

STATE OF NEW MEXICO  
CASAS ADOBES MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

Tier 4 of the Audit Act Report

Year Ended December 31, 2017

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

Robert Livingston	President
Gaetano Siragusa	Vice President
Susie Siedentop	Member at Large
Frankie Benoist	Secretary
Jerry Smith	Treasurer



INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES

Robert Livingston, President  
and Members of the Board  
Casas Adobes Mutual Domestic Water Consumers Association  
and Wayne Johnson, 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, 2017. 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](http://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](http://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 one bank account. Bank statements and reconciliations could be located for each month of the fiscal year 2017. Bank reconciliations for eight out of twelve months were not completed in a timely manner. (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 one bank account. Reconciliations for eleven months were not accurate. The Association submitted a complete quarterly financial report to Department of Finance and Administration (DFA) for all four quarters of the fiscal year 2017. Cash balances submitted in the DFA reports were incorrect for all four quarters reported. (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 provided a list of inventory as of December 31, 2017 but did not perform a yearly inventory as required by Section 12-6-10 NMSA 1978. (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.

Supporting documents could not be located for the revenue samples selected. The amounts of revenue from the general ledger could not be verified on the bank statements. (2017-005)

- 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.

Supporting documents could not be located for the revenue samples selected. Consequently, proper recording of classification could not be verified. (2017-005)

## 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.

The Association uses Quick Books to record transactions on a cash basis, no journal entries were prepared.

- 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.

The Association uses Quick Books to record transactions on a cash basis, no journal entries were prepared.

## 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 late AUP report and inaccurate revenue and expense reported balances 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 (1). (2017-003)

Year-end revenue recorded in the general ledger were \$21,917 less than amounts reported to DFA. Year-end expenses in general ledger were \$827 more than the amounts reported to DFA. (2017-004)

No other information indicating any fraud, illegal acts, or any internal control deficiencies was 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 audit 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

October 31, 2018

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, 2017

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues</b>				
Water sales (water use fees)	\$ 74,400	\$ 74,400	\$ 72,523	\$ (1,877)
Connection/reconnection charges	1,700	1,700	2,300	600
Membership and meter sales (utility service fees)	9,600	9,600		(9,600)
Late fees and penalties (other fines and forfeits)	360	360	657	297
Gross receipts tax(other state shared taxes)	4,906	4,906	5,261	355
Other operating revenue (miscellaneous - other)		-		-
<b>Total revenues</b>	<b>90,966</b>	<b>90,966</b>	<b>80,741</b>	<b>(10,225)</b>
<b>Expenditures</b>				
Salaries	22,800	22,800	23,674	(874)
Employee benefits and expenses	-	-	-	-
Electricity	9,000	9,000	7,899	1,101
Other utilities	120	120	109	11
System parts and supplies	7,960	7,960	-	7,960
System repairs and maintenance	18,000	18,000	17,331	669
Vehicle expenses	-	-	-	-
Office and administrative expenses	8,800	8,800	4,890	3,910
Professional service	3,000	3,000	7,767	(4,767)
Insurance	2,750	2,750	3,952	(1,202)
Dues, fees, permits and licenses	2,717	2,717	1,239	1,478
Taxes - GRT, water conservative fee	3,750	3,750	4,783	(1,033)
Training	1,000	1,000	113	887
Miscellaneous- property tax	920	920	68	852
Annual debt service loan	10,000	10,000	-	10,000
<b>Total expenditures</b>	<b>90,817</b>	<b>90,817</b>	<b>71,825</b>	<b>18,992</b>
<b>Excess revenues over expenditures</b>			<b>\$ 8,916</b>	<b>\$ (29,217)</b>



INSTRUCTIONS: Cells in which are meant to be filled out are explained below. All other columns are locked and not meant to be filled out.

Fill out the Approved Budget, 1st Qtr, 2nd Qtr, 3rd Qtr, 4th Qtr columns.

Fill out Cash, Savings, CDs, Investments under the "Approved Budget" column with APPROVED BUDGET at beginning of yr. THESE AMOUNTS DO NOT CHANGE THROUGHOUT THE YEAR.

Fill out Reserves (if reserve amounts change throughout the year under the "Year to Date(YTD) Totals" column.

