

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

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

**For the Year Ended
December 31, 2017**

STATE OF NEW MEXICO
QUEMADO MUTUAL WATER & SEWER WORKS ASSOCIATION
DECEMBER 31, 2017
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**STATE OF NEW MEXICO
QUEMADO MUTUAL WATER & SEWER WORKS ASSOCIATION
OFFICIAL ROSTER
DECEMBER 31, 2017**

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 Technician
Midge Bishop	Bookkeeper

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

Board of Directors
Quemado Mutual Water & Sewer Works Association
and
Wayne A. Johnson
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, 2017. 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".

Results of Procedures

The Association's revenue calculation and tier determination was agreed to the trial balance without exception. Total revenue was \$87,826 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.
- 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.

Results of Procedures

Bank accounts were complete and reconciled timely. 4 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 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.

Results of Procedures

Revenue was analytically tested and met expectations without exception. 15 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 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).

Results of Procedures

61 disbursements, including 5 that were subject to the Per Diem and Mileage Act and 1 that was subject to the New Mexico Procurement Code, 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.

Results of Procedures

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.

Results of Procedures

The 2017 budget and subsequent amendment were approved by the Association. The budget was certified by DFA on February 10, 2017 and the budget amendment was approved by DFA on July 10, 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 (L) NMAC.

Results of Procedures

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 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 26, 2018

STATE OF NEW MEXICO
QUEMADO MUTUAL WATER & SEWER WORKS ASSOCIATION
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (CASH BASIS)
YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original Budget	Final Budget		
REVENUES:				
Charges for water and sewer	\$ 80,400	\$ 80,400	\$ 86,896	\$ 6,496
Grant revenue	-	70,000	-	(70,000)
Interest	450	450	930	480
Other income	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 80,850</u>	<u>\$ 150,850</u>	<u>\$ 87,826</u>	<u>\$ (63,024)</u>
EXPENDITURES:				
Maintenance	\$ 12,500	\$ 12,500	\$ 6,293	\$ 6,207
New water connections	5,000	5,000	-	5,000
Contract labor	30,500	30,500	24,688	5,812
Professional sewrvices	8,815	8,815	7,046	1,769
Field supplies	6,150	6,150	3,998	2,152
Miscellaneous	660	660	441	219
Insurance	4,100	4,100	3,682	418
Utilities	3,900	3,900	3,421	479
Training	3,500	3,500	717	2,783
Telephone	1,400	1,400	1,310	90
Office supplies	925	925	418	507
Postage	600	600	699	(99)
Transportatiion	1,800	1,800	1,205	595
Dues and subscriptions	200	200	189	11
Capital outlay	-	70,000	37,007	32,993
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 80,050</u>	<u>\$ 150,050</u>	<u>\$ 91,114</u>	<u>\$ 58,936</u>
Prior year cash available to balance budget	<u>\$ 236,746</u>	<u>\$ 236,746</u>	<u>\$ 3,288</u>	

STATE OF NEW MEXICO
QUEMADO MUTUAL WATER & SEWER WORKS ASSOCIATION
DFA QUARTERLY REPORT FOR THE QUARTER ENDING DECEMBER 31, 2017

Mailing Address: PO Box 81, Quemado, NM 87829
Email address: QMWSWA@hotmail.com
Phone number: (575) 773-4333

Calendar Year
2017

	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	\$ 273,180.00							
REVENUES (General Fund)								
Water Sales	79,800	17,626	21,118	21,461	21,360	\$ 81,565.55	\$ (1,765.55)	102%
Service Charges	600	1,074	1,164	359	717	\$ 3,314.36	\$ (2,714.36)	552%
Membership dues			-			\$ -	\$ -	-
Penalties and Fees	-					\$ -	\$ -	-
Miscellaneous	450	325	417	1,684	520	\$ 2,946.55	\$ (2,496.55)	655%
NM Finance Authority Grant	70,000					\$ -	\$ 70,000.00	
REVENUE TOTALS	\$ 150,850	\$ 19,026	\$ 22,699	\$ 23,504	\$ 22,598	\$ 87,826	\$ 63,024	58%
EXPENDITURES (General Fund)								
Administrative Cost	30,260	8,317	4,742	2,267	1,473	\$ 16,798	\$ 13,462	56%
Electricity	3,050	840	715	565	648	\$ 2,769	\$ 281	91%
Bookkeeping Fees	5,000	1,110	1,110	780	720	\$ 3,720	\$ 1,280	74%
NM Finance Authority Grant	70,000					\$ -	\$ 70,000	0%
Upgrade System	-					\$ -	\$ -	-
Postage & Delivery	600	202	102	146	248	\$ 699	\$ (99)	116%
Office Supplies	925	-	-	-	-	\$ -	\$ 925	0%
Taxes	-					\$ -	\$ -	-
Operator Cost	29,000	6,137	6,667	6,254	5,630	\$ 24,688	\$ 4,312	85%
Operator Fee	-					\$ -	\$ -	-
Water Meters	-					\$ -	\$ -	-
Labor Cost	1,500	-	-	-	-	\$ -	\$ 1,500	0%
Software + Readers	-					\$ -	\$ -	-
PS - Attorney	-					\$ -	\$ -	-
AUP or Audit	2,715	2,715	-	-	-	\$ 2,715	\$ (0)	100%
PS-Attorney	-					\$ -	\$ -	-
PS-Design	-					\$ -	\$ -	-
Commission	-					\$ -	\$ -	-
Miscellaneous	7,000	-	88	37	2,594	\$ 2,718	\$ 4,282	39%
						\$ -	\$ -	-
TOTAL EXPENDITURES	\$ 150,050	\$ 19,321	\$ 13,424	\$ 10,049	\$ 11,313	\$ 54,107	\$ 95,943	36%
TOTAL GENERAL FUND to include Beginning cash	\$ 273,980							
Revenues (non-operating)								
SAP.. Appropriation Capital outlay								
State Grants								
Federal Grants								
Other								
Other								
Total Revenues (non-operating)	\$ -							
Expenditures (non-operating)								
Capital Outlay								
Payments								
Other - Security fencing					\$ 14,075	\$ 14,075	\$ (14,075)	-
Other - Mixer west lagoon					\$ 22,932	\$ 22,932	\$ (22,932)	-
Total Expenditure (non-operating)	\$ -							
Total (Non-operating)	\$ -				\$ 37,007	\$ 37,007	\$ (37,007)	-
Estimated Ending Cash Balance on Dec 31, 2017	\$ 273,980.00							

STATE OF NEW MEXICO
QUEMADO MUTUAL WATER & SEWER WORKS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2017

Current Year Findings

None.

Prior Year Findings

None.

STATE OF NEW MEXICO
QUEMADO MUTUAL WATER & SEWER WORKS ASSOCIATION
EXIT CONFERENCE
YEAR ENDED DECEMBER 31, 2017

The report contents were discussed at an exit conference held on February 27, 2017 with the following in attendance:

QUEMADO MUTUAL WATER & SEWER WORKS ASSOCIATION

Debbie Garcia-Sanchez	Treasurer
Debbie Leschner	Operator
Midge Bishop	Bookkeeper

James L. Hartogenesis, CPA LLC

James Hartogenesis, CPA, CGFM	Principal
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