Romero, Secretary
Teresa Trujillo, Board Member
Victoria Weinke, Alternate Board Member

Administrative Staffs

Reynaldo Romero, Certified Water Operator
Robert Romero, Meter Reader
Ana Berry, Accounts Manager (Contractor)



INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED-UPON PROCEDURES

To Management
La Cienega, Mutual Domestic Water Association
Santa Fe, New Mexico
and
Mr. Brian Colón, New Mexico State Auditor

We have performed the procedures enumerated below, which were agreed to by La Cienega Mutual Domestic Water Association and New Mexico Office of the State Auditor, solely to assist in determining if the Association is in compliance with New Mexico State Auditor Rule, Tier 4 requirements as of December 31, 2019. The Association is the responsible party and the subject matter is the responsibility of the Association. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we 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.

The procedures and associated findings are included in the supplemental attachments.

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 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 management and others within the Association, New Mexico Office of the State Auditor, 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.

A handwritten signature in black ink that reads "MP Group, Inc." followed by a stylized flourish.

May 29, 2020

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
AGREED UPON PROCEDURES
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019**

TIER 4 AGREED-UPON PROCEDURES

This engagement is to be performed pursuant to the AICPA Statements on Standards for Attestation Engagements (Clarified), AT-C Section 215 for agreed-upon procedures engagements.

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.”

Findings:

We reviewed the revenue per the Association’s income statement and determined through the form that the Association is Tier 4.

2. Cash

Procedure:

- 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.

Findings:

The Association has one checking account, one money market account and one saving account at a bank. One checking account serves as the Association’s primary operating account. One money market account serves as emergency account and usually will have \$12,000 balance. Association utilizes QuickBooks software to record cash transactions and to reconcile the primary operating account.

We reviewed the operating checking account and money market account bank statements and account reconciliations performed in the fiscal year. All of these bank statements were complete and on hand. Bank statements for the operating account are received monthly. We noted that all reconciliations for these accounts were completed in a timely manner.

Procedure:

- 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.

Findings:

We selected five bank reconciliations for the Association’s primary operating and money market account to test for accuracy: February 2019, May 2019, July 2019, October 2019 and December 2019. Reconciliations appear to be completed and agree to the bank account statement for the checking account, money market account and saving account.

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
 AGREED UPON PROCEDURES
 JANUARY 1, 2019 THROUGH DECEMBER 31, 2019**

2. Cash (Continued)

Procedure:

- 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.

Findings:

We determined that the Associations cumulative account balances held at the financial institution did not exceed federally insured limits. As a result, pledged collateral was not required.

3. Capital Assets

Procedure:

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

Findings:

The Association has had infrastructure for many years, but needs to have a verification on the current listing. The Association has contracted with NM Rural Water Association. See finding 2010-002 in the Schedule of Findings and Responses.

4. Revenue

Identify the nature and amount of revenue from all sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

Procedure:

- a) Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

Findings:

We compared actual to budget for each type of revenue.

	FY 2019 Budget	FY 2019 Actual	Variance
Water Sales	\$ 66,285	\$ 73,003	\$ 3,241
Membership and Meter Sales	450	-	(450)
Gross Receipts Tax	3,314	-	162
Other Operating Revenue	59,800	10,365	(49,435)
Total	\$ 129,849	\$ 83,368	\$ (46,482)

The large variance in other relates to the Association not receiving anticipated capital outlay funding in the current year.

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
AGREED UPON PROCEDURES
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019**

4. Revenue (Continued)

Procedure:

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.
- 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.

Findings:

We reviewed the general ledger for charges to revenue and tested the following:

	Revenues Tested
Water Sales	\$ 23,251.20
Other Operating Revenue	<u>3,573.35</u>
Total	<u>\$ 26,824.55</u>

No exceptions were noted testing the attributes above.

5. Expenditures

Procedure:

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.
- b) Determine that the 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).

Note: The sample must be representative of the population.

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
 AGREED UPON PROCEDURES
 JANUARY 1, 2019 THROUGH DECEMBER 31, 2019**

5. Expenditure (Continued)

Findings:

We selected the most significant expenditures of each account for testwork. The transactions represent 30.33% of the total expenditures in the fiscal year. The attributes tested without exception for all transactions.

	Expenditure Tested
Salaries-Operator, Bookkeeper	\$ 10,275
Dues, Fees, Permits and License	1,100
Insurance Expense - Other	2,945
Miscellaneous	1,478
Office & Administrative Expense	1,375
Training	251
Professional Services	596
Taxes-Gross Receipts, WCF	460
Electricity	383
Annual debt service-Loan 1	3,860
Total	\$ 22,723

6. Journal Entries

Procedure:

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 policies and procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

Findings:

There are no journal entries recorded in 2019, no exceptions noted.

7. Budget

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

Procedure:

- 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.

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
AGREED UPON PROCEDURES
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019**

7. Budget (Continued)

Findings:

The Association approved the original budget as noted in the minutes and there were no subsequent budget adjustments noted.

