

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

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

**For the Year Ended  
December 31, 2019**



**STATE OF NEW MEXICO**  
**QUEMADO LAKE WATER ASSOCIATION**  
DECEMBER 31, 2019  
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**STATE OF NEW MEXICO  
QUEMADO LAKE WATER ASSOCIATION  
OFFICIAL ROSTER  
DECEMBER 31, 2019**

**Board of Directors**

<u>Name</u>	<u>Title</u>
James Chessum	President
Kay Oakes	Vice-President
Anne Bommarito	Treasurer
Robbie Kern	Secretary
Mary Griffith	Director

**Administration**

Mary Griffith	Operator/System Manager
Steven Showers	Water Sampler
Billie Reagan	Monitor



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

Board of Directors  
Quemado Lake Water Association  
and  
Brian S. Colón, Esq.  
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, 2019. 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](http://www.osanm.org) under "Tier System Reporting Main Page".

#### **Findings**

The Association's revenue calculation and tier determination was agreed to the trial balance without exception. Total revenue was \$60,076 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.

### **Findings**

Bank accounts were complete and on-hand. Reconciliations were accurate. All quarterly financial reports were submitted to DFA. No exceptions were noted.

## **3. CAPITAL ASSETS**

### **Procedures**

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

### **Findings**

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.

### **Findings**

Revenue was analytically tested and met expectations without exception. 17 receipts totaling \$18,980 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).

### **Findings**

37 disbursements were tested, for a total of \$18,055. 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 tested that were subject to the state Per Diem and Mileage Act or 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.

### **Findings**

100% of the general journal entries posted during the year were tested. The entries tested were reasonable, had adequate support. The Association has established 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:

- 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.

### **Findings**

A budget was properly prepared and approved by the Association's Board of Directors and was properly certified by DFA-LGD. Actual expenses did not exceed budgeted amounts at the fund level, which is the legal level of budgetary control. 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.

### **Findings**

The agreed-upon procedures report was submitted to the Office of the State Auditor after the due date. See item 2019-001 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 Local Government Division 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  
July 6, 2020



**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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original Budget</u>	<u>Final Budget</u>		Favorable (Unfavorable)
<b>REVENUES:</b>				
Water sales	\$ 57,502	\$ 57,502	\$ 58,797	\$ 1,295
Connection fees	50	50	-	(50)
Other income	<u>1,025</u>	<u>1,025</u>	<u>1,279</u>	<u>254</u>
<b>Total revenues</b>	<u>\$ 58,577</u>	<u>\$ 58,577</u>	<u>\$ 60,076</u>	<u>\$ 1,499</u>
<b>EXPENDITURES:</b>				
Salaries	\$ 32,100	\$ 32,100	\$ 29,233	\$ 2,867
Employee benefits	300	300	-	300
Electricity	3,700	3,700	4,227	(527)
Other utilities	1,500	1,500	2,405	(905)
System parts and supplies	1,200	1,200	1,708	(508)
System repairs and maintenance	1,000	1,000	863	137
Vehicle expenses	1,000	1,000	1,247	(247)
Office and administrative	1,700	1,700	905	795
Professional fees	2,600	2,600	2,330	270
Insurance	7,120	7,120	5,629	1,491
Dues, fees, permits and licenses	400	400	484	(84)
Taxes	2,850	2,850	2,626	224
Training	2,125	2,125	2,793	(668)
Miscellaneous	<u>200</u>	<u>200</u>	<u>435</u>	<u>(235)</u>
<b>Total expenditures</b>	<u>\$ 57,795</u>	<u>\$ 57,795</u>	<u>\$ 54,885</u>	<u>\$ 2,910</u>

# **YEAR-END DFA REPORT**

**STATE OF NEW MEXICO**  
**QUEMADO LAKE WATER ASSOCIATION**  
 YEAR-END DFA REPORT  
 YEAR ENDED DECEMBER 31, 2019

**MDWCA Name:** Quemado Lake Water Association  
**Mailing Address:** HC 60 Box 201, 14 Escondido, Quemado, NM 87829  
**Email Address:** qlw@water7@allnet.com  
**Phone number:** 575-773-4976

