

**STATE OF NEW MEXICO
QUEMADO MUTUAL WATER &
SEWER WORKS ASSOCIATION**

**Independent Accountants' Report on
Applying Agreed-Upon Procedures**

**For the Year Ended
December 31, 2016**

James L. Hartogenesis, CPA LLC

Certified Public Accountant

STATE OF NEW MEXICO
QUEMADO MUTUAL WATER & SEWER WORKS ASSOCIATION
DECEMBER 31, 2016
Table of Contents

	Page
Official Roster	1
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	2
Schedule of Revenues and Expenses - Budget and Actual (Cash Basis)	7
DFA Quarterly Report for the Quarter Ending December 31, 2016.....	8
Schedule of Findings and Responses	9
Status of Prior Year Findings	10
Exit Conference.....	11

**STATE OF NEW MEXICO
QUEMADO MUTUAL WATER & SEWER WORKS ASSOCIATION
OFFICIAL ROSTER
DECEMBER 31, 2016**

Board of Directors

<u>Name</u>	<u>Title</u>
Larry Yankee	President
Wendy Hough	Vice-President
Debbie Garcia-Sanchez	Treasurer
Marciel Montoya	Director
Molly Thomas	Director

Administration

Debbie Leschner	Operator
Trent Yankee	Field Manager
Midge Bishop	Bookkeeper

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES**

Board of Directors
Quemado Mutual Water & Sewer Works Association
and
Honorable Timothy Keller
New Mexico State Auditor
Santa Fe, New Mexico

I have performed the procedures enumerated below which were agreed to by the Quemado Mutual Water & Sewer Works Association (the "Association") and the New Mexico State Auditor (the specified parties), solely to assist users in evaluating the Association's financial reporting relating to its Cash, Capital Assets, Revenues, Expenditures, Journal Entries, and Budget information and its compliance with Section 12-6-3(B) NMSA 1978 and Section 2.2.2.16 NMAC, as of and for the year ended December 31, 2016. The Association is responsible for its financial reporting as described above. 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.

In accordance with Tier 4 of the Audit Act – Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC, my procedures and associated findings are as follows:

1. REVENUE DETERMINATION

Procedures

Verify the local public body's revenue calculation and tier determination documented on the form provided at www.osanm.org under "Tier System Reporting Main Page".

Results of Procedures

The Association's revenue calculation and tier determination was agreed to the trial balance without exception. Total revenue was \$93,564 with no capital outlay, which requires Tier 4 agreed-upon procedures.

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. For purposes of performing my procedures "timely" means completion of the bank reconciliations within one month after the last day of the reporting month and "complete" means that statements for bank and investment accounts are all accounted for by the Association.

b) Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to Department of Finance & Administration - Local Government Division (DFA-LGD). For purposes of performing my procedures "accuracy" means that reconciling items agree to deposit slips and subsequent bank or investment statements, and the reconciliations are mathematically correct.

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 of Procedures

Bank accounts were complete and reconciled timely. 2 of 12 reconciliations were tested for accuracy and traced to the general ledger without exception. Cash balances were reported to DFA without exception. Pledged collateral was not required.

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 of Procedures

The Association performed and certified their annual capital asset inventory without exception.

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 revenues based on accountant's judgment and test 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 of Procedures

Revenue was analytically tested and met expectations without exception. 17 receipts were tested and were determined to be properly recorded as to amount, classification and period.

5. EXPENDITURES

Procedures

Select a sample of cash disbursements based on accountant's judgment and test using 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 cancelled 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 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Results of Procedures

25 disbursements were tested and no reportable exceptions were noted. The Association did not have any expenditures that were subject to the state procurement code.

6. JOURNAL ENTRIES

Procedures

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items 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 of Procedures

100% of the general journal entries posted during the year were reviewed for reasonableness. 5 journal entries out of a total of 14 were tested. The 5 entries were reasonable, had adequate support, and were approved. The Association has a policy for reviewing and approving journal entries.

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 of Procedures

The 2016 budget and subsequent amendment were approved by the Association. The budget was certified by DFA on March 10, 2016 and the budget amendment was submitted to DFA on January 31, 2017. Actual expenses did not exceed amended budgeted amounts at the fund level, which is the legal level of budgetary control. The Schedule of Revenues and Expenses - Budget and Actual (Cash Basis) is presented on page 7 of this report.

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 (I) (3) (C) NMAC.

Results of Procedures

Nothing else was noted.

I was not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the Association's financial reporting to the State Auditor as described above. Accordingly, I do not express such an opinion. 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 Quemado Mutual Water & Sewer Works Association, New Mexico Office of the State Auditor, the New Mexico Legislature, and the New Mexico Department of Finance and Administration and is not intended to be and should not be used by anyone other than those specified parties.

