

**STATE OF NEW MEXICO
QUEMADO LAKE WATER ASSOCIATION**

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

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



STATE OF NEW MEXICO
QUEMADO LAKE WATER ASSOCIATION
DECEMBER 31, 2017
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**STATE OF NEW MEXICO
QUEMADO LAKE WATER ASSOCIATION
OFFICIAL ROSTER
DECEMBER 31, 2017**

Board of Directors

<u>Name</u>	<u>Title</u>
James Chessum	President
Anne Bommarito	Treasurer
Shannon Zetich	Secretary
Mary Griffith	Director
Kay Oakes	Director

Administration

Mary Griffith	Office Manager
Anne Bommarito	Assistant Office Manager



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

Board of Directors
Quemado Lake Water Association
and
Honorable Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico

I have performed the procedures enumerated below which were agreed to by the State of New Mexico Quemado Lake Water Association (the "Association") and the New Mexico State Auditor (the specified parties), solely to assist users in evaluating the Association's financial reporting and compliance 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 \$54,659 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. For purposes of performing my procedures "timely" means completion of the bank reconciliations within one month after the last day of the reporting month and "complete" means that statements for bank and investment accounts are all accounted for by the Association.

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 Department of Finance & Administration - Local Government Division (DFA-LGD). For purposes of performing my procedures "accuracy" means that reconciling items agree to deposit slips and subsequent bank or investment statements, and the reconciliations are mathematically correct.

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 on-hand. Reconciliations were reconciled timely and were accurate. All quarterly financial reports were submitted to DFA.

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 their annual capital asset inventory without exception.

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 revenues 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 totaling \$23,310 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 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 13-1-99 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

48 payroll and non-payroll disbursements were tested, for a total of \$18,768. All payroll disbursements were supported by approved timesheets and pay rates to support the payments. All vendor disbursements tested were properly supported and approved. The Association did not have any expenditures that were subject to the state procurement code.

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 tested. The entries tested were reasonable, had adequate support, and the Association has established a process 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:

- 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

A budget was properly prepared and approved by the Association's Board of Directors and was properly certified by DFA-LGD. Actual expenses were within budgeted amounts. The Schedule of Revenues and Expenditures - 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

The 2017 agreed-upon procedures report was not filed by the required due date. See finding 2015-001 in the accompanying schedule of findings and responses. Nothing else 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, respectively, 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 the State of New Mexico Quemado Lake Water Association, the 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
June 12, 2018

**SCHEDULE OF REVENUES &
EXPENDITURES - BUDGET AND
ACTUAL (CASH BASIS)**

STATE OF NEW MEXICO
QUEMADO LAKE WATER ASSOCIATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (CASH BASIS)
YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		Favorable (Unfavorable)
REVENUES:				
Operating revenues	\$ 47,400	\$ 47,400	\$ 47,189	\$ (211)
Water fees	7,500	7,500	7,267	(233)
Meter installation	1,200	1,200	-	(1,200)
Interest	-	-	103	103
Transfer fees	100	100	75	(25)
Other income	180	180	25	(155)
	<u>180</u>	<u>180</u>	<u>25</u>	<u>(155)</u>
Total revenues	<u>\$ 56,380</u>	<u>\$ 56,380</u>	<u>\$ 54,659</u>	<u>\$ (1,721)</u>
EXPENDITURES:				
Automobile expense	\$ 1,900	\$ 1,900	\$ 3,070	\$ (1,170)
Commercial insurance	4,900	4,900	2,794	2,106
Licenses and fees	400	400	115	285
Parts and supplies	5,000	5,000	5,019	(19)
Repairs and maintenance	2,000	2,000	1,059	941
Office equipment	1,700	1,700	501	1,199
Office supplies	2,000	2,000	696	1,304
Payroll expenses	25,800	25,800	28,102	(2,302)
Miscellaneous	825	825	39	786
Professional fees	3,000	3,000	2,523	477
Telephone	1,500	1,500	1,430	70
Training	900	900	2,046	(1,146)
Travel	1,350	1,350	2,224	(874)
Utilities	3,500	3,500	3,942	(442)
	<u>3,500</u>	<u>3,500</u>	<u>3,942</u>	<u>(442)</u>
Total expenditures	<u>\$ 54,775</u>	<u>\$ 54,775</u>	<u>\$ 53,560</u>	<u>\$ 1,215</u>

YEAR-END DFA REPORT

STATE OF NEW MEXICO
QUEMADO LAKE WATER ASSOCIATION
YEAR-END DFA REPORT
YEAR ENDED DECEMBER 31, 2017

MDWCA Name: Quemado Lake Water Association
Mailing Address: HC 60 B0x 201, 14 Escondido, Quemado, NM 87829
Email Address: qlw@water7@qilinet.com
Phone number: 575-773-5976

