

State of New Mexico
Santa Cruz Water Association
2018 Tier 5 Agreed Upon Procedures Report
December 31, 2018

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Official Roster

As of December 31, 2018

Board of Directors

Johnny Marquez, President, Resigned September 2018

Margaret Trujillo, Vice-President

Gilbert Rivera, Treasurer

Eloy Jacquez, Member, Resigned November 2018

Howard Dixon, Member

Bobby Baros, Member

Independent Accountant's Report on Applying Agreed-Upon Procedures

Brian Colon
New Mexico State Auditor
and
Margaret Trujillo, Vice President
Santa Cruz Water Association
Santa Cruz, New Mexico

We have performed the procedures enumerated below for the Santa Cruz Water Association (Association) for the year ended December 31, 2018, solely to assist in determining compliance with, and pursuant to, Tier 5 of the Audit Act (Section 12-6-1 et seq., NMSA 1978). 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."

The Accountant verified the Association's calculation and determination as a Tier 5 agreed upon procedures engagement.

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 bank reconciliations were performed timely and bank statements for the fiscal year were 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.

The bank reconciliations were accurate and balances per the bank reconciliations agreed to the general ledger.

- 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 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.

For the fiscal year ending December 31, 2018, the Association performed and documented a capital asset inventory.

4. Revenues

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.

The revenue sources of the Association consist of water fees, new memberships, Meter installation and other miscellaneous receipts, such as interest income and reimbursements. Variances between actual revenue and budgeted revenue were adequately explained by the Association's Vice-President and bookkeeper no unusual or unexplained variances were noted.

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

- b. Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.

Tested cash receipts for each of the twelve months in the year. The amount recorded in the general ledger agreed with 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.

The cash receipts tested were properly classified and recorded in the general ledger on the accrual basis of accounting.

5. Expenditures

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 amount, payee, date and description agree to vendor's invoice, purchase order, contract and canceled check, as appropriate.

67% of the total dollar amount of cash disbursements were tested. There was no instance where any of the above documentation was lacking.

- b. Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

All disbursements were properly authorized and approved.

- 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), State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

The cash disbursements tested were processed in accordance with applicable provisions of the State Procurement Code and State Purchasing Regulations. Payments for mileage were made in accordance with the Mileage Act. All payments of State grant money for capital outlay were made pursuant to procurements made in prior fiscal years.

6. Journal Entries

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.

The only journal entries posted during the year were to record the deposits made for capital outlay reimbursements. Each of these journal entries agreed to the deposit made to the bank statement and to the reimbursement request report required by the grant.

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

The Board of Directors does not have policies and procedures that require journal entries to be reviewed and approved. However, the journal entries made were routine journal entries and

were made in quick books software because the bookkeeper did not understand that there was another way to record the capital outlay reimbursement deposits. If these deposits had been recorded in another way there would not have been any journal entries.

7. Budgets

Obtain the original fiscal year budget and all budget adjustments 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.

The original budget was adopted and approved by the Association's Board of Directors on January 16, 2018. The budget was approved by DFA-LGD on February 5, 2018. All subsequent amendments to the original budget were approved by a resolution of the Board of Directors and recorded in the Board minutes.

- b. Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if the answer is yes, report a compliance finding.

Actual expenditures did not exceed the approved budget for the fiscal year ending December 31, 2018. See the Schedule of Revenues and Expenditures - Budget and Actual listed in the table of contents.

- 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.

See the Schedule of Revenues and Expenditures - Budget and Actual listed in the table of contents.

8. Capital Outlay Appropriations

The scope of the agreed-upon procedures engagement shall encompass any, and all state-funded capital outlay appropriations of the New Mexico Legislature that meet Tier 5 criteria. Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the fiscal year that meet the Tier 5 criteria. Perform the following tests on all state-funded capital outlay expenditures.

- a. *Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.*

All disbursements meet the above criteria.

- b. Determine that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.*

All disbursements meet the above criteria.

- 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 and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC)*

The cash disbursements tested were processed in accordance with applicable provisions of the State Procurement Code and State Purchasing Regulations. All disbursements for State funded capital assets were made pursuant to prior year procurements.

- d. Determine the physical existence (by observation) of the capital asset based on expenditures to date.*

The capital asset was observed as part of the Agreed Upon Procedures.