Procedure:

- b) Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if the answer is yes, report a compliance finding.

Findings:

The Association's total expenditures did not exceed the final budget total.

Procedure:

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.

Findings:

See attached Statement of Revenues and Expenditures – Budget and Actual – General Fund – Budget Basis. See finding 2019-001 in the Schedule of Findings and Responses.

8. Other

Procedure:

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.

Findings:

During fieldwork there were no instances that came to our attention other than what is described in the Findings and Responses which indicated any instances of fraud illegal acts, noncompliance, or internal control deficiencies.

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
 AGREED UPON PROCEDURES
 JANUARY 1, 2019 THROUGH DECEMBER 31, 2019**

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenues				
Water Sales (Water Use Fees)	\$ 66,285	\$ 66,285	\$ 73,003	\$ 6,718
Membership and Meter Sales (Utility Service Fees)	450	450	-	(450)
Gross Receipts Tax (Other State shared taxes)	3,314	3,314	-	(3,314)
Other Operating Revenue (miscellaneous - other)	59,800	59,800	10,365	(49,435)
Total Revenue	\$ 129,849	\$ 129,849	\$ 83,368	\$ (46,481)
Expenditures				
Salaries - Operator, Bookkeeper, etc.	\$ 28,000	\$ 28,000	\$ 43,351	\$ (15,351)
Electricity	2,600	2,600	2,015	585
System Parts and Supplies	2,000	2,000	140	1,860
System Repairs and Maintenance	3,000	3,000	-	3,000
Office and Administrative Expenses	4,000	4,000	3,896	104
Professional Services - Accounting, Engineering, Legal	8,500	8,500	8,363	137
Insurance	2,900	2,900	2,945	(45)
Dues, Fees, Permits and Licenses	1,420	1,420	1,589	(169)
Taxes - Gross Receipts Tax, Water Conservation Fee	4,070	4,070	4,168	(98)
Training	1,000	1,000	581	419
Miscellaneous	55,500	55,500	4,019	51,481
Loans				
Annual debt service - Loan 1	3,860	3,860	3,860	-
Total Expenditures	\$ 116,850	\$ 116,850	\$ 74,927	\$ 41,923
Excess Revenues Over Expenditures	\$ 12,999	\$ 12,999	\$ 8,441	\$ (4,558)

The Salaries - Operator, Bookkeeper, etc. above is \$43,351 on the Association's books, this amount did not agree to the Salaries - Operator, Bookkeeper, etc. of \$42,776 which is reported on NM DFA-LGD report. See Finding 2019-001 in the Schedule of Findings and Responses.

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
 AGREED UPON PROCEDURES
 JANUARY 1, 2019 THROUGH DECEMBER 31, 2019**

NM DFA-LGD REPORT PROFIT AND LOSS BUDGET VS. ACTUAL

MDWCA Name: La Cienega MDWCA
Mailing Address: PO Box 15233 Santa Fe NM 87592
Email Address: afcwa@msn.com
Phone number: 505-490-2128

Calendar Year
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
Beginning balances:								
Cash	10,188							
Savings	7,264							
CDs								
Investments								
Beginning Balance TOTAL	\$ 17,452							
REVENUES								
Water Sales (Water Use Fees)	66,285	21,413	12,683	19,149	16,281	69,526	(3,241)	105%
Connection/Reconnection Charges						0	0	-
Membership and Meter Sales (Utility Service Fees)	450					0	450	0%
Late Fees and Penalties (Other Fines and Forfeits)						0	0	-
Gross Receipts Tax (Other State shared taxes)	3,314	1,071	634	957	814	3,476	(162)	105%
Other Operating Revenue (miscellaneous - other)	59,800	2,328	1,832	4,798	1,407	10,365	49,435	17%
TOTAL	\$ 129,849	24,812	15,149	24,905	18,502	83,368	46,481	64%
EXPENDITURES								
Salaries - Operator, Bookkeeper, etc.	28,000	8,530	9,637	11,740	12,869	42,776	(14,776)	153%
Employee Benefits and Expenses						0	0	-
Electricity	2,600	425	653	519	418	2,015	585	77%
Other Utilities - Gas, Water, Sewer, Telephone						0	0	-
System Parts and Supplies	2,000				140	140	1,860	7%
System Repairs and Maintenance	3,000					0	3,000	0%
Vehicle Expenses						0	0	-
Office and Administrative Expenses	4,000	2,161	574	542	619	3,896	104	97%
Professional Services - Accounting, Engineering, Legal	8,500	596	3,884	3,884		8,363	137	98%
Insurance	2,900			2,945		2,945	(45)	102%
Dues, Fees, Permits and Licenses	1,420	1,370			219	1,589	(169)	112%
Taxes - Gross Receipts Tax, Water Conservation Fee	4,070	1,658	577	1,260	673	4,168	(98)	102%
Training	1,000				581	581	419	58%
Miscellaneous	55,500	1,271	2,529	207	12	4,019	51,481	7%
Loans								
Annual debt service - Loan 1	3,860				3,860	3,860	0	100%
Annual debt service - Loan 2						0	0	-
TOTAL	\$ 116,850	16,011	17,852	21,096	19,391	74,351	42,499	64%
Ending Balance	30,451					26,469		
LESS: Operating Reserve	10,000							
Emergency Reserve	5,000							
Capital Improvement Reserve	9,000							
Debt Reserve								
Ending Available Cash Balance	\$ 6,451					\$ 26,469		

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.

Reynaldo Romero
 President/Chairperson

12/31/2019
 Date

APPROVED PURSUANT TO
 SECTION 6-6-2 NMSA 1978
 LOCAL GOVERNMENT DIVISION

DATE 1/24/2020
 Branch I. Suarez Piles
 DIRECTOR OF FINANCE AND ADMINISTRATION

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2019**

CURRENT STATUS ON PRIOR YEAR FINDINGS:

2010-002 No Capital Asset Inventory at Fiscal Year-End	Modified and Repeated
2016-002 No Approval of Board Meeting Minutes	Resolved
2016-003 No Written Procurement Policies and Procedures	Resolved
2017-001 Inaccurate Savings Account Cash Balance	Resolved

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2019**

FINDING 2010-002 NO CAPITAL ASSET INVENTORY AT FISCAL YEAR-END

CONDITION

The Association had non-movable water tank and water lines for many years, they did not keep track of all the details. In fiscal year 2019, the Association worked with Domenic Donnarumma from New Mexico Rural Water Association to get a complete list of the assets. For the fiscal year ending December 31, 2019, the Association provided a updated capital assets listing, including their system, improvements and water rights, but is missing some of the detailed information.

CRITERIA

Section 12-6-10.A NMSA 1978 states: “Annual Inventory. The governing authority of each agency shall, at the end of fiscal year, conduct a physical inventory of movable chattels and equipment costing more than five thousand dollars (\$5,000) and under the control of the governing authority. Upon completion, the inventory shall be certified by the governing authority as to correctness.” Section 2.20.1 NMAC requires an annual inventory and establishes standards to properly record, control and account for capital assets acquired by agencies.

EFFECT

The Association’s capital asset listing as of December 31, 2019 may be incomplete or inaccurate.

CAUSE

Management has started to perform and document a capital listing of the assets/infrastructure built within last few years. The Association did not perform a physical inventory at the end of the fiscal year and have the Board of Directors certify the results.

RECOMMENDATION

The Association should continue to work on prior years and generate all the capital assets information and rollforward the capital assets listing. At the end of each fiscal year, the Association should perform and document a physical inventory of its capital assets in accordance with state laws and regulations. For each capital asset, the description of the assets, date acquired, cost, location, useful life, and ending balance of its capital assets should be recorded on the Association’s capital asset listing. The results of inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing authority of the Association.

MANAGEMENT RESPONSE

Secretary and Accounts Manager have been working with Domenic Donnarumma from New Mexico Rural Water Association to get a complete list of the assets and the work should be completed by August 1, 2020.

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2019**

FINDING 2019-001 EXPENDITURE ON DFA REPORT DID NOT MATCH THE BOOK

CONDITION

In our review of the quarterly reports to Department of Finance and Administration-Local Government Division (DFA-LGD), we noted that Salaries was under reported on the 4th quarter report when it was compared to the Associations books by \$575.

CRITERIA

Good internal controls require that revenues and expenditures reported to DFA-LGD agree to the Association books.

EFFECT

The Association's current controls allowed the difference to be reported to DFA-LGD without being identified by the Association.

CAUSE

The profit and loss reported in the DFA quarterly report did not agree to the Association's books.

RECOMMENDATION

The budget controls and processes at the Association need to be strengthened to ensure that the actual budget amounts reported to DFA-LGD match the Association's books. The Association should review the quarterly reports to ensure the report is complete and accurate.

MANAGEMENT RESPONSE

The payroll amounts that were reported to DFA on the budget sheet included the net pay to the employee instead of the gross pay, therefore the P&L was showing a difference in the expenses due to the payroll taxes that were taken out of the checks. The Accounts Manager now understands the correct way to report the salaries and will correct the Association's book by June 30, 2020.

**LA CIENEGA MUTUAL DOMESTIC WATER ASSOCIATION
AGREED UPON PROCEDURES
JANUARY 1, 2019 THROUGH DECEMBER 31, 2019**

EXIT CONFERENCE

An exit conference was held by teleconference on May 29, 2019 to discuss the agreed upon procedures. Attending were the following:

Representing the La Cienega Mutual Domestic Water Association

Board of Directors

Archie Perea, Treasurer

Management

Ana Berry, Accounts Manager

Representing the Independent Accountant:

Scott Peck, Partner

Yang Lin, Staff Accountant