

STATE OF NEW MEXICO
CASAS ADOBES MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

Tier 4 of the Audit Act Report

Year Ended December 31, 2018

STATE OF NEW MEXICO
CASAS ADOBES MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Mimbres, New Mexico
Table of Contents

Official Roster	2
Agreed-Upon Procedures Report	3-6
Schedule of Revenues and Expenditures - Budget and Actual Operating Fund	7
Copy of Year-End Financial Report to DFA	8
Schedule of Findings and Responses	9-14
Exit Conference	15

STATE OF NEW MEXICO
CASAS ADOBES MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Mimbres, New Mexico
Official Roster

Frankie Benoist	President
Gaetano Siragusa	Vice President
Johnny Coburn	Member at Large
Nancy Ketchum	Secretary
Jerry Smith	Treasurer



INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

Frankie Benoist, President
and Members of the Board
Casas Adobes Mutual Domestic Water Consumers Association
and Brian Colon, New Mexico State Auditor

We have performed the procedures enumerated below, which were agreed to by Casas Adobes Mutual Domestic Water Consumers Association on performing an agreed-upon procedures engagement for Tier 4 of the Audit Act (Section 12-6-1 et seq., NMSA 1978) for the year ended December 31, 2018. The procedures were agreed to by the Association through the Office of the New Mexico State Auditor. The management of Casas Adobes Mutual Domestic Water Consumers Association is responsible for the company's accounting records. 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 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 Casas Adobes Mutual Domestic Water Consumers Association's 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 Casas Adobes Mutual Domestic Water Consumers Association falls under Tier 4.

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 Association has three bank accounts that consist of 1 operating checking account and 2 savings accounts. For the operating account, 1 monthly bank statement was missing a reconciliation. Of the remaining 11 monthly reconciliations, 9 months were not performed timely. The two savings accounts had quarterly statements available, however, none of the quarterly statements had been reconciled. (2017-001)

- 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 Association has three bank accounts that consist of 1 operating checking account and 2 savings accounts. None of the savings accounts were reconciled at any point during the year. The operating account reconciliations were accurate for all months tested. However, 3 of the 4 quarterly DFA financial reports submitted did not tie to the corresponding bank statements. (2017-002)

- 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 Association's deposits were properly collateralized as required by Section 6-10-17 NMSA 1978, NM Public Money Act.

3. Capital assets

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

The Association performed a yearly inventory as of December 31, 2018, however, the inventory list only contained items and quantities for spare parts inventory that are related to repair and maintenance. The inventory listing omitted capital assets owned by the Association. Additionally, the listing did not include cost information and depreciation values. (2017-006)

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.

Analytical review and test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed 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.

All supporting documentation was available and agreed to 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.

All supporting documentation was available and classification could be verified.

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 cancelled check, as appropriate.

Amounts recorded as disbursed agreed to supporting documentation. Amount paid, payee, date and description agree with the vendor's invoice, purchase order, contract and cancelled check as appropriate.

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

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 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

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)

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.

All journal entries tested appear reasonable and have supporting documentation.

- 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.

No exceptions noted.

7. Budget

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.

A review of the minutes and correspondence revealed that the original budget was approved by the Association board and DFA-LGD.

- b) Determine if the total actual expenditures exceed the final budget at the legal level of budgetary control; if so, report a compliance finding.

Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control.

- 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.

Schedules of revenues and expenditures – budget to actual, cash basis, were prepared for the general fund.

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 the required content per Section 2.2.2.10(l) (3) (C) NMAC.

Noncompliance issues for a late AUP report and inaccurate revenue balances reported were identified.

The Association's AUP reports are to be submitted to the State Auditor by May 31 as required by NMAC 2.2.2.16G(a). (2017-003)

Year-end revenue recorded in the general ledger was \$3,500 less than amounts reported to DFA in the 4th quarterly report. (2017-004)

No other information indicating any fraud, illegal acts, or any internal control deficiencies were identified.

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 accounting records. 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 Casas Adobes Mutual Domestic Water Consumers Association, the New Mexico State Auditor's Office, 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 those specified parties.



Beasley, Mitchell & Co., LLP

Las Cruces, New Mexico

July 31, 2019

CASAS ADOBES MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (CASH BASIS)
OPERATING FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Water sales (water use fees)	\$ 79,900	\$ 79,900	\$ 75,875	\$ (4,025)
Connection/reconnection charges	3,000	3,000	1,550	(1,450)
Membership and meter sales (utility service fees)	8,000	8,000	12,405	4,405
Late fees and penalties (other fines and forfeits)	750	750	672	(78)
Gross receipts tax(other state shared taxes)	5,900	5,900	5,018	(882)
Other operating revenue (miscellaneous - other)		-	93	93
Total revenues	97,550	97,550	95,613	(1,937)
Expenditures				
Salaries	32,140	32,140	30,600	1,540
Employee benefits and expenses	-	-	2,109	(2,109)
Electricity	9,000	9,000	4,015	4,985
Other utilities	2,000	2,000	1,777	223
System parts and supplies	8,000	8,000	8,303	(303)
System repairs and maintenance	17,500	17,500	24,945	(7,445)
Vehicle expenses	-	-	-	-
Office and administrative expenses	6,600	6,600	9,993	(3,393)
Professional service	8,500	8,500	10,163	(1,663)
Insurance	3,200	3,200	958	2,242
Dues, fees, permits and licenses	2,700	2,700	398	2,302
Taxes - GRT, water conservative fee	6,900	6,900	5,510	1,390
Training	1,000	1,000	230	770
Miscellaneous	-	-	-	-
Annual debt service loan	1,920	1,920	-	1,920
Total expenditures	99,460	99,460	99,001	459
Excess revenues over expenditures			\$ (3,388)	\$ (2,396)

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

Casas Adobes Mutual Domestic Water Consumers Association
 PO Box 571, Mimbres, NM 88049
 camdwcaoffice@gmail.com
 575-536-9340

Calendar Year
2018

	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	28,779							
Savings	21,500							
CDs								
Investments								
Beginning Balance TOTAL	\$ 50,279							
REVENUES								
Water Sales (Water Use Fees)	79,900	16,673	19,723	20,909	18,570	75,875	4,025	95%
Connection/Reconnection Charges	3,000		1,500	50		1,550	1,450	52%
Membership and Meter Sales (Utility Service Fees)	8,000	2,795	3,550	4,100	1,960	12,405	(4,405)	155%
Late Fees and Penalties (Other Fines and Forfeits)	750	93	192	189	198	672	78	90%
Gross Receipts Tax (Other State shared taxes)	5,900	1,092	1,422	1,296	1,208	5,018	882	85%
Other Operating Revenue (miscellaneous - other)			30	32	3,531	3,593	(3,593)	-
TOTAL	\$ 97,550	20,653	26,417	26,576	25,467	99,113	(1,563)	102%
EXPENDITURES								
Salaries - Operator, Bookkeeper, etc.	32,140	7,281	6,814	7,452	9,053	30,600	1,540	95%
Employee Benefits and Expenses			720	629	760	2,109	(2,109)	-
Electricity	9,000	1,108	1,352	1,324	231	4,015	4,985	45%
Other Utilities - Gas, Water, Sewer, Telephone	2,000	285	431	506	555	1,777	223	89%
System Parts and Supplies	8,000	584	2,308	1,881	3,530	8,303	(303)	104%
System Repairs and Maintenance	17,500	2,641	11,987	5,457	4,860	24,945	(7,445)	143%
Vehicle Expenses						0	0	-
Office and Administrative Expenses	6,600	2,825	5,003	933	1,232	9,993	(3,393)	151%
Professional Services - Accounting, Engineering, Legal	8,500	6,232	625		4,245	11,102	(2,602)	131%
Insurance	3,200	958				958	2,242	30%
Dues, Fees, Permits and Licenses	2,700	198		200		398	2,302	15%
Taxes - Gross Receipts Tax, Water Conservation Fee	6,900	975	1,527	1,477	1,530	5,509	1,391	80%
Training	1,000	230				230	770	23%
Miscellaneous		3,214	716	(4,868)		(938)	938	-
Loans								
Annual debt service - Loan 1	1,920					0	1,920	0%
Annual debt service - Loan 2						0	0	-
TOTAL	\$ 99,460	26,531	31,483	14,991	25,996	99,001	459	100%
Ending Balance	48,369					50,392		
LESS: Operating Reserve								
Emergency Reserve	10,037					10,037		
Capital Improvement Reserve	15,056					15,056		
Debt Reserve								
Ending Available Cash Balance	\$ 23,276					\$ 25,299		

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.

 President/Chairperson

 Date

1/9/19

STATE OF NEW MEXICO
Casas Adobes Mutual Domestic Water Consumers Association
Schedule of Findings and Responses
Year ended December 31, 2018

STATUS OF PRIOR YEAR FINDINGS

2017-001	Untimely preparation and variances in bank reconciliations – Material Weakness	Revised and Repeated
2017-002	Differences in the cash balances submitted to DFA - Material Weakness	Revised and Repeated
2017-003	Late AUP Report – Significant Deficiency	Revised and Repeated
2017-004	Year to date total revenue and expenses amount do not tie to DFA reports – Significant Deficiency	Revised and Repeated
2017-005	Lack of Supporting documents for Revenue – Material Weakness	Resolved
2017-006	Annual inventory not performed as required – Material Weakness	Revised and Repeated

CURRENT YEAR FINDINGS

No new findings

STATE OF NEW MEXICO
Casas Adobes Mutual Domestic Water Consumers Association
Schedule of Findings and Responses
Year ended December 31, 2018

Missing and untimely preparation of bank reconciliations (2017-001) – material weakness

Condition: The Association has three bank accounts that consist of 1 operating checking account and 2 savings accounts. For the operating account, 1 monthly bank statement was missing a reconciliation. Of the remaining 11 monthly reconciliations, 9 months were not performed timely. The two savings accounts all had quarterly statements available, however, none of the quarterly statements had been reconciled.

There has not been any progress made from prior year.

Criteria: Per Section 6-6-3 NMSA 1978, every local public body shall:

- 1) Keep all the books, records, and accounts in their respective offices in the form prescribed by the local government division;
- 2) Make all reports as may be required by the local government division; and
- 3) Conform to the rules and regulations adopted by the local government division.

Within Title 2, Chapter 20, Part 5, Public Finance Accounting by Governmental Entities of the New Mexico Administrative Code, The Department of Finance and Administration requires all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately.

Cause: The Association was not aware of this requirement until the submission of the AUP report for the year ended December 31, 2017 and was unable to implement before the year end.

Effect: Incomplete and untimely preparation of bank reconciliations could lead to errors on cash balances.

Recommendation: The Association should make sure bank reconciliations are performed by the end of the following month for checking accounts and at least quarterly for savings accounts.

Response: The Association will ensure bank statements are obtained on time and bank reconciliations are performed timely.

Expected Completion Date: 12/31/2019

Employee Responsible: Treasurer

STATE OF NEW MEXICO
Casas Adobes Mutual Domestic Water Consumers Association
Schedule of Findings and Responses
Year ended December 31, 2018

Differences in the cash balances submitted to DFA (2017-002) - Material Weakness

Condition: The Association submitted a complete quarterly financial report to Department of Finance and Administration (DFA) for all quarters of the fiscal year 2018. Cash balances submitted in the DFA report to DFA were incorrect for a total of three out of the four quarters reported.

There has been minimal progress toward resolving this finding from prior year. The fourth quarter DFA report for 2018 cash balance was accurately reported.

