

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

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

**For the Year Ended
December 31, 2019**



STATE OF NEW MEXICO
QUEMADO MUTUAL WATER & SEWER WORKS ASSOCIATION
DECEMBER 31, 2019
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**STATE OF NEW MEXICO
QUEMADO MUTUAL WATER & SEWER WORKS ASSOCIATION
OFFICIAL ROSTER
DECEMBER 31, 2019**

Board of Directors

<u>Name</u>	<u>Title</u>
Andy Gump	President
Wendy Hough	Vice-President/Treasurer
Rylan Carver	Director
Vacant	Director
Vacant	Director

Administration

Debbie Leschner	Operator
Brendon Likins	Field Manager
Midge Bishop	Bookkeeper



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

Board of Directors
Quemado Mutual Water & Sewer Works Association
and
Brian S. Colon, Esq.
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, Budget and Capital Outlay 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, 2019. The Association is responsible for its financial reporting as described above. 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".

Findings

The Association's revenue calculation and tier determination was agreed to the trial balance without exception. Total revenue was \$91,983 with \$-0- capital outlay awarded, 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.

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.

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.

Findings

Bank accounts were on-hand, complete, accurate and reconciled timely. 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.

Findings

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

4. REVENUE

Procedures

Identify the nature and amount of revenue from all 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 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

Revenue was analytically tested and met expectations without exception. 19 receipts, totaling \$28,185, were tested and were determined to be properly recorded as to amount, classification and period.

5. EXPENDITURES

Procedures

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

a) Determine that 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 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 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Findings

29 disbursements totaling \$34,741 were tested. No reportable exceptions were noted.

6. JOURNAL ENTRIES

Procedures

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

Findings

100% of the general journal entries posted during the year were reviewed for reasonableness, adequate support, and approvals, with no exceptions. 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 test work:

- 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 whether total actual expenditures exceeded the final budget at the legal level of budgetary control; if the answer is yes, 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.

Findings

The 2019 budget was properly approved by the Association. The budget was certified by DFA on January 24, 2019. Actual expenses did not exceed 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 (L) NMAC.

Findings

No such information was noted.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. I was 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 Association's financial reporting and compliance as described above. Accordingly, I do not express such an opinion or conclusion. 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 Local Government Division 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
April 10, 2020

STATE OF NEW MEXICO
QUEMADO MUTUAL WATER & SEWER WORKS ASSOCIATION
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (CASH BASIS)
YEAR ENDED DECEMBER 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original Budget</u>	<u>Final Budget</u>		Favorable (Unfavorable)
REVENUES:				
Water sales	\$ 82,200	\$ 82,200	\$ 80,774	\$ (1,426)
Service charges	100	100	-	(100)
Interest	-	-	7,210	7,210
Penalties and fees	1,000	1,000	3,998	2,998
Total revenues	<u>\$ 83,300</u>	<u>\$ 83,300</u>	<u>\$ 91,982</u>	<u>\$ 8,682</u>
EXPENDITURES:				
Administrative cost	\$ 17,660	\$ 17,660	\$ 11,734	\$ 5,926
Electricity	2,975	2,975	2,712	263
Bookkeeping fees	3,900	3,900	3,720	180
Postage and delivery	18,500	18,500	9,202	9,298
Office supplies	800	800	814	(14)
Operator cost	1,500	1,500	2,950	(1,450)
Labor cost	21,500	48,500	47,533	967
AUP or audit	1,000	1,000	2,468	(1,468)
Miscellaneous	3,000	3,000	2,913	87
Capital outlay	1,450	1,450	5,575	(4,125)
Total expenditures	<u>\$ 72,285</u>	<u>\$ 99,285</u>	<u>\$ 89,621</u>	<u>\$ 9,664</u>

STATE OF NEW MEXICO
QUEMADO MUTUAL WATER & SEWER WORKS ASSOCIATION
DFA QUARTERLY REPORT FOR THE QUARTER ENDING DECEMBER 31, 2019

MDWCA: Quemado Mutual Water & Sewage Works Association
Mailing Address: PO Box 81, Quemado, NM 87829
Email address: QMWSWA@hotmail.com
Phone number: (575) 773-4333

