

Accounting & Auditing Services, LLC

Financial Audits + Agreed Upon Procedures + Tax + Consulting

Oshara Mutual Domestic Wastewater Association

Independent Accountant's Report on Applying Tier 4 Agreed-Upon Procedures

For the Fiscal Year Ended December 31, 2024

**Oshara Mutual Domestic Wastewater Association
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For the Fiscal Year Ended December 31, 2024**

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**Oshara Mutual Domestic Wastewater Association
Official Roster
December 31, 2024**

Board of Directors

Robert Detwiler, President

George Brown, Vice President

Stephen Rivas, Secretary/Treasurer

Ed Greco, Board Member

Beth Detwiler, Board Member

Independent Accountant's Report on Applying Tier 4 Agreed-Upon Procedures

Board of Directors
Oshara Mutual Domestic Wastewater Association
Santa Fe, NM
and
Joseph M. Maestas, P.E., CFE, New Mexico State Auditor
Santa Fe, NM

We have performed the procedures enumerated below for the Oshara Mutual Domestic Wastewater (Association) solely to assist users in understanding the Association's accounting and financial reporting related to its cash, capital assets, revenues, expenditures, journal entries, annual budget and compliance with Section 12-6-3.B (4) NMSA 1978 and Section 2.2.2.16 NMAC for the fiscal year ended December 31, 2024. Management of the Association, including the Board of Directors, is responsible for the subject matter noted above.

Management of the Association has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of complying with Section 12-6-3.B (4) NMSA 1978 and Section 2.2.2.16 NMAC, and assisting users in understanding the accounting and financial reporting related to the subject matter noted above. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves the practitioner performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and the associated findings are as follows:

1. Verify the local public body's revenue calculation and tier determination documented on the form provided at the State Auditor's website - Tiered System Reporting.

Based on the Association's Profit and Loss Statement, total revenues for the fiscal year ended December 31, 2024 were \$135,061. Based on this information, the Association was properly determined to be a Tier 4 agency for 2024 since their total revenues were between \$50,000 and \$250,000 and they did not receive or expend a capital outlay appropriation from the New Mexico State Legislature in 2024.

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.

As of December 31, 2024, the Association has one checking account at the New Mexico Bank & Trust. The Association did not have any investment accounts. All of the bank statements for the fiscal year were complete and on hand, and the monthly bank reconciliations were performed in a timely manner.

- 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 (DFA-LGD).

33% of the bank reconciliations were tested for accuracy. The selected bank reconciliations were accurate, and the ending balances on the bank reconciliations agreed with the Association's general ledger, supporting documentation and 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.

The bank account balances of the Association were fully insured by the FDIC. Pledged collateral was not required from the bank since the Association's bank balances were below \$250,000 during the fiscal year.

3. Capital Assets

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

The President of the Association performed the annual capital asset inventory on December 31, 2024. However, the inventory report was not approved and certified by the Board of Directors in a board meeting as required by state law. See Finding 2024-001 on p. 10.

4. Revenue

- a. Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation. Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

The revenue sources of the Association consist of monthly residential and commercial sewer fees, hookup fees, late fees, lien fees, and transfers fees.

The actual revenue compared to budgeted revenue for each type of revenue was reviewed. According to the Association's general ledger, actual revenues were \$5,143 less than budgeted revenues in 2024. The Association's bookkeeper stated that an escrow company sent \$6,608 of

payments made by a customer (Habitat for Humanity) for the 4th quarter to the homeowner's association instead of Oshara Mutual Domestic Wastewater Association. The payment error wasn't corrected until February 2025. The explanation for the revenue variance is reasonable.

- b. Select a sample of revenue equal to at least 30% of the total dollar amount and test the following attributes:
 - i. Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.

A sample of cash receipts and deposits was judgmentally selected and tested which amounted to approximately 31% of total revenues. The amount recorded in the general ledger agreed with the supporting documentation and the bank statement.

- ii. 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, modified accrual or accrual basis.

The cash receipts tested were properly classified and recorded in the general ledger on the cash basis of accounting.

