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CERTIFIED PUBLIC ACCOUNTANTS
ESPANOLA, NEW MEXICO
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STATE OF NEW MEXICO

**TESUQUE MUTUAL DOMESTIC
WATER ASSOCIATION**

Independent Accountants' Report on Applying
Agreed-Upon Procedures (Tier 4)

Year Ended December 31, 2017

STATE OF NEW MEXICO

TESUQUE MUTUAL DOMESTIC WATER ASSOCIATION

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Agreed-Upon Procedures (Tier 4)**

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**STATE OF NEW MEXICO
TESUQUE MUTUAL DOMESTIC WATER ASSOCIATION**

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**STATE OF NEW MEXICO
TESUQUE MUTUAL DOMESTIC WATER ASSOCIATION**

**Official Roster
at December 31, 2017**

<u>Name</u>	<u>Title</u>
<u>Board of Directors</u>	
Joseph Riggs	President
Lisa Bick	Vice-President
Domenick De Santis	Treasurer
Allen Lewis	Secretary
P. Robert Martinez	Board Member
<u>Administrative Staff</u>	
Ana Berry	Bookkeeper



Macias, Gutierrez
& Co., P.C.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES (TIER 4)

To: Joseph Riggs, Chairman
Tesuque Mutual Domestic Water Association
and
Wayne A. Johnson
New Mexico State Auditor

We have performed the procedures enumerated below, which were agreed to by the Tesuque Mutual Domestic Water Association (TMDWA) and the Office of the State Auditor on the Tier Verification, Cash, Capital Assets, Revenue, Expenditures, Journal Entries, Budget and Other as of and for the year ended December 31, 2017, included in the accompanying information provided to us by management of the TMDWA. The Tesuque Mutual Domestic Water Association is responsible for the Tier Verification, Cash, Capital Assets, Revenue, Expenditures, Journal Entries, Budget and Other as of and for the year ended December 31, 2017, included in the accompanying information provided to us by management of the TMDWA. The sufficiency of these procedures is solely the responsibility of those 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. The procedures and associated 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."

We verified TMDWA's revenue calculation and tier determination. Tesuque Mutual Domestic Water Association's cash basis revenue was between the **Tier 4** lower and upper limits.

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 the Department of Finance and Administration, Local Government Division (DFA-LGD).
- 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 Performed

- a) The TMDWA has one checking account and one savings account in one financial institution (two savings accounts transferred into the remaining savings account in July 2017) and utilizes Quickbooks to record cash transactions. The sample of tested bank reconciliations (33%) showed they are performed on a timely basis and all bank statements were complete and on-hand for the entire year.
- b) Random tests of four-month end bank reconciliations (33%) revealed no exceptions. The reconciliations were accurate and agreed with supporting documentation. Required quarterly financial cash reports were submitted to DFA-LGD during the year and at year-end (Exhibit B) and we traced the ending cash balances to those reports, without exception.
- c) Cumulative single-bank account balances never exceeded uninsured limits and, therefore, pledged collateral was not required on any uninsured deposits at any time during the year.

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 Performed

The TMDWA maintains a capital asset listing and performed a yearly inventory as required by Section 12-6-10 NMSA, 1978.

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 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 Performed

- a) An analytical review of prior-year to current-year revenue revealed no unexplained or unusual variations. The test of actual revenue compared to budgeted revenue for the year for each revenue type revealed no exceptions.
- b) We requested supporting documentation for fifteen (15) deposits (33% of total revenues) from a total of 44 deposits for the year. For the sample selected, amounts recorded on the Quickbooks general ledger agreed with deposit tickets, other supporting documentation provided and the bank statements, with no exception.

- c) Amounts were properly recorded on a cash basis as to classification, amount and period per review of supporting documentation, without exception.

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 amount, payee, date and description agree to the vendor's invoice, purchase order, contract and check clearing amount (cancelled checks not returned), 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 Performed

- a) We requested supporting documentation for 25 disbursements (33% of total expenditures) from a total of 139 disbursements for the year. For the sample selected, amounts recorded as disbursed agreed to supporting documentation, with no exceptions. Amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and check clearing amount, as appropriate.
- b) Disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c) 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).

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 Performed

The TMDWA utilizes Quickbooks to record cash transactions but the accounts manager prepares formal journal entries at the end of each month to record receivable accruals and the fee accountant prepares formal journal entries at year-end to record minor adjustments and reclassifications. The results of our tests are as follows:

- a) Journal entries are reasonable and have supporting documentation.
- b) The TMDWA has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed through approval of monthly financial statements.

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 Performed

- a) A review of Board meeting minutes and related correspondence revealed that the original proposed and final 2017 budget was governing board approved and submitted to DFA-LGD for approval. No subsequent 2017 budget adjustments were made.
- b) Total actual expenses did not exceed the final budget by at the total fund level, the legal level of budgetary control.
- c) The TMDWA prepared and submitted to DFA-LGD a Profit and Loss Budget vs. Actual for the year ended December 31, 2017 (herein Exhibit B). A schedule of revenues and expenses – budget and actual was prepared from TMDWA records on the cash budgetary basis. This schedule is included herein as Exhibit A.

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, disclose 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 Performed

No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud, illegal acts, noncompliance or any internal control deficiencies.

* * * * *

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 a review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Tier Verification, Cash, Capital Assets, Revenue, Expenditures, Journal Entries, Budget and Other of the Tesuque Mutual Domestic Water Association as of and for the year ended December 31, 2017, included in the accompanying information provided to us by management of the TMDWA. 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 Tesuque Mutual Domestic Water Association, the New Mexico State Auditor's Office and the Department of Finance and Administration, Local Government Division and the New Mexico Legislature and is not intended to be and should not be used by anyone other than the specified parties.

