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STATE OF NEW MEXICO

**CAÑON MUTUAL DOMESTIC
WATER CONSUMERS AND
SEWAGE WORKS ASSOCIATION**

Independent Accountants' Report on Applying
Agreed-Upon Procedures

Year Ended December 31, 2013

STATE OF NEW MEXICO

**CAÑON MUTUAL DOMESTIC
WATER CONSUMERS AND
SEWAGE WORKS ASSOCIATION**

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AND SEWAGE WORKS ASSOCIATION**

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**STATE OF NEW MEXICO
CAÑON MUTUAL DOMESTIC WATER CONSUMERS
AND SEWAGE WORKS ASSOCIATION**

**Official Roster
at December 31, 2013**

<u>Name</u>	<u>Title</u>
<u>Board of Directors</u>	
Esther Smedley	President
Jon Bull	Vice-President
Frances Strain	Secretary
Sally Lucero	Treasurer
Bonne Taylor	Member
<u>Staff</u>	
Roy Spencer	Water Operator
Diane Nunez	Bookkeeper



Macias, Gutierrez
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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To: Esther Smedley, President
Cañon Mutual Domestic Water Consumers and Sewage Works Association
and
Honorable Hector H. Balderas
New Mexico State Auditor

We have performed the procedures enumerated below for the Cañon Mutual Domestic Water Consumers and Sewage Works Association (CMDWCSWA), for the year ended December 31, 2013, solely to assist the CMDWCSWA in demonstrating compliance with a **Tier 4** entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978, Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978, as set forth in the accompanying Exhibits A and B. The procedures were agreed to by the CMDWCSWA through the Office of the New Mexico State Auditor. The Cañon Mutual Domestic Water Consumers and Sewage Works Association's management is responsible for the organization's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 findings are as follows:

1. 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.
- b) Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to Department of Finance and Administration-Local Government Division (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.

Findings

- a) The CMDWCSWA has one checking account and four savings accounts, all in the same financial institution, and utilizes Quickbooks to record cash transactions. All bank reconciliations are performed within days of receiving the bank statements and all bank statements were complete and on-hand for the entire year.

- b) Random tests of bank reconciliations revealed no exceptions. The reconciliations were accurate and agreed with supporting documentation. We traced the December 31, 2013 cash balances to the required year-end quarterly financial report submitted to DFA-LGD (Exhibit B), without exception.
- c) Cumulative single-institution bank account balances never exceeded uninsured limits and, therefore, pledged collateral was not required at any time for any uninsured deposits.

2. 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 CMDWCSWA performed a yearly inventory as required by Section 12-6-10 NMSA 1978 and maintains a capital asset listing.

3. 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 based on auditor judgment and test using 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

- a) An analytical review of prior-year to current-year revenue revealed no unexplained or unusual variations. The test actual revenue compared to budgeted revenue for the year for each type of revenue revealed no exceptions.
- b) We requested supporting documentation for twenty-one (21) deposits (21% of total revenue) from a total of 57 deposits for the year. For the sample selected, amounts recorded on Quickbooks general ledger agreed with deposit tickets provided and the bank statements, without exception.
- c) For the sample selected, amounts were properly recorded on an accrual basis as to classification, amount and period per review of supporting documentation.

4. Expenditures

Procedures

Select a sample of cash disbursements based on auditor judgment and test using 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 check clearing amount (cancelled checks not returned), 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

- a) We requested supporting documentation for twenty-five (25) disbursements (46% of total expenses) out of a total of 88 disbursements for the year. For the sample selected, amounts recorded as disbursed agreed to supporting documentation, without exceptions. Amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and copy of check clearing amount, as appropriate.
- b) For the sample selected, disbursements were properly authorized and approved in compliance with the legal requirements and established policies and procedures.
- c) 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).

5. Journal Entries

Procedures

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items 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

The CMDWCSWA utilizes Quickbooks to record cash transactions only and did not prepare formal journal entries for the year ended December 31, 2013.

