

Accounting & Auditing Services, LLC

Financial Audits + Agreed Upon Procedures + Tax + Consulting

Penasco Mutual Domestic Water Consumers Association

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the Fiscal Year Ending December 31, 2018

**Penasco Mutual Domestic Water Consumers Association
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Fiscal Year Ending December 31, 2018**

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**Penasco Mutual Domestic Water Consumers Association
Official Roster
Fiscal Year Ending December 31, 2018**

Board of Directors

Pete Pacheco, President

Anne Marie Medina, Vice-President

Pam Fernandez, Secretary/Treasurer

Lauralee Martinez, Board Member

Anthony Garcia, Board Member

Administration

Pete Pacheco, Certified Water Operator

Pam Fernandez, Bookkeeper

Ernest Garcia, Meter Reader

Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Directors
Penasco Mutual Domestic Water Consumers Association
Penasco, New Mexico
and
Brian S. Colon, Esq., New Mexico State Auditor
Santa Fe, New Mexico

We have performed the procedures enumerated below for the Penasco Mutual Domestic Water Consumers Association (Association) for the year ended December 31, 2018, 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 and Section 2.2.2.16 NMAC. 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 under "Tiered System Reporting Main Page."

According to the Association's general ledger, total revenues for the fiscal year ending December 31, 2018 were \$80,958. Based on this information, the Association was properly determined to be a Tier 4 entity for 2018 since their total revenues were between \$50,000 and \$250,000 and they did not receive or expend a capital outlay appropriation from the State of New Mexico.

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 and one savings account at the Centinel Bank in Taos, New Mexico. All bank statements for the fiscal year were complete and on hand, and the bank reconciliations were performed in a timely manner.

- 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 for both accounts were tested for accuracy. The bank reconciliations were accurate, and the ending balances on the bank reconciliations agreed with the general ledger, supporting documentation, and the quarterly financial reports to DFA/LGD.

- 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.

The bank account balances of the Association were fully insured by the FDIC. Pledged collateral was not required since the Association's bank and CD balances were below \$250,000 during the fiscal year.

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 provided documentation that the capital asset inventory was performed on March 6, 2019. The Association does not have any movable chattels and equipment costing more than \$5,000. No capital asset purchases during the fiscal year 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, membership fees, bank interest and miscellaneous cash receipts. The variances between actual and budgeted revenues for 2017 and 2018 were adequately explained by the bookkeeper. No unusual or unexplained variances were noted.

- b. Select a sample of revenues 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 cash receipts was judgmentally selected and tested which amounted to 36% 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 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 32% 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, purchase order, contract and canceled check.

- 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, legal requirements and established policies and procedures.

- 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 and the Per Diem and Mileage Act.

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.

The Association's bookkeeper posted non-routine journal entries to the general ledger to record the annual depreciation expense, and to adjust the accounts receivable balance in the general ledger to agree with the water billing system balance at the end of the fiscal year. The board member/bookkeeper provided reasonable explanations and supporting documentation for the journal entries.

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

During the meetings of the Board of Directors, the bookkeeper explains the journal entries and provides financial reports and supporting documentation to the board members. The Association provided evidence that the journal entries were reviewed and approved by two board members.

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 proposed budget for 2018 was approved by DFA-LGD on December 7, 2017. The final budget was adopted by the Association's Board of Directors on January 28, 2018 (Resolution 2018-2) and approved by DFA-LGD on February 12, 2018. On July 29, 2018, the Board of Directors approved a budget adjustment of \$10,000 (Resolution 2018-3) which was approved by DFA-LGD on October 15, 2018. On January 27, 2019, the Board of Directors approved another budget adjustment of \$9,500 (Resolution 2019-1) which was approved by DFA-LGD on January 31, 2019.

- ii. Determine whether 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 2018 did not exceed the final approved budget (as adjusted). According to the Association's general ledger and budget, actual expenditures were \$6,098 less than budgeted expenditures. See the Schedule of Revenues and Expenditures on p. 7.

- 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.

Based on the Association's general ledger, the Schedule of Revenues and Expenditures was prepared on the cash basis of accounting. 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 the required content per 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 State Auditor, the 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

March 25, 2019

**Penasco Mutual Domestic Water Consumers Association
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2018**

Status of Prior Year Findings

Finding 2010-001. Non-Submission of Quarterly Report to DFA-LGD - Resolved.

Finding 2017-001. Inaccurate Cash Balances Reported to DFA-LGD - Resolved.

Current Year Findings

None.