Macias, Gutierrez & Co., CPAs, P. C.

Macias, Gutierrez & Co., CPAs, P. C.
Española, New Mexico
May 2, 2018

STATE OF NEW MEXICO
TESUQUE MUTUAL DOMESTIC WATER ASSOCIATION
Schedule of Revenues and Expenses-Budget and Actual (Cash Basis)
Year Ended December 31, 2017

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Transfer Fee	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Water Bills	57,190	57,190	62,752	5,562
Gross Receipts Tax	3,010	3,010	-	(3,010)
Bank Interest	120	120	161	41
Handheld Rental	-	-	1,300	1,300
	<u>61,320</u>	<u>61,320</u>	<u>64,213</u>	<u>2,893</u>
Total revenues				
Cash balance budgeted	<u>28,371</u>	<u>28,371</u>	<u>28,371</u>	<u>-</u>
Total revenues and cash balance budgeted	<u>89,691</u>	<u>89,691</u>	<u>92,584</u>	<u>2,893</u>
Expenses:				
Electricity	2,400	2,400	2,759	(359)
System Parts and Supplies	2,400	2,400	1,453	947
System Repairs and Maintenance	19,228	19,228	8,402	10,826
Office and Administrative Expenses	2,404	2,404	1,844	560
Professional Services-Acctg, Engineering, Legal	28,210	28,210	31,285	(3,075)
Insurance	2,400	2,400	2,464	(64)
Dues, Fees, Permits and Licenses	150	150	20	130
Taxes-Gross Receipts, Water Conserv. Fee	3,250	3,250	3,464	(214)
Miscellaneous	252	252	3,061	(2,809)
	<u>60,694</u>	<u>60,694</u>	<u>54,752</u>	<u>5,942</u>
Total expenses				
Excess revenues over (under) expenses	<u>\$ 28,997</u>	<u>\$ 28,997</u>	<u>\$ 37,832</u>	<u>\$ 8,835</u>

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

Tesuque Mutual Domestic Water Association
 PO Box 24277 Santa Fe NM 87502
 afcwa@msn.com
 505-490-2128

Exhibit B

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 balances:								
Cash	28,371							
Savings	110,830							
CDs								
Investments								
Beginning Balance TOTAL	\$ 139,201							
REVENUES								
Water Sales (Water Use Fees)	57,190	11,045	14,895	18,841	14,983	59,764	(2,574)	105%
Connection/Reconnection Charges						0	0	-
Membership and Meter Sales (Utility Service Fees)	1,000					0	1,000	0%
Late Fees and Penalties (Other Fines and Forfeits)						0	0	-
Gross Receipts Tax (Other State shared taxes)	3,010	552	745	942	749	2,988	22	99%
Other Operating Revenue (miscellaneous - other)	120	239	239	542	442	1,461	(1,341)	1218%
TOTAL	\$ 61,320	11,835	15,879	20,325	16,174	64,213	(2,893)	105%
EXPENDITURES								
Salaries - Operator, Bookkeeper, etc.						0	0	-
Employee Benefits and Expenses						0	0	-
Electricity	2,400	555	533	1,012	660	2,759	(359)	115%
Other Utilities - Gas, Water, Sewer, Telephone						0	0	-
System Parts and Supplies	2,400	753			700	1,453	947	61%
System Repairs and Maintenance	19,228	8,306			96	8,402	10,827	44%
Vehicle Expenses						0	0	-
Office and Administrative Expenses	2,404	482	98	461	802	1,844	560	77%
Professional Services - Accounting, Engineering, Legal	28,210	6,967	11,292	5,452	7,574	31,285	(3,075)	111%
Insurance	2,400	888	1,476		100	2,464	(64)	103%
Dues, Fees, Permits and Licenses	150		20			20	130	13%
Taxes - Gross Receipts Tax, Water Conservation Fee	3,250	1,085	325	1,152	901	3,464	(214)	107%
Training						0	0	-
Miscellaneous	252	302	439	1,759	561	3,061	(2,809)	1215%
Loans								
Annual debt service - Loan 1						0	0	-
Annual debt service - Loan 2						0	0	-
TOTAL	\$ 60,694	19,338	14,182	9,836	11,394	54,750	5,944	90%
Ending Balance	139,827					148,663		
LESS: Operating Reserve	10,000					10,000		
Emergency Reserve	29,000					29,000		
Capital Improvement Reserve	100,000					100,000		
Debt Reserve								
Ending Available Cash Balance	\$ 827					\$ 9,663		

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

Joseph Riggs
 President/Chairperson

1/23/2018
 Date

**STATE OF NEW MEXICO
TESUQUE MUTUAL DOMESTIC WATER ASSOCIATION**

**Schedule of Findings and Responses
Year Ended December 31, 2017**

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current Year Findings:			
None Reported	N/A	N/A	N/A
Follow-up on Prior Year Findings:			
None Reported	N/A	N/A	N/A

*** Legend for Findings:**

- A. Fraud
- B. Illegal Act(s)
- C. Internal Control Deficiency(ies)
- D. Noncompliance

**STATE OF NEW MEXICO
TESUQUE MUTUAL DOMESTIC WATER ASSOCIATION**

**Exit Conference
Year Ended December 31, 2017**

EXIT CONFERENCE

The report contents were discussed at an exit conference held on May 9, 2018 with the following in attendance:

Tesuque Mutual Domestic Water Association

Domenick De Santis, Treasurer
Ana Berry, Bookkeeper

Accounting Firm

James R. (Jim) Macias, CPA