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	5,835							
Savings	58,337							
CDs								
Investments								
Beginning Balance TOTAL	\$ 64,172							
REVENUES								
Water Sales (Water Use Fees)	47,400	12,779	12,153	2,698	14,518	42,148	5,252	#NAME?
Connection/Reconnection Charges	100	0	25	600	0	625	(525)	#NAME?
Membership and Meter Sales (Utility Service Fees)	1,200	0	0	12,334	0	12,334	(11,134)	#NAME?
Late Fees and Penalties (Other Fines and Forfeits)	180	0	0	16	0	16	164	#NAME?
Gross Receipts Tax (Other State shared taxes)	0	0	0	0	0	0	0	#NAME?
Other Operating Revenue (miscellaneous - other)	7,500	68		25	0	93	7,407	#NAME?
TOTAL	\$ 56,380	12,847	12,178	15,673	14,518	55,216	1,164	#NAME?
EXPENDITURES								
Salaries - Operator, Bookkeeper, etc.	25,800	6,450	6,450	6,450	6,850	26,200	(400)	#NAME?
Employee Benefits and Expenses	-	0	0	0	0	0	0	#NAME?
Electricity	3,100	1,110	868	864	874	3,716	(616)	#NAME?
Other Utilities - Gas, Water, Sewer, Telephone	1,900	344	578	375	358	1,655	245	#NAME?
System Parts and Supplies	5,000	32	200	3,564	176	3,972	1,028	#NAME?
System Repairs and Maintenance	2,000	130	1,283	694	0	2,107	(107)	#NAME?
Vehicle Expenses	1,900	231	271	291	3,474	4,267	(2,367)	#NAME?
Office and Administrative Expenses	3,700	283	310	364	241	1,198	2,502	#NAME?
Professional Services - Accounting, Engineering, Legal	3,000	215	159	2,150	0	2,524	476	#NAME?
Insurance	4,900	0	0	1,124	1,670	2,794	2,106	#NAME?
Dues, Fees, Permits and Licenses	400	25	45	0	45	115	285	#NAME?
Taxes - Gross Receipts Tax, Water Conservation Fee		361	515	512	515	1,903	(1,903)	#NAME?
Training	2,250	625	2,314	0	0	2,939	(689)	#NAME?
Miscellaneous	825		29	132	11	172	653	#NAME?
Annual debt service - Loan 1	-	0	0	0		0	0	#NAME?
Annual debt service - Loan 2	-	0	0	0		0	0	#NAME?
TOTAL	\$ 54,775	9,806	13,022	16,520	14,214	53,562	1,213	#NAME?
Ending Balance	65,777					65,826		
LESS: Operating Reserve								
Emergency Reserve								
Capital Improvement Reserve								
Debt Reserve								
Ending Available Cash Balance	\$ 65,777					\$ 65,826		

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.

Mary J. Knifford
 President/Chairperson

4-15-18
 Date

STATE OF NEW MEXICO
QUEMADO LAKE WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2017

Current Year Findings

2015-001 - Late Audit Report (Significant Deficiency, Material Noncompliance)

Criteria: 2.2.2 NMAC (State Audit Rule) requires submission of audit reports within five months after year-end, or May 31, 2018.

Condition: The Association did not submit their 2017 agreed-upon procedures report to the Office of the State Auditor by May 31, 2018, the due date of the report. Management adopted procedures and policies to remediate this prior year finding, including contracting with an IPA in order to submit on time, but staff personal issues prevented the Association from completing the agreed-upon procedures on time.

Cause: There were unavoidable personnel issues within the Association. The Association was not able to provide some of the requested information prior to the May 31, 2018 deadline.

Effect: The Association was not in compliance with the State Audit Rule, which could impact its ability to receive grants from federal and state sources.

Recommendation: The Association should update their policies and procedures. The policy should allow for adequate coverage and backup when there are unavoidable personnel issues, to ensure the audits are completed by the statutory deadline.

Agency Response: The Board adopted a policy on October 4, 2016 to ensure that year-end financial review, tier determination and IPA selection are finalized by March 31, in order to send the finalized reports to the State Auditor in compliance with the NMAC by May 31 each year. It is not necessary to add additional staff in order to comply. This has been an unusual year for the staff with personal issues.

**STATE OF NEW MEXICO
QUEMADO LAKE WATER ASSOCIATION
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2017**

Prior Year (2015) Findings

Current Year Status

2015-001 Late Audit Report and Auditor Recommendation	Modified and Repeated
2015-002 DFA Reporting	Resolved
2015-003 Lack of Supporting Documents and Approvals for Operating Disbursements	Resolved
2015-004 No Review or Approval of Journal Entries	Resolved
2015-005 Budget Noncompliance	Resolved