James L. Hartogensis, CPA LLC

Albuquerque, New Mexico
February 23, 2017

STATE OF NEW MEXICO
QUEMADO MUTUAL WATER & SEWER WORKS ASSOCIATION
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (CASH BASIS)
YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original Budget	Final Budget		
REVENUES:				
Charges for water and sewer	\$ 72,000	\$ 72,000	\$ 80,866	\$ 8,866
Grant revenue	-	-	6,424	6,424
Interest	250	250	1,618	1,368
Other income	-	-	4,656	4,656
Total revenues	<u>\$ 72,250</u>	<u>\$ 72,250</u>	<u>\$ 93,564</u>	<u>\$ 21,314</u>
EXPENDITURES:				
Maintenance	\$ 14,000	\$ 23,293	\$ 23,293	\$ -
Contract labor	25,500	23,173	23,173	-
Audit fees	6,500	6,424	6,424	-
Field supplies	5,500	5,163	5,163	-
Miscellaneous	520	3,655	3,655	-
Insurance	4,000	3,575	3,575	-
Utilities	4,200	2,954	2,954	-
Training	3,000	1,317	1,317	-
Telephone	2,000	1,298	1,298	-
Office supplies	2,800	911	911	-
Postage	1,100	648	648	-
Transportation	1,800	470	470	-
Dues and subscriptions	200	180	180	-
Total expenditures	<u>\$ 71,120</u>	<u>\$ 73,061</u>	<u>\$ 73,061</u>	<u>\$ -</u>
Prior year cash available to balance budget	<u>\$ 217,078</u>	<u>\$ 217,078</u>		

QUEMADO MUTUAL WATER & SEWAGE WORKS ASSOCIATION

4th Quarter (Jan 1, 2016 - Dec 31, 2016)

	<u>Approved Budget</u>	<u>Jan 1 - Dec 31, 2016</u>	<u>Amount Over/Under Budget</u>	<u>% of Budget</u>
Beginning Cash Balance on Jan 1, 2016:	\$252,677			
Revenue				
Fees	\$0	\$0	\$0	-
Fines and Penalties	\$0	\$0	\$0	-
Interest Income	\$250	\$1,618	\$1,368	647.02%
Contributions	\$0	\$0	\$0	-
Sales-Other	\$72,000	\$91,946	\$19,946	127.70%
Federal Grant	\$0	\$0	\$0	-
State Grants-Capital Outlay	\$0	\$0	\$0	-
Miscellaneous	\$0	\$0	\$0	-
Total Revenue	\$72,250	\$93,564	\$21,314	129.50%
Expenditures				
Equipment	\$0	\$0	\$0	-
Maintenance	\$20,200	\$30,430	\$10,230	150.65%
Office Supplies	\$2,800	\$911	-\$1,889	32.55%
Insurance	\$4,000	\$3,575	-\$425	89.38%
Postage	\$1,100	\$648	-\$452	58.90%
Supplies-Field	\$5,500	\$5,163	-\$337	93.88%
Subscription/Dues	\$420	\$180	-\$240	42.86%
Labor	\$0	\$0	\$0	-
Equipment Rental	\$0	\$0	\$0	-
Contract Labor	\$25,500	\$23,176	-\$2,324	90.88%
Transportation	\$1,800	\$470	-\$1,330	26.11%
Debt Service-Principal	\$0	\$0	\$0	-
Debt Service-Interest	\$0	\$0	\$0	-
Training	\$3,000	\$1,317	-\$1,683	43.89%
Equipment/Machinery	\$0	\$0	\$0	-
AUP or Audit	\$6,500	\$6,424	-\$76	98.83%
PS-Attorney	\$0	\$0	\$0	-
PS-Design	\$0	\$0	\$0	-
Commission	\$0	\$0	\$0	-
Miscellaneous	\$300	\$767	\$467	255.65%
Total Expenditures	\$71,120	\$73,061	\$1,941	102.73%
Estimated Ending Cash Balance on Dec 31, 2016:	\$253,807			

STATE OF NEW MEXICO
QUEMADO MUTUAL WATER & SEWER WORKS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2016

Current Year Findings

None.

STATE OF NEW MEXICO
QUEMADO MUTUAL WATER & SEWER WORKS ASSOCIATION
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2016

Prior Year Findings

2010-006	DFA Budget Approval and Reporting	Resolved
----------	-----------------------------------	----------

STATE OF NEW MEXICO
QUEMADO MUTUAL WATER & SEWER WORKS ASSOCIATION
EXIT CONFERENCE
YEAR ENDED DECEMBER 31, 2016

The report contents were discussed at an exit conference held on February 23, 2017 with the following in attendance:

QUEMADO MUTUAL WATER & SEWER WORKS ASSOCIATION

Larry Yankee	President
Debbie Leschner	Operator
Midge Bishop	Bookkeeper

James L. Hartogenesis, CPA LLC

James Hartogenesis, CPA, CGFM	Principal
-------------------------------	-----------