Criteria: Per Section 6-6-3 NMSA 1978, every local public body shall:

- 1) Keep all the books, records, and accounts in their respective offices in the form prescribed by the local government division;
- 2) Make all reports as may be required by the local government division; and
- 3) Conform to the rules and regulations adopted by the local government division.

Within Title 2, Chapter 20, Part 5, Public Finance Accounting by Governmental Entities of the New Mexico Administrative Code, The Department of Finance and Administration requires all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately.

Cause: Lack of oversight in reporting.

Effect: Cash balances of the Association were inaccurately submitted to DFA.

Recommendation: The Association should make sure the cash balance reported in the DFA report, and bank reconciliation matches with the cash general ledger.

Response: The Association will ensure that the cash balances reported in the DFA report, and bank reconciliation matches with the cash general ledger.

Expected Completion Date: 12/31/2019

Employee Responsible: Treasurer

STATE OF NEW MEXICO
Casas Adobes Mutual Domestic Water Consumers Association
Schedule of Findings and Responses
Year ended December 31, 2018

Late AUP Report (2017-003) – Significant Deficiency

Condition: The AUP report was not submitted to the Office of the State Auditor by the May 31 deadline.

There has not been any progress made from prior year.

Criteria: The Association's AUP reports are to be submitted to the State Auditor by May 31 as required by NMAC 2.2.2.16G(1).

Cause: The Association contracted for an IPA late, resulting in late AUP report submission to the Office of the State Auditor.

Effect: Those relying on the financial statements including but not limited to the NM Department of Finance and Administration (DFA) and Local Government Division (LGD) did not have an AUP report to facilitate their oversight function.

Recommendation: We recommend for the Association contract with an IPA prior to the AUP due date of the next upcoming AUP engagement.

Response: Management will contract earlier in the closing of the current fiscal year.

Expected Completion Date: 12/31/2019

Employee Responsible: Treasurer

STATE OF NEW MEXICO
Casas Adobes Mutual Domestic Water Consumers Association
Schedule of Findings and Responses
Year ended December 31, 2018

Year to date total revenues do not tie to DFA reports (2017-004) – Significant Deficiency

Condition: Revenues in the general ledger are off by from the amounts reported to DFA by \$3,500.

There has not been any progress made from prior year.

Criteria: DFA requires accurate reporting in financial reports.

Cause: Lack of oversight.

Effect: Inaccurate revenue balances were submitted to DFA.

Recommendation: We recommend that the Association ensure that revenues submitted to DFA tie to the Association's general ledger.

Response: The Association will work on reconciling and correcting amounts reported.

Expected Completion Date: 12/31/2019

Employee Responsible: Treasurer

STATE OF NEW MEXICO
Casas Adobes Mutual Domestic Water Consumers Association
Schedule of Findings and Responses
Year ended December 31, 2018

Annual inventory not performed (2017-006) – Material Weakness

Condition: The Association performed a yearly inventory as of December 31, 2018, however, the inventory list only contained items and quantities for spare parts inventory that are related to repair and maintenance. The inventory listing omitted capital assets owned by the Association. Additionally, the listing did not include cost information and depreciation values.

There has been minimal progress toward resolving this finding from prior year.

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

Cause: The Association was not aware of this requirement until the submission of the AUP report for the year ended December 31, 2017 and was unable to implement before the year end.

Effect: Lack of a complete yearly inventory could result in inventory inconsistencies.

Recommendation: The Association should ensure that a complete yearly inventory is performed.

Response: The Association will perform a yearly inventory.

Expected Completion Date: 12/31/2019

Employee Responsible: Treasurer

STATE OF NEW MEXICO
Casas Adobes Mutual Domestic Water Consumers Association
Schedule of Findings and Responses
Year ended December 31, 2018

EXIT CONFERENCE

An exit conference was held on July 2, 2019 with Frankie Benoist, President and Jerry Smith, Treasurer. Representing Beasley, Mitchell & Co., LLP was Ashley Tierney, Staff II Auditor.