

**STATE OF NEW MEXICO
GREATER CHIMAYO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION**

**Independent Accountant's Report on
Applying Agreed-Upon Procedures (TIER 4)**

**For the Fiscal Year Ended
June 30, 2018**

ASSURANCE TAX ACCOUNTING PC

Financial Audits - Agreed Upon Procedures - Tax - Consulting

Office: (505) 620-8526 Fax: (866) 800-6970; PO Box 27213 Albuquerque, NM 87125; johnnymangu@msn.com

STATE OF NEW MEXICO
GREATER CHIMAYO MDWCA

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**STATE OF NEW MEXICO
GREATER CHIMAYO MDWCA
OFFICIAL ROSTER
Fiscal Year Ending June 30, 2018**

President
Vice President
Secretary
Treasurer
Member at Large
Legal Council
Office Manager

Paul Martinez
Benny Vigil Jr.
Bianca Martinez
Charlie Vigil
Ismael Garcia
Ted Trujillo
Marcella Coriz

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

Paul J. Martinez, President
Greater Chimayo MDWCA
and
Honorable Wayne A. Johnson
New Mexico State Auditor
Santa Fe, New Mexico

We have performed the procedures enumerated below which were agreed to by Greater Chimayo MDWCA (Association) and the New Mexico State Auditor (the specified parties), solely to assist users in evaluating the Association's financial reporting relating to its compliance with Section 12-6-3 B (4) NMSA 1978, Section 2.2.2.16 NMAC as of and for the year ended June 30, 2018. The Association's management is responsible for its financial reporting as described above. This agreed-upon procedures engagement was conducted in accordance with AICPA Statements on Standards for Attestation Engagements (Clarified), AT-C Section 215 for agreed-upon procedures engagements. The sufficiency of these procedures is solely the responsibility of those parties specified in the 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 "Tier System Reporting Main Page."

We verified Greater Chimayo MDWCA revenue calculation and tier determination documented on the form provided at www.osanm.org under "Tier System Reporting Main Page" and it was determined that the Association falls under the Tier 4 procedures. General revenues were \$208,215. No capital outlay funds were expended during the year ended June 30, 2018.

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.

We determined that all bank reconciliations were performed and that all bank statements were complete and on hand without exception. The bank reconciliations were performed

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in a timely manner. All monthly bank reconciliations for the operating account were examined without exception.

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.

We tested at least 30% of bank reconciliations for accuracy and traced the ending balances to the general ledger. We determined that the bank reconciliations were accurate. The Association submitted the quarterly financial reports to 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.

We determined that the balance of the operating account at no time exceeded the insured limits provided by the FDIC of \$250,000. Therefore, pledged collateral by the financial institution was not required.

3. Capital Assets

Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.

We inquired as to whether the Association is performing a yearly inventory as required by section 12-6-10 NMSA 1978. The Association performed the capital asset inventory for FY 2018 and provided us the supporting documentation.

4. Revenue

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.

We performed an analytical review of the revenue. We noted no exceptions.

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.

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We randomly selected a sample of 25 receipts (38% of total receipts) and we traced the amounts recorded in the supporting documentation including deposit books to the general ledger and to the bank statements. No exceptions were noted.

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.

We selected a sample of 25 receipts (38% of total receipts) and we traced the amounts recorded in the general ledger and comparing to the supporting documentation for proper coding and distribution. No exceptions were noted.

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 the vendor's invoice, purchase order, contract, and canceled check, as appropriate.

We selected a sample of cash disbursements equal to 33% of the total dollar amount and determined that the District had adequate documentation for disbursements. In the testwork we checked that the amount recorded as disbursed agrees to adequate supporting documentation and that the amount, payee, date and description agreed to the purchase order, contract, vendor's invoice and canceled check as appropriate. No exceptions were noted.

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

We determined that the disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures. No exceptions were noted.

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).

Note: The sample must be representative of the population.

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No major projects requiring bidding were started or completed during this accounting period.

6. Journal Entries

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.

We selected all nonroutine journal entries entered during FY 2018 for testing. All journal entries appear reasonable based on the memorandum explanation for each entry.

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.

We selected all journal entries entered during FY 2018 for testing. The Association was unable to provide written supporting documentation to show that the journal entries are being reviewed and approved for the items selected. See finding 2010-005.

7. Budget

Obtain the original fiscal year budget and all budget adjustments 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.

We verified through review of minutes the original budget approved by the Association governing body and DFA-LGD.

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

We determined through comparing the Original/Final Budget to the Actual Expenditures that the Association is not in compliance with statutes by over-expending at the fund level, which is the legal level of budgetary control. See finding 2017-003.

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 Attached Statement of Revenues and Expenses – Accrual Basis.

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8. Other

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 all required content detailed in Section 2.2.2.10(L)(3) NMAC.

No information came to our attention indicating any fraud or illegal acts. Instances of noncompliance and internal control deficiencies are disclosed in the findings of this report.

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 on the Greater Chimayo MDWCA's financial reporting to the State Auditor as described above. Accordingly, we do not express such an opinion. 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 Greater Chimayo MDWCA, the New Mexico Office of the State Auditor, the New Mexico Office Legislature, 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.

Assurance Tax Accounting P.C.