- e. Verify that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.*

The status reports were made as per terms of the agreement. Amounts agree with the general ledger and other supporting documentation.

- f. If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.*

The project was not funded in advance.

- g. If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.*

There was an unexpended balance of \$31,848.97. The Association made application to use the money for other needs. This request was not granted and the money was refunded in May of 2019.

- h. Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.*

The agreement did not require a separate bank account.

- i. Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.*

All reimbursement requests were properly supported by costs incurred and paid prior to reimbursement.

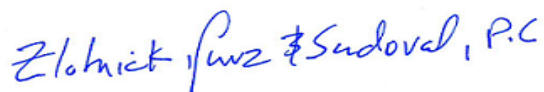
9. Other

- 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.

See the Schedule of Findings and Responses listed 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 Schedule of Revenues and Expenditures-Budget and Actual. 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 the management of Santa Cruz Water Association, the New Mexico State Auditor, the Department of Finance and Administration and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than those specified parties.



Zlotnick, Laws & Sandoval, PC

May 29, 2019

Santa Cruz Water Association

2018 Tier 5 Agreed Upon Procedures Report

Schedule of Revenues and Expenditures – Budget to Actual

Non-GAAP Cash Basis

For the Fiscal Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Water Sales (Water Use Fees)	\$ 65,500	65,500	49,278	\$ (16,222)
Connection/Reconnection Charges	205	205	-	(205)
Membership and Meter Sales	-	-	1,336	1,336
Late Fees & Penalties	-	-	-	-
Gross receipts Tax	2,905	2,905	1,831	(1,074)
Other Operating Revenues	44,670	44,670	44,670	-
Total Revenues	113,280	113,280	97,115	(16,165)
Cash Balance	225,206	225,206		
Total Resources	\$ 338,486	338,486	97,115	\$ (16,165)
Expenditures				
Salaries - Operator, Bookkeeper, etc.	\$ 40,500	40,500	27,011	\$ 13,489
Employee Benefits & Expenses	-	-	-	-
Electricity	7,200	7,200	6,425	775
Other Utilities - Gas, Water, Sewer, Telephone	2,500	2,500	-	2,500
System Parts and Supplies	-	-	1,234	(1,234)
System Repairs and Maintenance	-	-	-	-
Vehicle Expenses	-	-	-	-
Office and Administrative Expenses	10,000	10,000	8,090	1,910
Professional Services - Accounting, Engineering, Legal	6,800	6,800	4,457	2,343
Insurance	-	-	-	-
Dues, Fees, Permits and Licenses	-	-	-	-
Taxes - Gross Receipts tax, Water Conservation Fee	2,905	2,905	1,831	1,074
Training	500	500	-	500
Public Grant	266,778	266,778	234,929	31,849
Total Expenditures	337,183	337,183	283,977	53,206
Loans				
Annual debt service Loan 2	-	-	2,041	(2,041)
Total	337,183	337,183	286,018	51,165

See Independent Accountant's Report on Applying Agreed-Upon Procedures

Year-end Financial Report Submitted to DFA

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

SANTA CRUZ WATER ASSOCIATION
 PO BOX 1643
 trujilloand@westflorida.com | scwa-boards@scwa.com
 505-709-7605 or 1-800-570-9070x3

