

**PICACHO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION**

**INDEPENDENT ACCOUNTANT'S REPORT
ON THE APPLICATION OF TIER 4
AGREED-UPON PROCEDURES
YEAR ENDED DECEMBER 31, 2018**

**PICACHO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
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DECEMBER 31, 2018**

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**PICACHO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
OFFICIAL ROSTER
DECEMBER 31, 2018**

BOARD OF DIRECTORS

Name	Title
Larry Covington	President
Michael Flynn	Vice President
Alan Fisher	Secretary/Treasurer
Manny Chavez	Director
Larry Kindrick	Director



SCOTT NORTHAM, CPA, PC
Certified Public Accountants

**INDEPENDENT ACCOUNTANT'S REPORT ON THE
APPLICATION OF TIER 4 AGREED-UPON PROCEDURES**

Brian Colon, New Mexico State Auditor, and
Board of Directors of
Picacho Mutual Domestic Water Consumers Association
Picacho, New Mexico

We have performed the procedures enumerated below for the Picacho Mutual Domestic Water Consumers Association (Association) for the year ended December 31, 2018. The Association was determined to be a Tier 4 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed upon by the Association through the Office of the New Mexico State Auditor. 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, 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 results are detailed under Scope of Procedures and Results as noted in the table of contents.

Our findings related to the procedures in the Scope of Procedures and Results are presented in the accompanying Schedule of Findings and Responses as noted in the table of contents.

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, respectively, on the Association's financial position and operations as of and for the year ended December 31, 2018. 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 those parties specified in the report.

This report is intended solely for the information and use of the Picacho Mutual Domestic Water Consumers Association, the New Mexico Office of the State Auditor, the New Mexico Legislature, and the Department of Finance and Administration-Local Government Division and is not intended to be and should not be used by anyone other than those specified parties.

Scott Northam, CPA, PC
Ruidoso, New Mexico
March 8, 2019

**PICACHO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCOPE OF PROCEDURES AND RESULTS
DECEMBER 31, 2018**

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."	
Tier 4 Requirements – Cash basis revenues of \$50,000 or more but less than \$250,000 with no capital outlay award expenditures from the New Mexico Legislature.	The Association's cash basis revenues totaled approximately \$205,847 and the Association did not expend any appropriated capital outlay from the New Mexico Legislature. The Association is properly categorized as a Tier 4 agency.
2. Cash Procedures	
a. Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements are complete and on-hand.	All twelve fiscal year bank statements for the five accounts were on-hand and available for compliance examination. Reconciliations were timely performed within a reasonable time after the end of the month.
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.	A review of 100% of bank reconciliations noted the reconciliations were accurate and agreed with the general ledger and DFA reports.
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 Association's funds on deposit with the financial institution did not exceed the \$250,000 Federal Deposit Insurance Corporation's (FDIC) maximum insured coverage during the year. The financial institution also provided adequate additional collateralization for uninsured deposits to exceed the 50% collateralization requirement. Funds on deposit with Edward Jones are protected under Securities Investor Protection Corporation's (SIPC) maximum insured coverage of \$500,000 during the year. The Association's funds on deposit with Edward Jones are invested in New Mexico and Federal bonds, which are compliant with the requirements of the New Mexico Public Money Act.
3. Capital Assets	
Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.	The Association maintains and annually approves a capital asset inventory listing as required under Section 12-6-10 NMSA 1978.

**PICACHO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCOPE OF PROCEDURES AND RESULTS
DECEMBER 31, 2018**

4. Revenue 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.	Analytical review and tests of actual revenue compared to budgeted revenue for the fiscal year noted no exceptions.
b. Select a sample of revenue equal to 30% of the total dollar amount and test whether the amount recorded in the general ledger agrees to the supporting documentation and the bank statement.	A review of all twelve of the monthly billings and collections reports (100% of coverage) noted amounts recorded in the general ledger agreed with deposit slips, utility reports and other supporting documentation provided and the bank statements with no exceptions.
c. Select a sample of revenue equal to 30% of the total dollar amount and test the 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.	A review of all twelve of the monthly billings and collections reports (100% of coverage) were reconciled to the general ledger revenue entries and noted the amounts were properly recorded on cash basis as to classification, amount and period.

