



MACIAS, GUTIERREZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESPANOLA, NEW MEXICO
www.mgandc.com

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, 2014

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, 2014

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

**Table of Contents
December 31, 2014**

| | | <u>Page</u> |
|------------------------------------------------------------------------------------------------------------|-----------------------|--------------------|
| Title Page | | i |
| Table of Contents | | ii |
| Official Roster | | iii |
| Independent Accountants' Report on Applying Agreed-Upon Procedures | | iv-vii |
| | <u>Exhibit</u> | |
| Schedule of Revenues and Expenses – Budget and Actual (Cash Basis) | A | 1 |
| Copy of Actual Cash Balance, Revenue/Expenses Compared to Budget submitted to DFA-LGD after year end | B | 2-5 |
| Schedule of Findings and Responses | | 6 |
| Exit Conference | | 7 |

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

**Official Roster
at December 31, 2014**

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



Macias, Gutierrez
& Co., P.C.

Certified Public Accountants
Member AICPA, NMSCPA

1302 Calle De La Merced, Suite A
Española, New Mexico 87532
505.747.4415
Fax 505.747.4417

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To: Jon Bull, President
Cañon Mutual Domestic Water Consumers and Sewage Works Association
and
Honorable Timothy Keller
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, 2014, 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, 2014 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 thirty (30) deposits (21% of total revenue) from a total of 261 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-seven (27) disbursements (48% of total expenses) out of a total of 89 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, 2014.

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, 2014. There were no subsequent budget adjustments for 2014.
- 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, 2014 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 Department of Finance and Administration-Local Government Division and the NM Legislature 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 13, 2015

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, 2014

| | Budgeted Amounts | | Actuals | Variance |
|----------------------------------------------|-------------------|-------------------|-------------------|----------------------------|
| | Original | Final | | Favorable (Unfavorable) |
| Revenues: | | | | |
| Monthly Sales | \$ 69,432 | \$ 69,432 | \$ 67,645 | \$ (1,787) |
| Reconnect Fee | - | - | 143 | 143 |
| Membership Transfer Fee | - | - | 66 | 66 |
| New Membership | - | - | 1,905 | 1,905 |
| Late Fees | - | - | 1,823 | 1,823 |
| Meter Hookup | - | - | 24 | 24 |
| Dividend Income | - | - | 315 | 315 |
| Total revenues | 69,432 | 69,432 | 71,921 | 2,489 |
| Cash balance budgeted | - | - | - | - |
| Total revenues and cash balance budgeted | 69,432 | 69,432 | 71,921 | 2,489 |
| Expenses: | | | | |
| Operator Contract | 15,344 | 15,344 | 14,343 | 1,001 |
| Non-Standard Scope of Work | 800 | 800 | 845 | (45) |
| Operator Mileage Reimbursement | 1,300 | 1,300 | 854 | 446 |
| Contract Labor | 6,000 | 6,000 | 1,201 | 4,799 |
| Electricity | 3,300 | 3,300 | 2,397 | 903 |
| Repairs & Maintenance Materials | 1,700 | 1,700 | 1,417 | 283 |
| Chemical Supplies | 400 | 400 | 174 | 226 |
| NM One Call 811 | - | - | - | - |
| