

# **Accounting & Auditing Services, LLC**

**Financial Audits + Agreed Upon Procedures + Tax + Consulting**

**Ojo Caliente Mutual Domestic Water Consumers Association**

**Independent Accountant's Report on Applying Agreed-Upon Procedures**

**For the Fiscal Year Ending June 30, 2019**

**Ojo Caliente Mutual Domestic Water Consumers Association**  
**Table of Contents**  
**Fiscal Year Ending June 30, 2019**

	<u>Page</u>
Table of Contents	i
Official Roster	ii
Independent Accountant's Report	1
Schedule of Findings and Responses	6
Schedule of Revenues and Expenditures – Budget and Actual	7
Copy of Year-End Financial Report to DFA-LGD	8
Exit Conference	9

**Ojo Caliente Mutual Domestic Water Consumers Association  
Official Roster  
Fiscal Year Ending June 30, 2019**

**Board of Directors**

Ben Montoya, President

Frank Gallegos, Vice President

Glenn Lovato, Secretary/Treasurer

David Post, Board Member

Victor F. Romero, Board Member

**Staff**

Glenn Lovato, Certified Water Operator

Frank Gallegos, Meter Reader

# Accounting & Auditing Services, LLC

Financial Audits + Agreed Upon Procedures + Tax + Consulting

P.O. Box 24164  
Santa Fe, NM 87502  
Phone: 505.920.4024  
[nmauditors@gmail.com](mailto:nmauditors@gmail.com)

## Independent Accountant's Report on Applying Agreed-Upon Procedures

Ben Montoya, President  
Members of the Board of Directors  
Ojo Caliente Mutual Domestic Water Consumers Association  
and  
Brian S. Colon, New Mexico State Auditor

I have performed the procedures enumerated below for the Ojo Caliente Mutual Domestic Water Consumer Association (Association) for the year ended June 30, 2019, solely to assist in determining compliance with the provisions of the Audit Act for a Tier 4 entity per Section 12-6-3.B (4) NMSA 1978, Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978. The procedures were agreed to by the Association through the New Mexico Office of the State Auditor. The Association's management is responsible for its accounting records and the subject matter. 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 the parties specified in this 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. Our 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."

According to the Association's general ledger, total revenues for the fiscal year ending June 30, 2019 were \$82,389. Based on this information, the Association was properly determined to be a Tier 4 entity since their revenues were between \$50,000 and \$250,000 and they did not receive or expend a capital outlay appropriation during the fiscal year ending June 30, 2019.

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.

The Association has one checking account, one savings account and three Certificates of Deposit at Century Bank in Espanola, New Mexico. The bank account reconciliations were performed on a monthly basis in a timely manner. All bank and certificate of deposit statements for the fiscal year were 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.

33% of the bank reconciliations during the fiscal year were selected for testing. The selected bank reconciliations were accurate, and the ending balances on the bank reconciliations agreed with the general ledger, supporting documentation and financial reports submitted to DFA-LGD.

- c. Determine whether the local public body's financial institutions have provided it with 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

The checking and savings account balances of the Association were fully insured by the FDIC during the fiscal year. Therefore, pledged collateral from Century Bank was not required.

### 3. Capital Assets

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

The Association performed a yearly capital asset inventory which was approved by the Board of Directors on July 18, 2019. The Association does not have any movable chattels and equipment that cost more than \$5,000 and none were noted during the agreed-upon procedures.

### 4. Revenues

- a. Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation. Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

The revenue sources of the Association consist of monthly water dues, interest income, new membership fees, and miscellaneous revenues.

Actual revenue compared to the prior fiscal year revealed no unusual fluctuations and the variances were adequately explained by the Association's Secretary/Treasurer. Actual revenues of \$82,389 for the fiscal year ending June 30, 2019 were \$8 more than budgeted revenues.

- b. Select a sample of revenue equal to at least 30% of the total dollar amount and test the following attributes:

- i. Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.

A sample of revenues were tested which amounted to 49.1% of total revenues. The amount recorded in the general ledger agreed with the supporting documentation and the bank statement.

- ii. 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.

The cash receipts tested were properly classified and recorded in the general ledger.

## 5. Expenditures

- a. Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test the following attributes:

- i. Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to vendor's invoice, purchase order, contract and canceled check, as appropriate.

A sample of cash disbursements were tested which amounted to 49.4% of total expenditures. The amounts recorded as disbursed agreed with the supporting documentation. The amount, payee, date and description of the purchase agreed with the vendor's invoice, contract and canceled check. The Association does not use purchase order forms.

- ii. Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

The cash disbursements tested were properly authorized and approved in compliance with the budget and legal requirements.

- iii. 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), State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

None of the cash disbursements tested exceeded the amounts requiring sealed bids or requests for proposals. The cash disbursements tested were processed in accordance with applicable provisions of the State Procurement Code, State Purchasing Regulations and the Per Diem and Mileage Act, as applicable.

## 6. Journal Entries

- a. Test all non-routine journal entries, adjustments, and reclassifications posted to the general ledger for the following attributes:

- i. Journal entries appear reasonable and have supporting documentation.

According to the Association's Treasurer, no non-routine journal entries were posted to the general ledger during the fiscal year and none were noted during the agreed-upon procedures.

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

The Association has procedures in place to ensure that non-routine journal entries posted by the Secretary/Treasurer are reviewed and approved by another member of the governing body. The Association's Treasurer provides financial reports and the accounting ledger to the Board of Directors for their review during the board meetings.

## 7. Budgets

- a. Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following test work:

- i. 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's Board of Directors adopted and approved the FY19 budget on July 19, 2018 (Resolution #7192018) which was approved by DFA-LGD on August 17, 2018.

- ii. 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.

Total expenditures for the fiscal year ending June 30, 2019 did not exceed the final approved budget. According to the Association's general ledger, actual expenditures for the fiscal year were \$47,072 less than budgeted expenditures.

- iii. 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 the Schedule of Revenues and Expenditures on p. 7.

## 8. Other

- a. 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.

No findings were noted during the agreed-upon procedures.

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 subject matter. 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 with the Association, the New Mexico Office of the State Auditor, the 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 these specified parties.

*Accounting & Auditing Services, LLC*

Accounting & Auditing Services, LLC

Santa Fe, New Mexico

October 4, 2019



**Ojo Caliente Mutual Domestic Water Consumers Association  
Schedule of Findings and Responses  
Fiscal Year Ending June 30, 2019**

**Status of Prior Year Findings**

Finding 2017-002. No Pledged Collateral for Uninsured Bank Deposits – Resolved.

Finding 2018-001. Incomplete General Ledger and Inaccurate Quarterly  
Reports to DFA-LGD – Resolved.

Finding 2018-002 – Actual Expenses Exceeded the Approved Budget – Resolved.

**Current Year Findings**

None.

**Ojo Caliente Mutual Domestic Water Consumers Association**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP Cash Basis)**  
**For the Fiscal Year Ending June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Water Sales	\$ 80,281	\$ 80,281	\$ 79,075	\$ (1,206)
New Membership Sales/Meter Hook-Ups	1,200	1,200	-	(1,200)
Returned Checks/Service Charges	200	200	-	(200)
Water Policy Violation Fees	-	-	200	200
Interest	700	700	607	(93)
Miscellaneous	-	-	2,507	2,507
	<u>82,381</u>	<u>82,381</u>	<u>\$ 82,389</u>	<u>\$ 8</u>
Total Revenues	82,381	82,381	\$ 82,389	\$ 8
Budgeted Cash	13,637	13,637		
Total Revenues and Budgeted Cash	<u>\$ 96,018</u>	<u>\$ 96,018</u>		
<b>Expenditures:</b>				
<b>Current:</b>				
Bookkeeping/Billing Services	\$ 7,200	\$ 7,200	\$ 7,200	\$ -
Water Operator/Meter Reader	7,800	7,800	7,800	-
Utilities - Electricity	5,000	5,000	6,486	(1,486)
Secretary of State Annual Fee	10	10	20	(10)
Postage	1,000	1,000	-	1,000
Training/Meeting Per Diem	2,000	2,000	1,331	669
System Maintenance & Repairs	6,000	6,000	7,029	(1,029)
NM Gross Receipts Tax	4,000	4,000	3,767	233
Water Conservation Fee	300	300	141	159
NM One Call Cable Locate	200	200	235	(35)
Audit and Tax Return Services	4,000	4,000	3,975	25
Legal and Professional/NMFA Loan	5,000	5,000	5,000	-
Property/Bond Insurance/NMRWA Dues	883	883	1,084	(201)
Office Supplies	1,500	1,500	1,950	(450)
Post Office Box Fee	125	125	116	9
Miscellaneous	1,000	1,000	2,812	(1,812)
Capital Outlay - Land for New Project	50,000	50,000	-	50,000
	<u>\$ 96,018</u>	<u>\$ 96,018</u>	<u>\$ 48,946</u>	<u>\$ 47,072</u>
Total Expenditures	\$ 96,018	\$ 96,018	\$ 48,946	\$ 47,072

# Copy of Year-End Financial Report Submitted to DFA-LGD

**QUARTELY BUDGET**  
July 1, 2018-June 30,2019

**OJO CALIENTE MDWCA**  
PO BOX 275  
OJO CALIENTE, NEW MEXICO 87549

**CONTACT:**  
**GLENN LOVATO**  
505 583-2498

	Budget 2018-2019	Q1: July-Sept.	Q2: Oct.-Dec.	Q3: Jan.-March.	Q4: April.- June.	Budget 18-19 To Date	2018-19 Actual Year To Date (Over) Under Budget
<b>OPERATING INCOME</b>							
1 Beginning Balance	\$ 249,993.23	\$269,764.22	\$274,211.07	\$277,069.73	\$ 285,800.91	\$ 285,800.91	\$ -
2 Water Sales Revenue	\$ 80,280.71	\$ 20,417.33	\$ 19,874.06	\$ 18,933.78	\$ 19,849.81	\$ 79,074.98	\$ 1,205.73
3 Membership Sales	\$ 1,200.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,200.00
4 Returned Checks/Board Stipend	\$ 200.00	\$ 564.00	\$ 564.00	\$ 658.00	\$ 611.00	\$ 2,397.00	\$ (2,197.00)
5 Interest Income/Water Violation Policy Fees	\$ 700.00	\$ 133.02	\$ 410.98	\$ 136.23	\$ 237.03	\$ 917.26	\$ (217.26)
6 <b>TOTAL OPERATING INCOME</b>	<b>\$ 82,380.71</b>	<b>\$ 21,114.35</b>	<b>\$ 20,849.04</b>	<b>\$ 19,728.01</b>	<b>\$ 20,697.84</b>	<b>\$ 82,389.24</b>	<b>\$ (8.53)</b>
<b>OPERATING EXPENSES</b>							
7 <b>OPERATING EXPENSES</b>							
8 Bookkeeping/Billing Contractual Services	\$ 7,200.00	\$ 1,800.00	\$ 1,800.00	\$ 1,800.00	\$ 1,800.00	\$ 7,200.00	\$ -
9 Water Operator/Meter Reader	\$ 7,800.00	\$ 1,950.00	\$ 1,950.00	\$ 1,950.00	\$ 1,950.00	\$ 7,800.00	\$ -
10 <b>Total Salaries</b>	<b>\$ 15,000.00</b>	<b>\$ 3,750.00</b>	<b>\$ 3,750.00</b>	<b>\$ 3,750.00</b>	<b>\$ 3,750.00</b>	<b>\$ 15,000.00</b>	<b>\$ -</b>
11 Utilities	\$ 5,000.00	\$ 1,169.56	\$ 1,494.77	\$ 2,475.75	\$ 1,346.02	\$ 6,486.10	\$ (1,486.10)
12 Secretary of State Annual Fee	\$ 10.00		\$ 10.00		\$ -	\$ 10.00	\$ -
13 Postage	\$ 1,000.00				\$ -	\$ -	\$ 1,000.00
14 Training/Meeting Per Diem	\$ 2,000.00			\$ 525.00	\$ 805.91	\$ 1,330.91	\$ 669.09
15 <b>Total Office Expenses</b>	<b>\$ 8,010.00</b>	<b>\$ 1,169.56</b>	<b>\$ 1,504.77</b>	<b>\$ 3,000.75</b>	<b>\$ 2,151.93</b>	<b>\$ 7,827.01</b>	<b>\$ 182.99</b>
16 O&M	\$ 6,000.00	\$ 725.00	\$ 2,733.86		\$ 3,569.75	\$ 7,028.61	\$ (1,028.61)
17 NM GRT (CRS Tax)	\$ 4,000.00	\$ 972.25	\$ 946.39	\$ 901.61	\$ 945.23	\$ 3,765.48	\$ 234.52
18 Water Conservation Fee	\$ 300.00	\$ 46.16	\$ 45.82	\$ 28.14	\$ 36.51	\$ 156.63	\$ 143.37
19 NM One Call Cable Locate	\$ 200.00	\$ 67.90	\$ 33.95	\$ 132.75	\$ -	\$ 234.60	\$ (34.60)
20 Audit and Tax Return	\$ 4,000.00		\$ 3,577.67	\$ 397.52	\$ -	\$ 3,975.19	\$ 24.81
21 Legal and professional/Loan NMFA	\$ 5,000.00	\$ -	\$ -	\$ 1,438.56	\$ 5,000.00	\$ 6,438.56	\$ (1,438.56)
22 Miscellaneous Expenses/Late fees	\$ 1,000.00	\$ 234.14	\$ 63.07	\$ 138.00	\$ 62.00	\$ 497.21	\$ 502.79
23 Property / Insurance Bond (NMRWA Dues)	\$ 883.00	\$ 750.00	\$ 208.00	\$ 126.00	\$ -	\$ 1,084.00	\$ (201.00)
24 Office Supplies/Board stipend	\$ 1,500.00	\$ 564.00	\$ 564.00	\$ 1,083.50	\$ 611.00	\$ 2,822.50	\$ (1,322.50)
25 Post Office Box Fee	\$ 125.00	\$ -	\$ 116.00			\$ 116.00	\$ 9.00
26 Acquiring Land for new Water Tank	\$ 50,000.00		\$ -		\$ -	\$ -	\$ 50,000.00
27 <b>Total Association Expenses</b>	<b>\$ 23,008.00</b>	<b>\$ 3,359.45</b>	<b>\$ 8,288.76</b>	<b>\$ 4,246.08</b>	<b>\$ 10,224.49</b>	<b>\$ 23,180.28</b>	<b>\$ (172.28)</b>
28 <b>TOTAL OPERATING EXPENSES</b>	<b>\$ 46,018.00</b>	<b>\$ 8,279.01</b>	<b>\$ 13,543.53</b>	<b>\$ 10,996.83</b>	<b>\$ 16,126.42</b>	<b>\$ 46,007.29</b>	<b>\$ 10.71</b>
29 <b>Net Operating Income</b>	<b>\$ 36,362.71</b>	<b>\$ 12,835.34</b>	<b>\$ 7,305.51</b>	<b>\$ 8,731.18</b>	<b>\$ 4,571.42</b>	<b>\$ 36,381.95</b>	<b>\$ (19.24)</b>
<b>NONOPERATING INCOME</b>							
30 New Memberships	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
31 Service Connections	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
32 Other/	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
33 <b>TOTAL NONOPERATING INCOME</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
34 <b>NONOPERATING EXPENSE</b>							
35 <b>NONOPERATING EXPENSE</b>							
36 Loan Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
37 <b>TOTAL NONOPERATING EXPENSE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
38 <b>Net Nonoperating Income</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
39 <b>Net Income (loss)</b>	<b>\$ 36,362.71</b>	<b>\$ 12,835.34</b>	<b>\$ 7,305.51</b>	<b>\$ 8,731.18</b>	<b>\$ 4,571.42</b>	<b>\$ 36,381.95</b>	<b>\$ (19.24)</b>
40 <b>*Taxes billed directly to the users</b>							

Note: Purchased emergency Lap top computer due to desktop computer repairs and will be used for future backup. (used line item (21) 3rd quarter)

*Ben Martens* President

**Ojo Caliente Mutual Domestic Water Consumers Association**  
**Exit Conference**  
**Fiscal Year Ended June 30, 2019**

On October 5, 2019, the following officials held an exit conference and discussed the results of the agreed upon procedures and the contents of this report:

Ojo Caliente Mutual Domestic Water Consumers Association

Glenn Lovato, Secretary/Treasurer

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, Audit Manager