Assurance Tax Accounting P.C.
Albuquerque, New Mexico
December 15, 2018

STATE OF NEW MEXICO
 GREATER CHIMAYO MUTUAL DOMESTIC
 WATER CONSUMERS ASSOCIATION
 SCHEDULE OF REVENUES AND EXPENSES
 BUDGET AND ACTUAL (Accrual Basis)
 For the year ended June 30, 2018

	Budgeted Amounts		Actual Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Water Sales	155,500	155,500	187,516	32,016
Grants and Contracts	-	-	16,969	16,969
Membership Dues	1,000	1,000	257	(743)
Water Hook Up Fees-1	25,000	25,000	3,400	(21,600)
Interest Income	200	200	74	(126)
Total revenues	181,700	181,700	208,215	26,515
Expenditures				
Personnel services	132,800	132,800	150,883	(18,083)
Non-Personnel Expenses	7,305	7,305	13,806	(6,501)
Operating expenses	13,975	13,975	9,494	4,481
Construction	-	-	20,850	(20,850)
System maintenance / utiliti	10,000	10,000	-	10,000
Utilities	15,000	15,000	15,475	(475)
Debt Service	520	520	519	1
Board Insurance	2,000	2,000	7,722	(5,722)
Travel	-	-	440	(440)
Other Expenses	100	100	2,248	(2,148)
Total expenses	181,700	181,700	221,438	(39,738)

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
Fiscal Year Ended June 30, 2018

Prior Year Findings:

Finding 2017-001 – Bank Reconciliations	Resolved
Finding 2017-002 – Regulations Governing the Per Diem and Mileage Act	Resolved
Finding 2010-005 – No Documentation or Approval of Journal Entries	Repeated
Finding 2017-003 – Budget Approval	Repeated

Current Year Findings

Finding 2010-005 – No Documentation or Approval of Journal Entries	Significant Deficiency
Finding 2017-003 – Budget Approval	Findings that do not rise to the level of significant deficiency

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
Fiscal Year Ended June 30, 2018

Finding 2010-005 No Documentation or Approval of Journal Entries (Significant Deficiency)

Condition:

Supporting documentation of journal entries was not provided by the Association. The Association does not have procedures to prepare and retain supporting written documentation, and that require journal entries to be reviewed and there is no evidence the reviews were being performed. Management did not make any progress towards implementing the prior year corrective action plan.

Criteria:

Proper internal controls that prevent management override include requiring that journal entries must have supporting documentation and appear reasonable, and have evidence that the entries are being reviewed and approved.

Cause:

The Association was not aware that supporting documentation of the Journal Entries should be retained and Journal Entries should be reviewed and approved.

Effect:

If Journal Entries are not reviewed and approved, fraud waste and abuse could take place without being detected, and the financial statements could be manipulated or misstated.

Recommendation:

The Association should prepare supporting documentation of journal entries to be reviewed and approved by the Board. The supporting documentation should provide support that the journal entries are being reviewed and approved prior to their entry in the system.

Management's Response:

The Association will prepare and retain the supporting documentation of the journal entries effective immediately. The Board President will provide the supporting documentation with the explanation of the journal entry to the Board for review and approval prior to entry in the system. The Board President is responsible for meeting the deadline as required.

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
Fiscal Year Ended June 30, 2018

Finding 2017-003 - Budget Approval (Findings that do not rise to the level of significant deficiency)

Condition:

The Association did prepare and approve their FY 2018 operating budget and did submit their original budget to the New Mexico Department of Finance and Administration (DFA) – Local Government Division (LGD). Subsequently, the Association received a grant from Santa Fe County resulting in a significant increase in revenue and expenses associated with the grant to expand their services. The Association did not submit an amended budget for approval to NM DFA LGD. Management did not make any progress towards implementing the prior year corrective action plan.

Criteria:

Section 6-6-2 NMSA 1978 requires all local public bodies to submit their original operating budget annually to DFA Local Government Division for certification, and any budget amendments to maintain budget authority.

Cause:

The Association was not aware of the reporting requirement imposed by statute and DFA.

Effect:

DFA – Local Government Division lacked the necessary information to perform their oversight duties required by state statute.

Recommendation:

We recommend the Association establish contact with their DFA budget analyst to determine what reports are required and whether retroactive reporting will be required. The Association should also institute policies to ensure compliance with all reporting requirements imposed by DFA and state statute.

Management's Response:

Effective immediately, the Association's President will contact a DFA budget analyst to determine which reports need to be reported and by what deadline these reports need to be reported. The Association's Board will then determine a policy to ensure compliance with reporting to DFA. Once contact with a DFA analyst has been established, the President will also ensure that the reporting is conducted in a timely manner.

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
STATUS OF PRIOR YEAR FINDINGS
Fiscal Year Ended June 30, 2018

<u>Prior Year Number</u>	<u>Prior Year Finding</u>	<u>Current Status</u>
2017-001	Bank Reconciliations	Resolved
2017-002	Regulations Governing the Per Diem and Mileage Act	Resolved
2010-005	No Documentation or Approval of Journal Entries	Repeated
2017-003	Budget Approval	Repeated

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
EXIT CONFERENCE
Fiscal Year Ended June 30, 2018

The report contents were discussed at an exit conference held on December 15, 2018 with the following in attendance:

GREATER CHIMAYO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

Marcella Coriz	Office Manager
Yvette Martinez	Treasurer

Assurance Tax Accounting PC

Johnny Mangu, MBA, CPA, CGFM, CGMA Principal