Calendar Year
2018 January - December

	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	225,206							
Savings	-							
CDs	-							
Investments	-							
Beginning Balance TOTAL	\$ 225,206							
REVENUES								
Water Sales (Water Use Fees)	65,500	10,730	13,115	11,236	14,107	49,278	16,222	75%
Connection/Reconnection Charges	205					0	205	0%
Membership and Meter Sales (Utility Service Fees)	0				1,336	1,336	(1,336)	-
Late Fees and Penalties (Other Fines and Forfeits)	0					0	0	-
Gross Receipts Tax (Other State shared taxes)	2,905	578		1,253		1,831	1,074	63%
Other Operating Revenue (Public Grant)	44,670	34,957	9,713	0	0	44,670	(0)	100%
TOTAL	\$ 113,280	46,265	22,828	12,489	15,532	97,114	16,168	86%
EXPENDITURES								
Salaries - Operator, Bookkeeper, etc	40,500	9,418	7,400	1,993	8,200	27,011	13,489	67%
Employee Benefits and Expenses	-					0	0	-
Electricity	7,200	3,022	854	1,271	1,278	6,425	775	89%
Other Utilities - Gas, Water, Sewer, Telephone	2,500					0	2,500	0%
System Parts and Supplies	-				1,234	1,234	(1,234)	-
System Repairs and Maintenance	-					0	0	-
Vehicle Expenses	-					0	0	-
Office and Administrative Expenses	10,000	2,728	1,491	2,785	1,108	8,090	1,910	81%
Professional Services - Accounting, Engineering, Legal	6,800			4,457		4,457	2,343	66%
Insurance	-					0	0	-
Dues, Fees, Permits and Licenses	-					0	0	-
Taxes - Gross Receipts Tax, Water Conservation Fee	2,905	578		1,253		1,831	1,074	63%
Training	500					0	500	0%
Public Grant	266,778	225,216	9,713	0		234,929	31,849	88%
TOTAL	\$ 337,183	240,961	19,458	11,739	13,859	288,018	61,483	85%
Ending Balance	1,303					35,690		
LESS: Operating Reserve	-							
Emergency Reserve	-							
Capital Improvement Reserve	-							
Debt Reserve	-							
Ending Available Cash Balance	\$ 1,303					\$ 35,690		

I HEREBY CERTIFY THE CONTENTS IN THIS REPORT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND THAT THIS REPORT DEPICTS

Margaret Trujillo
 President/Chairperson

Date *1/24/2019*

Schedule of Capital Outlay Awards
Non-GAAP Cash Basis
For the Fiscal Year Ended December 31, 2018

State of New Mexico Appropriation

Amount awarded for the project	\$1,600,000.00
Amount received / requested	\$1,600,000.00
Amount expended as of 12/31/17	\$1,570,946.72
Expenditures during fiscal year ending 12/31/18	<u>29,053.28</u>
Amount expended as of 12/31/18	<u>\$1,600,000.00</u>
Remaining Balance	<u>None</u>

Note: \$1,600,000 pursuant to New Mexico Laws of 2014, Chapter 66, Section 16, Paragraph 152. The agreement with the New Mexico Environment Department was dated July 30, 2015. The agreement terminates on June 30, 2018 or sooner if the project is completed prior to that time.

New Mexico Environment Department Loan Number RIP 2012-06

Amount loaned for the project	\$120,000.00
Amount received / requested	\$120,000.00
Amount expended as of 12/31/17	\$104,383.25
Expenditures during fiscal year ending 12/31/18	<u>15,616.75</u>
Amount expended as of 12/31/18	<u>\$120,000.00</u>
Remaining Balance	<u>None</u>

Note: The New Mexico Environment Department and the Santa Cruz Water Association entered into an Agreement, Loan Number RIP 2012-06 on December 10, 2012 and amended on September 30, 2015 and December 29, 2017. Repayment begins in March 2019.

State Board of Finance Emergency Funding

Amount for the project	\$151,123.50
Amount received / requested	\$151,123.50
Amount expended as of 12/31/17	\$108,355.77
Expenditures during fiscal year ending 12/31/18	<u>10,918.76</u>
Amount expended as of 12/31/18	<u>\$119,274.53</u>
Remaining Balance	<u>\$31,848.97</u>

Note: Pursuant to State Board of Finance resolution dated September 13, 2017 and loan agreement #209-186 dated September 14, 2017. No loan repayment for three years from the date of the resolution at which time the Board will make a determination regarding the status of the loan.

Santa Cruz Water Association

2018 Tier 5 Agreed Upon Procedures Report

Schedule of Findings and Responses

Prior Year Findings:

No.	Title	Status of Prior Year Findings	Significant Deficiency	Material Weakness	Other Compliance	Other Matters	Federal Awards Finding
2017-001	Late Report - Noncompliance	Resolved			X		

There were no current year audit findings.

Exit Conference

On May 29, 2019, an exit conference was held with the following individuals to discuss the results of the agreed upon procedures and the contents of this report in a closed meeting:

Santa Cruz Water Association

Margaret Trujillo, Vice-President

Howard Dixon, Member

Zlotnick, Laws & Sandoval, PC

Asa Laws, CPA