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 Cash balance	\$ 266,432.39							
REVENUES (General Fund)								
Water & Sewer Sales	82,200	18,328.21	\$ 20,829.47	21,104.02	20,513	\$ 80,774.39	\$ 1,425.61	96%
Service Charges	100	-	-	-	-	\$ -	\$ 100.00	0%
Membership dues - non taxable income	-	375.00	\$ 525.00	3,135.00	3,175	\$ 7,210.00	\$ (7,210.00)	-
Penalties and Fees	1,000	630.09	\$ 2,135.15	693.63	539	\$ 3,998.28	\$ (2,998.28)	400%
Miscellaneous	-	-	-	0.00	-	\$ -	\$ -	-
REVENUE TOTALS	\$ 83,300	19,333.30	\$ 23,489.62	24,932.65	\$ 24,227	\$ 91,982.67	\$ (8,683)	110%
EXPENDITURES (General Fund)								
Administrative Cost	17,660	5,451.30	\$ 1,548.58	2,708.05	2,026	\$ 11,734.28	\$ 5,926	66%
Electricity	2,975	958.52	\$ 589.17	541.31	624	\$ 2,711.79	\$ 263	91%
Bookkeeping Fees	3,900	350.00	\$ 1,065.00	1,305.00	1,000	\$ 3,720.00	\$ 180	95%
Organization Costs	-	-	-	-	-	\$ -	\$ -	-
Upgrade System - R&M	18,500	6,567.06	\$ 1,458.98	469.04	707	\$ 9,202.24	\$ 9,296	50%
Postage & Delivery	800	619.95	\$ 12.85	15.40	166	\$ 814.20	\$ (14)	102%
Office Supplies	1,500	643.44	\$ 484.17	1,229.90	593	\$ 2,950.15	\$ (1,450)	197%
Taxes	-	-	-	-	-	\$ -	\$ -	-
Operator Cost	48,500	4,049.50	\$ 4,940.50	32,075.01	6,468	\$ 47,532.78	\$ 967	98%
Operator Fee	-	-	-	-	-	\$ -	\$ -	-
Water Meters	-	-	-	-	-	\$ -	\$ -	-
Labor Cost	1,000	-	\$ 40.00	1,416.80	1,011	\$ 2,468.25	\$ (1,468)	247%
Software + Readers	-	-	-	-	-	\$ -	\$ -	-
PS - Attorney	-	-	-	-	-	\$ -	\$ -	-
AUP or Audit	3,000	-	\$ 2,912.62	0.00	-	\$ 2,912.62	\$ 87	97%
PS-Attorney	-	-	-	-	-	\$ -	\$ -	-
PS-Design	-	-	-	-	-	\$ -	\$ -	-
Commission	-	-	-	-	-	\$ -	\$ -	-
Miscellaneous	1,450	-	\$ -	0.00	5,575	\$ 5,575.05	\$ (4,125)	384%
						\$ -	\$ -	-
TOTAL EXPENDITURES	\$ 99,285	18,639.76	\$ 13,050.85	39,760.51	\$ 18,170	\$ 89,821.34	\$ 9,684	90%
TOTAL GENERAL FUND to include Beginning cash	\$ 250,447							
Revenues (non-operating)								
SAP.. Appropriation Capital outlay								
State Grants								
Federal Grants								
Other - interest	\$ 550	251.78	\$ 254.82	255.86	\$ 256	\$ 1,018.92		
Other - Bal Sheet A/R outstanding					\$ 7,398	\$ 7,397.74	\$ (7,398)	
Total Revenues (non-operating)	\$ 550	251.78	254.82	255.86	7,654.20	\$ 8,416.66	\$ (7,398)	
Expenditures (non-operating)								
Capital Outlay						\$ -		
Payments								
Other - Bal. Sht adjustments (A/R) training			\$ (412.85)	855.00	\$ 7,398	\$ 7,839.89		
Other - depreciation					\$ 150,324	\$ 150,324.20		
Total Expenditure (non-operating)	\$ -	-	(412.85)	855.00	157,722.03	\$ 158,164.18		
Total (Non-operating)	\$ 550	251.78	667.67	-599.14	-150,067.83	\$ (149,747.52)		
Estimated Ending Cash Balance on Dec 31, 2019	\$ 250,997.39					\$277,210.38 ending cash		

STATE OF NEW MEXICO
QUEMADO MUTUAL WATER & SEWER WORKS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2019

Current Year Findings

None

STATE OF NEW MEXICO
QUEMADO MUTUAL WATER & SEWER WORKS ASSOCIATION
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2019

Prior Year Findings

Current Year Status

Excess of Expenditures over Authorized Budget

Resolved

STATE OF NEW MEXICO
QUEMADO MUTUAL WATER & SEWER WORKS ASSOCIATION
EXIT CONFERENCE
YEAR ENDED DECEMBER 31, 2019

The report contents were discussed at an exit conference held on April 22, 2019 with the following in attendance:

QUEMADO MUTUAL WATER & SEWER WORKS ASSOCIATION

Mary Armstrong	Board Treasurer
Debbie Leschner	Operator

James L. Hartogenesis, CPA LLC

James Hartogenesis, CPA, CGFM	Principal
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