**Calendar Year**  
**2019**

	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
<b>Beginning balances:</b>								
Cash	61,961							
Savings								
CDs								
Investments								
<b>Beginning Balance TOTAL</b>	<b>\$ 61,961</b>							
<b>REVENUES</b>								
Water Sales (Water Use Fees)	57,502	12,326	15,828	14,023	16,620	58,797	(1,295)	102%
Connection/Reconnection Charges	50					0	50	0%
Membership and Meter Sales (Utility Service Fees)	600					0	600	0%
Late Fees and Penalties (Other Fines and Forfeits)	100		34	35		69	31	69%
Gross Receipts Tax (Other State shared taxes)						0	0	-
Other Operating Revenue (miscellaneous - other)	325	67	46	46	1,051	1,210	(885)	372%
						0	0	
<b>TOTAL</b>	<b>\$ 58,577</b>	<b>\$ 12,393</b>	<b>\$ 15,908</b>	<b>\$ 14,104</b>	<b>17,671</b>	<b>60,076</b>	<b>(1,499)</b>	<b>103%</b>
<b>EXPENDITURES</b>								
Salaries - Operator, Bookkeeper, etc.	32,100	8,025	7,996	7,210	6,002	29,233	2,867	91%
Employee Benefits and Expenses	300					0	300	0%
Electricity	3,700	1,277	877	1,138	935	4,227	(527)	114%
Other Utilities - Gas, Water, Sewer, Telephone	1,500	900	504	413	588	2,405	(905)	160%
System Parts and Supplies	1,200	6	545	1,157		1,708	(508)	142%
System Repairs and Maintenance	1,000		424	0	439	863	137	86%
Vehicle Expenses	1,000	125	586	77	479	1,247	(247)	125%
Office and Administrative Expenses	1,700	149	405	169	182	905	795	53%
Professional Services - Accounting, Engineering, Legal	2,600		2,330			2,330	270	90%
Insurance	7,120			1,840	3,789	5,629	1,491	79%
Dues, Fees, Permits and Licenses	400	168	10	106	200	484	(84)	121%
Taxes - Gross Receipts Tax, Water Conservation Fee	2,850	773	640	638	575	2,626	224	92%
Training	2,125	675	1,425	453	240	2,793	(668)	131%
Miscellaneous	200	11	48	234	142	435	(235)	218%
Loans						0	0	
Annual debt service - Loan 1						0	0	-
Annual debt service - Loan 2						0	0	-
<b>TOTAL</b>	<b>\$ 57,795</b>	<b>12,109</b>	<b>15,770</b>	<b>13,434</b>	<b>13,571</b>	<b>54,884</b>	<b>2,911</b>	<b>95%</b>
<b>Ending Balance</b>	<b>4,166</b>					<b>67,152</b>		
LESS: Operating Reserve								
Emergency Reserve								
Capital Improvement Reserve								
Debt Reserve								
<b>Ending Available Cash Balance</b>	<b>\$ 4,166</b>					<b>\$ 67,152</b>		

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 T. Griffith/System Manager  
 President/Chairperson

1/4/2020  
 Date

**STATE OF NEW MEXICO**  
**QUEMADO LAKE WATER ASSOCIATION**  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2019

**Current Year Findings**

**2019-001 – Agreed-Upon Procedures Report Not Submitted by the Due Date (other noncompliance)**

*Condition:* The agreed-upon procedures and report was not completed and filed by the statutory due date of May 31, 2020.

*Criteria:* The State Audit Rule requires completion and submission of the report five months after year-end or May 31, 2020.

*Cause:* The independent public accountant (IPA) was not able to complete the agreed-upon procedures because of unexpected illness which required hospitalization during the timeframe that the report was due. The agency was not responsible for this noncompliance.

*Effect:* Legislators and other interested parties did not have timely information upon which to base decisions.

*Recommendation:* Because the fault does not lie with the agency, no recommendation to the agency will be forthcoming.

*Agency's Response:* The Board of Directors was timely informed that the audit report would be filed late. Because of the circumstances, the Board had no objection.

**STATE OF NEW MEXICO  
QUEMADO LAKE WATER ASSOCIATION  
STATUS OF PRIOR YEAR FINDINGS  
YEAR ENDED DECEMBER 31, 2019**

**Prior Year Finding**

**Current Year Status**

2018-001 Bank Reconciliations Not Timely

Resolved

2018-002 No Review or Approval of Journal Entries

Resolved

2018-003 Excess of Expenditures Over Authorized Budget

Resolved

**STATE OF NEW MEXICO**  
**QUEMADO LAKE WATER ASSOCIATION**  
EXIT CONFERENCE  
YEAR ENDED DECEMBER 31, 2019

The report contents were discussed at an exit conference held on July 13, 2020, with the following in attendance:

**QUEMADO LAKE WATER ASSOCIATION**

Mary Griffith	Director/Office Manager
Anne Bommarito	Treasurer

**James L. Hartogenesis, CPA LLC**

James Hartogenesis, CPA, CGFM	Principal
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