6. 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) The CMDWCSWA prepared and submit a budget to DFA-LGD for approval for the year ended December 31, 2013. There was one budget adjustment for 2013 submitted to and approved by DFA-LGD during the year.
- b) Total actual expenses did not exceed the final budget at the total fund level, the legal level of budgetary control.
- c) A schedule of revenues and expenses – budget and actual was prepared from CMDWCSWA records on the accrual budgetary basis. This schedule is included herein as Exhibit A. The CMDWCSWA submitted a budget report for the year ended December 31, 2013 to DFA-LGD, which is presented herein as Exhibit B.

Other

Procedures

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, disclose 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 (I) (3) (C) NMAC.

Findings

No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud, illegal acts, noncompliance or any internal control deficiencies.

* * * * *

We were not engaged to, and did not conduct an audit of financial statements or any part thereof, the objective of which would be the expression of an opinion on the financial statements or any part thereof, including Exhibits A and B. Accordingly, we do not express such an opinion. 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 Cañon Mutual Domestic Water Consumers and Sewage Works Association, the New Mexico State Auditor's Office and the DFA-LGD and is not intended to be and should not be used by anyone other than those specified parties.

Macias, Gutierrez & Co., CPAs, P. C.

Macias, Gutierrez & Co., CPAs, P. C.
Espanola, New Mexico
May 16, 2014

STATE OF NEW MEXICO
CAÑON MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION
Schedule of Revenues and Expenses-Budget and Actual (Accrual Basis)
Year Ended December 31, 2013

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Monthly Sales	\$ 69,432	\$ 69,432	\$ 70,090	\$ 658
Reconnect Fee	-	-	93	93
Membership Transfer Fee	-	-	67	67
New Membership	-	-	952	952
Late Fees	-	-	2,825	2,825
Grant - Sandoval County	-	10,000	10,000	-
Dividend Income	-	-	311	311
Total revenues	<u>69,432</u>	<u>79,432</u>	<u>84,338</u>	<u>4,906</u>
Cash balance budgeted	-	-	-	-
Total revenues and cash balance budgeted	<u>69,432</u>	<u>79,432</u>	<u>84,338</u>	<u>4,906</u>
Expenses:				
Operator Contract	8,000	8,100	8,100	-
Operator Mileage Reimbursement	1,100	1,297	1,297	-
Contract Labor	4,000	24,069	24,069	-
Electricity	2,500	2,563	2,563	-
Repairs & Maintenance Materials	2,000	3,525	3,525	-
Chemical Supplies	300	304	304	-
NM One Call 811	50	115	115	-
Water Conservation Fee	200	88	88	-
Bookkeeper Contract	13,388	13,388	13,388	-
Bookkeeper Mileage Reimbursement	300	300	300	-
CPA - AUP	3,000	3,557	3,516	41
Printing & Reproduction	350	350	223	127
Office Supplies	300	375	321	54
Postage	1,200	1,200	911	289
Post Office Box	50	80	78	2
Bank Fees	50	50	-	50
Legal/Attorney Fees	100	100	-	100
Annual Meeting	200	100	100	-
Mileage Reimbursement	1,500	1,000	193	807
Public Regulation Commission	10	-	-	-
Rural Water Membership and Other Dues	200	-	-	-
Bond Insurance	100	100	100	-
Director & Officer	950	1,047	1,047	-
Liability Insurance	2,500	2,470	2,408	62
Interest Expense	-	12,000	5,448	6,552
Subscription & Dues	100	310	266	44
Training	1,200	572	572	-
Uncollectible Accounts	-	-	5,340	(5,340)
Total expenses	<u>43,648</u>	<u>77,060</u>	<u>74,272</u>	<u>2,788</u>
Excess revenues over (under) expenses	<u>\$ 25,784</u>	<u>\$ 2,372</u>	<u>\$ 10,066</u>	<u>\$ 7,694</u>

CANON MUTUAL DOMESTIC WATER ASSOCIATION
Actual Cash Balance, Revenue Expenses Compared to Budget 2014 Final Budget and BAR for 2013
12.31.13

ASSETS				BAR	Proposed-Final	Interim
	12.31.13	2013 Budget	\$ Over Budget	2013 Budget	2013 Budget	2014 Budget
Current Assets						
Checking/Savings						
1010 General Checking (079)	18,554.91					
1011 USDA Loan Reserves (051)	12,242.55					
1012 Emergency Fund (052)	14,864.89					
1013 Capital Improvement Fund (053)	15,768.87					
1020 Savings JVCU (000)	12,914.58					
1225 Undeposited Funds	0.00					
Total Checking/Savings	74,345.80	58,458.75	15,887.05		58,458.75	74,345.80
Ordinary Income/Expense						
Income						
4000 · Ordinary Income						
4010 · Monthly Sales	70,089.98	69,432.00			69,432.00	69,432.00
4020 · Reconnect Fee	92.86					
4030 · Membership Transfer Fees	66.66					
4040 · Late Fees	952.38					
4060 · Meter Hookup	2,825.24					
Total 4000 · Ordinary Income	74,027.12	69,432.00	4,595.12		69,432.00	69,432.00
4100 · Grant - Sandoval County	10,000.00	10,000.00	0.00		10,000.00	0.00
Total Income	84,027.12	79,432.00	4,595.12		79,432.00	69,432.00
Expense						
5500 · Water Systems Operational Costs						
5511 · Operator Contract	8,100.00	8,000.00	100.00	100.00	8,100.00	15,343.72
5514 · Operator Mileage Reimbursement	1,297.36	1,800.00	-502.64	-502.64	1,297.36	1,300.00
5515 · Contract Labor	24,068.93	24,068.98	-0.05	-0.05	24,068.93	6,000.00
5521 · Electric	2,562.87	3,300.00	-737.13	-737.13	2,562.87	3,300.00
5523 · Repairs & Maintenance Materials	3,525.41	2,300.00	1,225.41	1,225.41	3,525.41	2,500.00
5524 · Chemical Supplies	304.35	300.00	4.35	4.35	304.35	400.00

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CANON MUTUAL DOMESTIC WATER ASSOCIATION
Actual Cash Balance, Revenue Expenses Compared to Budget 2014 Final Budget and BAR for 2013
12.31.13

5551 · NM 811	114.62	50.00	64.62	64.62	114.62	0.00
5552 · Water Conservation Fee	88.45	200.00	-111.55	-111.55	88.45	150.00
5553 · Permits						200.00
5554 · Property Taxes						50.00
5900 · Capital Improvement						4,000.00
Total 5500 · Water Systems Operational Costs	40,061.99	40,018.98	43.01	43.01	40,061.99	33,243.72
6500 · Administrative Costs						
6511 · Bookkeeper Contract	13,387.56	13,388.00	-0.44		13,388.00	14,917.56
6512 · Special Projects		0.00	0.00		0.00	0.00
6513 · Bookkeeper Milage Reimbursement	300.00	300.00	0.00		300.00	330.00
6515 · Audit	3,516.09	3,600.00	-83.91	-43.01	3,556.99	3,600.00
6520 · Printing & Reproduction	223.37	350.00	-126.63		350.00	350.00
6521 · Office Supplies	320.96	375.00	-54.04		375.00	375.00
6522 · Postage	910.67	1,200.00	-289.33		1,200.00	1,200.00
6523 · Post Office Box	78.00	80.00	-2.00		80.00	80.00
6525 · Bank Fees	0.00	50.00	-50.00		50.00	50.00
6526 · Computer Software			0.00			3,828.61
6529 · Legal/Attorney Fees	0.00	100.00	-100.00		100.00	0.00
Total 6500 · Administrative Costs	18,736.65	19,443.00	-706.35	-43.01	19,399.99	24,731.17
6600 · Other Expenses						
6611 · Annual Meeting Expense	100.00	100.00	0.00		100.00	100.00
6612 · Mileage Reimbursement	193.18	1,000.00	0.00		1,000.00	500.00
6620 · Insurance						
6621 · Bond Insurance	100.00	100.00	0.00		100.00	110.00
6622 · Director & Officer	1,047.00	1,047.00	0.00		1,047.00	1,100.00
6623 · Liability	2,408.00	2,470.00	0.00		2,470.00	2,500.00
Total 6620 · Insurance	3,555.00	3,617.00	-62.00		3,617.00	3,710.00
6630 · Interest Expense	5,400.00					
Principal Payment	2,700.00					
Total Debt Payment	8,100.00	12,000.00	-3,900.00		12,000.00	12,300.00
6650 · Subscription & Dues						