5. Expenditures

- a. Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test the following attributes:
 - i. Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to vendor's invoice, purchase order, contract and canceled check, as appropriate.

A sample of cash disbursements were tested which amounted to approximately 31% of total expenditures. The amounts recorded as disbursed agreed with the supporting documentation. The amount, payee, date and description of the purchase agreed with the vendor's invoice, contract and canceled check. The Association does not use purchase order forms.

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

The cash disbursements tested were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

- iii. 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), State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

None of the cash disbursements tested exceeded the amounts requiring sealed bids or requests for proposals. The cash disbursements tested were processed in accordance with applicable provisions of the State Procurement Code, State Purchasing Regulations and the Per Diem and Mileage Act.

6. Journal Entries

- a. Test all non-routine journal entries, adjustments and reclassifications posted to the general ledger for the following attributes:

- i. Journal entries appear reasonable and have supporting documentation.

According to the Association's bookkeeper, no non-routine journal entries, adjustments and reclassifications posted were to the general ledger in 2024.

- ii. The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

The Association does not have a procedure in place for the review of non-routine journal entries, adjustments and reclassifications that are posted to the general ledger. See Finding 2024-002 on p 11.

7. Budget

- a. Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following test work:

- i. 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.

The Association's Board of Directors adopted a formal budget during a board meeting on January 24, 2024 (Resolution No. 19) which was approved by DFA-LGD in a letter to the Association dated March 20, 2024. The Association's Board of Directors amended their original budget on July 17, 2024 (Resolution No. 20) and October 16, 2024 (Resolution No. 21). The budget adjustments were approved by DFA-LGD.

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

According to the Association's Profit and Loss Statement, actual expenditures for 2024 were \$13,002 less than budgeted expenditures. Total expenditures for 2024 did not exceed the final approved budget at the total fund level. Therefore, a compliance finding was not applicable.

- iii. 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, modified accrual or accrual basis) for each individual fund.

Based on the Association's general ledger, the Schedule of Revenues and Expenditures was prepared on the cash basis of accounting. See the schedule on p. 9.

8. Other

- a. 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)(1)(d) NMAC.

No indications of fraud, illegal acts, other noncompliance, or any internal control deficiencies were noted during the performance of the agreed-upon procedures.

We were engaged by management of the Association to perform this agreed-upon procedures engagement and conducted our engagement in accordance with the attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the subject matter detailed above. 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.

We are required to be independent of the Association and its management, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of management of the Association, the New Mexico Office of the State Auditor, the New Mexico Department of Finance and Administration – Local Government Division, and the New Mexico State Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

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Santa Fe, New Mexico

March 5, 2025

Oshara Mutual Domestic Wastewater Association
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP Cash Basis)
For the Fiscal Year Ended December 31, 2024

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Residential/Commercial & Standby Fees	\$ 140,204	\$ 140,204	\$ 131,404	\$ (8,800)
Hookup Fees	-	-	1,680	1,680
Late Fees	-	-	142	142
Lien Fees	-	-	50	50
Transfer Fees	-	-	1,785	1,785
Total Revenues	<u>\$ 140,204</u>	<u>\$ 140,204</u>	<u>\$ 135,061</u>	<u>\$ (5,143)</u>
Cash Balance Budgeted	-	17,172		
Total Revenues and Cash Balance	<u>\$ 140,204</u>	<u>\$ 157,376</u>		
Expenditures:				
Administration & Operations	\$ 26,000	\$ 26,000	\$ 28,934	\$ (2,934)
Chemicals	12,400	12,400	12,909	(509)
WWTP Operations Contract	47,000	47,000	45,529	1,471
Facility Utilities	18,300	18,300	16,857	1,443
Regulatory	9,000	19,000	12,222	6,778
Sludge/Solids Removal	2,000	2,000	1,725	275
Repairs and Replacements	15,000	26,000	19,898	6,102
Gross Receipts Tax	6,676	6,676	6,301	375
Total Expenditures	<u>\$ 136,376</u>	<u>\$ 157,376</u>	<u>\$ 144,374</u>	<u>\$ 13,002</u>

**Oshara Mutual Domestic Wastewater Association
Schedule of Findings and Responses
For the Fiscal Year Ended December 31, 2024**

Status of Prior Year Findings

Finding 2023-001. Actual Expenditures Exceeded Budgeted Expenditure – Resolved.