Penasco Mutual Domestic Water Consumers Association
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP Cash Basis)
For the Fiscal Year Ending December 31, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Interest	\$ 100	\$ 100	\$ 100	\$ -
Membership Dues	-	-	1,750	1,750
Water Service	75,000	75,000	77,078	2,078
Connection Fees	-	-	2,030	2,030
Miscellaneous	-	-	-	-
Total Revenues	<u>\$ 75,100</u>	<u>\$ 75,100</u>	<u>\$ 80,958</u>	<u>\$ 5,858</u>
Expenditures:				
Mileage and Travel	\$ 400	\$ 400	\$ 843	\$ (443)
Bookkeeping/Billing	9,650	9,650	9,658	(8)
Certified Water Operator	4,950	4,950	5,940	(990)
Water Operations	5,924	5,924	6,944	(1,020)
Professional Services - Audit	3,000	3,000	3,008	(8)
Professional Services - Tax Preparation	1,800	1,800	1,627	173
Professional Services - Legal	1,000	1,000	627	373
Computer Repair & Maintenance	4,000	4,000	1,169	2,831
Postage	1,200	1,200	1,299	(99)
Rent	2,400	2,400	2,400	-
Gross Receipts Tax	3,600	3,600	2,881	719
Water Conservation Fee	600	600	586	14
Utilities - Electricity	7,500	9,500	9,514	(14)
Board Expense	400	400	433	(33)
Subscriptions, Dues, Fees	200	200	35	165
Insurance	2,300	2,300	2,370	(70)
RUS Loan Payment - Principal	5,176	5,176	-	5,176
RUS Loan Payment - Interest	11,600	11,600	11,348	252
Office Supplies and Administrative	400	400	1,371	(971)
Repairs, Maintenance and Labor	9,000	26,500	26,449	51
Total Expenditures	<u>\$ 75,100</u>	<u>\$ 94,600</u>	<u>\$ 88,502</u>	<u>\$ 6,098</u>

MDWCA Name: PENASCO MUTUAL DOMESTIC WATER CONSUMERS ASSN.

Mailing Address: P O Box 308, Penasco, NM 87553

Email Address: penascomdwca@gmail.com

Phone number: 575-587-0264

Calendar Year

2018

	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	36,385							
Savings	99,215							
CDs								
Investments								
Beginning Balance TOTAL	\$ 135,600							
REVENUES								
Water Sales (Water Use Fees)	75,000	18,289	21,556	18,332	18,901	77,078	(2,078)	103%
Connection/Reconnection Charges		547	533		950	2,030	(2,030)	-
Membership and Meter Sales (Utility Service Fees)		350	875	525		1,750	(1,750)	-
Late Fees and Penalties (Other Fines and Forfeits)						0	0	-
Gross Receipts Tax (Other State shared taxes)						0	0	-
Other Operating Revenue (Interest earned)	100	24	25	25	25	100	0	100%
TOTAL	\$ 75,100	19,210	22,989	18,883	19,876	80,958	(5,858)	108%
EXPENDITURES								
Salaries - Operator, Bookkeeper, etc.	14,600	3,900	3,900	3,900	3,900	15,599	(999)	107%
Employee Benefits and Expenses						0	0	-
Electricity	9,500	2,252	1,413	3,405	2,444	9,514	(14)	100%
Other Utilities - Gas, Water, Sewer, Telephone						0	0	-
Water Operations	5,924	1,049	1,927	2,608	1,361	6,944	(1,020)	117%
System Repairs and Maintenance	26,500	2,271	2,556	17,367	4,254	26,449	51	100%
Vehicle Expenses	800	225	503	149	399	1,276	(476)	160%
Office and Administrative Expenses	4,000	2,037	1,330	1,103	600	5,070	(1,070)	127%
Professional Services - Accounting, Engineering, Legal	5,800	627	3,008	1,627		5,262	538	91%
Insurance	2,300		100	2,270		2,370	(70)	103%
Dues, Fees, Permits and Licenses	200	35				35	165	18%
Taxes - Gross Receipts Tax, Water Conservation Fee	4,200	829	877	934	827	3,467	733	83%
Computer & Software Maintenance	4,000	26	0	200	942	1,169	2,831	29%
Miscellaneous						0	0	-
Loans								
Annual debt service - Interest	11,600	2,883	2,868	2,791	2,807	11,348	252	98%
Annual debt service - Principle	5,176	1,311	1,326	1,403	1,387	5,428	(252)	105%
TOTAL	\$ 94,600	17,446	19,808	37,756	18,921	93,931	669	99%
Ending Balance	116,100					122,627		
LESS: Operating Reserve	7,550					240	Prepaid Postage	
Emergency Reserve	13,000					(136)	Deposits that do not belong to us	
Capital Improvement & Short Term Reserve	82,439					(1,752)	A/R adj to income	
Debt Reserve	16,776							
Ending Available Cash Balance	\$ (3,665)					\$ 124,275		

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

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

Penasco Mutual Domestic Water Consumers Association
Exit Conference
Fiscal Year Ended December 31, 2018

On March 25, 2019, the following officials held an exit conference and discussed the results of the agreed upon procedures and the contents of this report:

Penasco Mutual Domestic Water Consumers Association

Pete Pacheco, President
Lauralee Martinez, Vice-President
Pam Fernandez, Secretary/Treasurer/Bookkeeper

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, Audit Manager