**MDWCA Name:** Casas Adobes Mutual Domestic Water Consumers Association  
**Mailing Address:** PO Box 571, Mimbres, NM 88049  
**Email Address:** camdwcaoffice@gmail.com  
**Phone number:** 575-654-3557

**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
<b>Beginning balances:</b>								
<b>Cash</b>	18,619							
<b>Savings</b>								
<b>CDs</b>								
<b>Investments</b>								
<b>Beginning Balance TOTAL</b>	<b>\$ 18,619</b>							
<b>REVENUES</b>								
Water Sales (Water Use Fees)	74,400	14,291	21,839	21,373	18,531	78,034	(1,634)	102%
Connection/Reconnection Charges	1,700	0	1,200	3,045	100	4,345	(2,645)	256%
Membership and Meter Sales (Utility Service Fees)	9,600	6,490	6,245	1,395	2,503	16,633	(7,033)	173%
Late Fees and Penalties (Other Fines and Forfeits)	360	0	75	0	582	657	(297)	183%
Gross Receipts Tax (Other State shared taxes)	4,906	1,017	1,433	1,412	976	4,838	68	99%
Other Operating Revenue (miscellaneous - other)	0	0	150	0		150	(150)	-
<b>TOTAL</b>	<b>\$ 90,966</b>	<b>21,798</b>	<b>30,943</b>	<b>27,225</b>	<b>22,692</b>	<b>102,658</b>	<b>(11,692)</b>	<b>113%</b>
<b>EXPENDITURES</b>								
Salaries - Operator, Bookkeeper, etc.	22,800	5,805	6,020	8,804	3,045	23,674	(874)	104%
Employee Benefits and Expenses	-00	0	0	0	0	0	0	-
Electricity	9,000	1,600	1,847	2,235	2,177	7,859	1,141	87%
Other Utilities - Gas, Water, Sewer, Telephone	120	40	0	0	0	40	80	33%
System Parts and Supplies	7,960	562	3,340	2,741	568	7,211	749	91%
System Repairs and Maintenance	18,000	1,640	2,577	0	5,012	9,429	8,571	52%
Vehicle Expenses	-00	0	85	0	0	85	(85)	-
Office and Administrative Expenses	8,800	370	2,393	745	408	3,916	4,884	45%
Professional Services - Accounting, Engineering, Legal	3,000	125	290	500	6,852	7,767	(4,767)	259%
Insurance	2,750	1,269	823	621	1,239	3,952	(1,202)	144%
Dues, Fees, Permits and Licenses	2,717	11	861	200	0	1,072	1,645	39%
Taxes - Gross Receipts Tax, Water Conservation Fee	3,750	1,017	1,646	1,412	1,621	5,696	(1,946)	152%
Training	1,000	56	113	0	0	169	831	17%
Miscellaneous	920	0	126	0	0	126	794	14%
Annual debt service - Loan 1	10,000	0	0	0	0	0	10,000	0%
Annual debt service - Loan 2	0	0	0	0	0	0	0	-
<b>TOTAL</b>	<b>\$ 90,817</b>	<b>12,695</b>	<b>20,123</b>	<b>17,258</b>	<b>20,922</b>	<b>70,998</b>	<b>19,819</b>	<b>78%</b>
<b>Ending Balance</b>	<b>18,768</b>					<b>50,279</b>		
<b>LESS: Operating Reserve</b>								
Emergency Reserve	7,500					10,000		
Capital Improvement Reserve	7,500					11,500		
Debt Reserve								
<b>Ending Available Cash Balance</b>	<b>\$ 3,768</b>					<b>\$ 28,779</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.

*Robert W. Livingston*  
 President/Chairperson

*1/18/18*  
 Date

STATE OF NEW MEXICO  
Casas Adobes Mutual Domestic Water Consumers Association  
Schedule of Findings and Responses  
Year ended December 31, 2017

**STATUS OF PRIOR YEAR FINDINGS**

No reporting requirement in prior years.

**CURRENT YEAR FINDINGS**

(2017-001) Untimely preparation and variances in bank reconciliations – Material Weakness

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

(2017-003) Late AUP Report – Significant Deficiency

(2017-004) Year to date total revenue and expenses amount do not tie to DFA reports– Significant Deficiency

(2017-005) Lack of Supporting documents for Revenue – Material Weakness

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

STATE OF NEW MEXICO  
Casas Adobes Mutual Domestic Water Consumers Association  
Schedule of Findings and Responses  
Year ended December 31, 2017

**Untimely preparation and variances in bank reconciliations (2017-001) – material weakness**

**Condition:** The Association has one bank account. Bank reconciliations for eight out of twelve months were not completed in a timely manner. Reconciliations for eleven months were not accurate.

**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:** Change of management.

**Effect:** 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.

**Response:** The Association will ensure bank statements are obtained on time and bank reconciliations are performed by the end of the following month.

**Expected Completion Date:** 12/31/2018 **Employee Responsible:** Treasurer

STATE OF NEW MEXICO  
Casas Adobes Mutual Domestic Water Consumers Association  
Schedule of Findings and Responses  
Year ended December 31, 2017

**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 four quarters of the fiscal year 2017. Cash balances submitted in the DFA report to DFA were incorrect for all four quarters 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:** There was an oversight because of the change in accounting software and change of management in fiscal year 2017.

**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:** 12/31/2018 **Employee Responsible:** Treasurer

STATE OF NEW MEXICO  
Casas Adobes Mutual Domestic Water Consumers Association  
Schedule of Findings and Responses  
Year ended December 31, 2017

**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.

**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 could not find an IPA who could complete their engagement. Hence the Association could not contract an IPA for its AUP engagement by May 31 deadline, 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 to catch up on fiscal year 2018 AUP engagement prior to the due date of the next upcoming AUP engagement.

**Response:** Management has contracted accounting firm to assist the Association in catching up.

**Expected Completion Date:** 12/31/2018 **Employee Responsible:** Treasurer

STATE OF NEW MEXICO  
Casas Adobes Mutual Domestic Water Consumers Association  
Schedule of Findings and Responses  
Year ended December 31, 2017

**Year to date total revenue and expenses amount do not tie to DFA reports (2017-004) –  
Significant Deficiency**

**Condition:** Year-end revenues in the general ledger were \$21,917 less than amounts reported to DFA. Year-end expenses in general ledger were \$827 more than the amounts reported to DFA.

**Criteria:** 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:** Change of management, lack of oversight.

**Effect:** Inaccurate revenue and expense balances were submitted to DFA.

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

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

**Expected Completion Date:** 12/31/2018 **Employee Responsible:** Treasurer

STATE OF NEW MEXICO  
Casas Adobes Mutual Domestic Water Consumers Association  
Schedule of Findings and Responses  
Year ended December 31, 2017

**Lack of supporting documents for Revenue (2017-005) – Material Weakness**

**Condition:** Supporting documentation could not be located for 10 out of 10 revenue samples selected. The revenue transactions booked in the general ledger could not be matched up to the deposits made, since deposits are made in a lump sum and supporting documentation of the break out was unavailable. Consequently, proper recording for general ledger revenue classification could not be verified.

**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

**Cause:** The Association was not aware of this requirements and change of management.

**Effect:** Lack of supporting documentation could result in improper revenue recording.

**Recommendation:** The Association should begin keeping supporting documents for all the revenue.

**Response:** The Association will keep supporting documentation for all revenues.

**Expected Completion Date:** 12/31/2018 **Employee Responsible:** Treasurer

STATE OF NEW MEXICO  
Casas Adobes Mutual Domestic Water Consumers Association  
Schedule of Findings and Responses  
Year ended December 31, 2017

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

**Condition:** The Association did not have an existing inventory list and inventory had not been performed during the 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.

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

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

**Response:** The Association will perform a yearly inventory.

**Expected Completion Date:** 12/31/2018 **Employee Responsible:** Treasurer



STATE OF NEW MEXICO  
Casas Adobes Mutual Domestic Water Consumers Association  
Schedule of Findings and Responses  
Year ended December 31, 2017

**EXIT CONFERENCE**

An exit conference was held on September 27, 2018 with Robert Livingston, President and Jerry Smith, Treasurer. Representing Beasley, Mitchell & Co., LLP were Avi Chetry, Senior Auditor and Ashley Tierney, Staff II Auditor.