Current Year Findings

Finding 2024-001 – Uncertified Capital Asset Inventory at Fiscal Year-End (Other Non-Compliance)

Condition

For the fiscal year ended December 31, 2024, the President of the Association certified that he performed a physical inventory of the Association’s capital assets. However, the results of the physical inventory were not certified by the Association’s Board of Directors.

Criteria

Section 12-6-10.A NMSA 1978 states: “Annual Inventory. The governing authority of each agency shall, at the end of each fiscal year, conduct a physical inventory of movable chattels and equipment costing more than five thousand dollars (\$5,000) and under the control of the governing authority. Upon completion, the inventory shall be certified by the governing authority as to correctness.”

Effect

The Association is not in compliance with state law. The Board of Directors may not know about the results of the annual inventory unless they review, approve and certify the results of the inventory.

Cause

A board member of the Association stated that board certification has never been part of their routine for the annual review of a year's asset inventory.

Recommendation

At the end of each fiscal year, management of the Association should perform and document a physical inventory of its capital assets in accordance with Section 12-6-10.A NMSA 1978. For each capital asset, the description of the asset, date acquired, cost, location, useful life, and ending balance of its capital assets should be recorded on a capital asset listing. The results of the inventory shall be recorded in a written inventory report, certified as to correctness and approved by the Association’s Board of Directors at the next board meeting.

**Oshara Mutual Domestic Wastewater Association
Schedule of Findings and Responses
For the Fiscal Year Ended December 31, 2024**

Management's Response

In March 2025, a board member prepared a certification document for use starting in 2025 requiring signatures of all board members that will be approved by the Board on 3/19/2025. The current President will perform the annual inventory at the end of each year starting on December 31, 2025 and will present the inventory report to the Board of Directors during the January 2026 board meeting. The Board approval of the new certification document and future approvals and certifications of capital asset inventories will be documented in the meeting minutes.

Finding 2024-002. No Review Procedure for Non-Routine Journal Entries (Other Matter)

Condition

The Association does not have a procedure in place requiring management to review and approve all non-routine journal entries, adjustments and reclassifications that are posted to their general ledger.

Criteria

For proper internal control over the account balances and financial statements, written documentation and evidence of review and approval should be maintained for all non-routine journal entries, adjustments and reclassifications that are posted to the Association's general ledger.

Effect

Inaccurate or unauthorized adjustments to the general ledger could go undetected by management. An embezzlement scheme could occur and go undetected without the review and approval of non-routine journal entries to the general ledger.

Cause

Management of the Association was unaware of the importance to establish a policy and procedures to review and approve non-standard journal entries, adjustments and reclassifications that are posted to their general ledger.

Recommendation

The Board of Directors should develop and implement a written policy and procedure requiring management to review and approve all non-routine journal entries, adjusting journal entries and reclassifications that are posted to the accounting system and general ledger by the bookkeeper. The policy and procedure should require its bookkeeper to maintain written documentation and explanations to support all non-routine journal entries, adjusting journal entries and reclassifications.

**Oshara Mutual Domestic Wastewater Association
Schedule of Findings and Responses
For the Fiscal Year Ended December 31, 2024**

Management's Response

In March 2025, a policy for review of non-routine journal entries, adjustments and reclassifications was developed by a board member that will be approved by the Board of Directors on 3/19/2025. This approval and future implementation of the policy by the Treasurer will be documented in the board meeting minutes.

**Oshara Mutual Domestic Wastewater Association
Exit Conference
For the Fiscal Year Ended December 31, 2024**

On March 5, 2025, the following officials held an exit conference and discussed the results of the agreed upon procedures and the contents of this report:

Oshara Mutual Domestic Wastewater Association

Ed Greco, Current President
Beth Detwiler, Board Member

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, Audit Manager