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Exhibit B
Page 2 of 4

CANON MUTUAL DOMESTIC WATER ASSOCIATION
Actual Cash Balance, Revenue Expenses Compared to Budget 2014 Final Budget and BAR for 2013
12.31.13

6651 · Public Regulation Commission	10.00	10.00	0.00		10.00	0.00
6652 · Rural Water Membership	180.00	200.00	-20.00		200.00	0.00
6653 · General Subs and Dues	75.57	100.00	-24.43		100.00	310.00
Total 6650 · Subscription & Dues	265.57	310.00	-44.43		310.00	310.00
6660 · Training	571.81	571.81	-44.43		571.81	1,200.00
Total 6600 · Other Expenses	12,785.56	17,598.81	-4,050.86		17,598.81	18,120.00
6691 · Uncollectable Accounts	5,340.01	0.00	0.00		0.00	0.00
Total Expenses	76,924.21	77,060.79	-136.58		77,060.79	76,094.89
Net Ordinary Income	7,102.91	2,371.21	4,731.70		2,371.21	-6,662.89
Other Income/Expense	76,924.21	77,060.79	-136.58		77,060.79	76,094.89
Other Income						
7000 · Other Income						
7010 · Dividend Income	310.55	0.00	310.55		0.00	0.00
Total 7000 · Other Income	310.55	0.00	310.55		0.00	0.00
Total Other Income	310.55	0.00	310.55		0.00	0.00
Net Other Income	310.55	0.00	310.55		0.00	0.00
Net Income	7,413.46	2,371.21	5,042.25	0.00	2,371.21	-6,662.89
<i>Principal Payment</i>	<i>2,700.00</i>					
Net Income/Balance Sheet	10,113.46					
Note:						
TRANSFER from Account 079 to 052	3,784.00	3,784.00				
TRANSFER from Account 079 to 053	10,000.00	10,000.00				
Revenue Expenses Unallocated	0.00	0.00				
PROJECTED ENDING CASH	81,759.26	60,829.96				67,682.91

B/S Cash vs I/S Change in Cash Reconciliation

CANON MUTUAL DOMESTIC WATER ASSOCIATION
Actual Cash Balance, Revenue Expenses Compared to Budget 2014 Final Budget and BAR for 2013
12.31.13

Beginning Cash 1.1.13		58,458.75
Revenue as of 12.31.13	84,027.12	
Other Revenue	310.55	
Total Revenue	<u>84,337.67</u>	
Change in A/R - Decrease + (Increase -)	7,200.71	
Change in A/P - Decrease - (Increase +)	<u>(1,427.12)</u>	
Cash Basis Income (Cash)	90,111.26	
Expenses as of 12.31.13	<u>74,224.21</u>	
Net Cash Income	15,887.05	<u>15,887.05</u>
Cash Basis Income (Cash)		74,345.80
Ending Cash Balance as of 12.31.13		74,345.80
Net Difference		-

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**STATE OF NEW MEXICO
CAÑON MUTUAL DOMESTIC WATER CONSUMERS
AND SEWAGE WORKS ASSOCIATION**

**Schedule of Findings and Responses
Year Ended December 31, 2013**

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current Year Findings:			
None	N/A	N/A	N/A
Follow-up on Prior Year Findings:			
Budget Submission/Approval and Quarterly Financial Reports	D	2010-1	Resolved
Capital Assets Inventory	D	2010-2	Resolved
Late Report	D	2012-1	Resolved

*** Legend for Findings:**

- A. Fraud
- B. Illegal Act(s)
- C. Internal Control Deficiency(ies)
- D. Noncompliance

**STATE OF NEW MEXICO
CAÑON MUTUAL DOMESTIC WATER CONSUMERS
AND SEWAGE WORKS ASSOCIATION**

**Exit Conference
Year Ended December 31, 2013**

EXIT CONFERENCE

The report contents were discussed at an exit conference held on May 29, 2014 with the following in attendance:

Cañon Mutual Domestic Water Consumers and Sewage Works Association

Esther Smedley, President
Jon Bull, Vice-President
Diane Nunez, Bookkeeper

Accounting Firm

James R. (Jim) Macias, CPA