5. Expenditures Select a sample of cash disbursements representative of the of the population 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 amount, payee, date and description agree to the vendor's invoice, purchase order, contract and canceled check, as appropriate.	A review of all four of the quarterly disbursement files was conducted (100% of coverage) and no exceptions with respect to amount, payee, date and description were noted.
b. Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.	A review of all four of the quarterly disbursement files was conducted (100% of coverage) and noted no exceptions as to authorization and approval for payment, budget compliance and compliance with 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).	Disbursement testwork revealed no exceptions to the process (or request for proposal process, if applicable), purchase orders, contracts and agreements being 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).

**PICACHO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCOPE OF PROCEDURES AND RESULTS
DECEMBER 31, 2018**

6. Journal Entries Test all non-routine journal entries, adjustments, and reclassifications are posted to the general ledger for the following attributes:	
a. Journal entries appear reasonable and have supporting documentation.	There were no non-routine journal entries posted to the general ledger and all reviewed journal entries had 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.	There were no non-routine journal entries posted to the general ledger. The Association has policies in place that require any journal entries made by the contract bookkeeper to be reviewed and approved by the Board of Directors at the monthly meeting.
7. Budget 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 body's governing body and DFA-LGD.	The original budget was approved by the Board of Directors and DFA-LGD. There was one subsequent budget adjustment for the fiscal year, increasing expenses by \$25,000.
b. Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.	Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control.
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 fund.	The Original Approved Budget (Non-GAAP) and Final Budget and Actual (Non-GAAP) schedules on the modified-cash basis follow these procedures and results as noted in the table of contents.
8. Other	
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.	No other or additional exceptions were noted when applying the procedures described above (regardless of materiality) indicating any fraud, illegal acts or internal control deficiencies.

**PICACHO MUTUAL DOMESTIC
WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL (CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES				
Water Sales and Charges for Service	\$ 174,300	\$ 174,300	\$ 166,771	\$ (7,529)
Reconnect and Disconnect Fees	1,000	1,000	1,250	250
Late Fees and Penalties	3,500	3,500	5,508	2,008
Membership and Meter Sales	5,000	5,000	10,977	5,977
Miscellaneous	25,500	25,500	29,284	3,784
Total Operating Revenues	<u>209,300</u>	<u>209,300</u>	<u>213,790</u>	<u>4,490</u>
OPERATING EXPENSES				
System Repairs and Maintenance	55,000	55,000	40,358	14,642
System Parts and Supplies	17,000	17,000	15,689	1,311
Insurance	6,500	6,500	5,973	527
Office Expense	500	500	278	222
Dues, Fees, Permits and Licenses	1,510	1,510	845	665
Professional Fees and Contracted Services	45,000	45,000	34,849	10,151
Training	550	550		550
Gross Receipt, Property and Other Taxes	10,400	10,400	7,552	2,848
Utilities	19,000	19,000	17,706	1,294
Debt Service	45,994	45,994	41,544	4,450
Miscellaneous	5,825	5,825	39,147	(33,322)
Total Operating Expenses	<u>207,279</u>	<u>207,279</u>	<u>203,941</u>	<u>3,338</u>
Change in Net Position	2,021	2,021	9,849	<u>\$ 7,828</u>
Cash and Cash Equivalents - Beginning	<u>468,846</u>	<u>468,846</u>	<u>468,846</u>	
Cash and Cash Equivalents - Ending	<u>\$ 470,867</u>	<u>\$ 470,867</u>	<u>\$ 478,695</u>	

**PICACHO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
YEAR END FINANCIAL REPORT SUBMITTED TO DFA
DECEMBER 31, 2018**

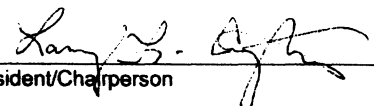
MDWCA Name:
Mailing Address:
Email Address:
Phone number:

Picacho MDWCA
P.O. Box 1468 Las Cruces, NM 88004
kjoens@mvaccounting.com
575-526-2445

**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	32,744							
Savings								
CDs								
Investments	436,102							
Beginning Balance TOTAL	\$ 468,846							
REVENUES								
Water Sales (Water Use Fees)	166,000	29,491	43,557	51,288	34,493	158,829	7,171	96%
Connection/Reconnection Charges	1,000	350	300	350	250	1,250	(250)	125%
Membership and Meter Sales (Utility Service Fees)	5,000	9,902	25	75	975	10,977	(5,977)	220%
Late Fees and Penalties (Other Fines and Forfeits)	3,500	1,245	1,463	1,389	1,410	5,508	(2,008)	157%
Gross Receipts Tax (Other State shared taxes)	8,300	1,475	2,178	2,565	1,725	7,942	358	96%
Other Operating Revenue (miscellaneous - other)	25,500	6,235	5,256	5,100	12,692	29,284	(3,784)	115%
TOTAL	\$ 209,300	48,697	52,779	60,767	51,545	213,789	(4,489)	102%
EXPENDITURES								
Salaries - Operator, Bookkeeper, etc.	-	0	0	0	0	0	0	-
Employee Benefits and Expenses	-	0	0	0	0	0	0	-
Electricity	16,000	3,377	4,024	4,328	3,246	14,975	1,025	94%
Other Utilities - Gas, Water, Sewer, Telephone	3,000	680	684	684	684	2,731	269	91%
System Parts and Supplies	17,000	8,023	3,243	2,485	1,939	15,689	1,311	92%
System Repairs and Maintenance	55,000	12,833	9,442	9,326	8,757	40,358	14,642	73%
Vehicle Expenses	-	0	0	0	0	0	0	-
Office and Administrative Expenses	500	0	0	278	0	278	222	56%
Professional Services - Accounting, Engineering, Legal	45,000	10,764	7,915	8,107	8,063	34,849	10,151	77%
Insurance	6,500	1,493	1,493	1,493	1,493	5,973	527	92%
Dues, Fees, Permits and Licenses	1,510	110	145	110	480	845	665	56%
Taxes - Gross Receipts Tax, Water Conservation Fee	10,400	1,729	2,228	1,273	2,322	7,552	2,848	73%
Training	550	0	0	0	0	0	550	0%
Miscellaneous	5,825	3,406	1,876	(3,261)	37,126	39,147	(33,322)	672%
Annual debt service - Loan 1	41,544	10,386	10,386	10,386	10,386	41,544	0	100%
Annual debt service - Loan 2	4,450	0	0	0	0	0	4,450	0%
TOTAL	\$ 207,279	52,802	41,436	35,208	74,496	203,942	3,337	98%
Ending Balance	470,867					478,694		
LESS: Operating Reserve	30,000							
Emergency Reserve	80,000							
Capital Improvement Reserve	290,000							
Debt Reserve	45,994							
Ending Available Cash Balance	\$ 24,873					\$ 478,694		

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

1/12/19
Date
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**PICACHO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2018**

FINANCIAL STATEMENT FINDINGS

CURRENT YEAR FINDINGS:

NONE

PRIOR YEAR FINDINGS:

NONE

**PICACHO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
EXIT CONFERENCE
DECEMBER 31, 2018**

The contents of this report were discussed with the Picacho Mutual Domestic Water Consumers Association representatives on March 8, 2019. The following individuals were present for the conference:

Picacho Mutual Domestic Water Consumers Association

Scott Northam, CPA, PC

Larry Covington - President
Daniel Wilson, CPA – Granite Mountain Accounting
Ruby Hernandez – Granite Mountain Accounting

Scott Northam, CPA

The agreed-upon procedures report of the Picacho Mutual Domestic Water Consumers Association was prepared by Scott Northam, CPA, PC, from original books and records provided by and with assistance from the management of the Association.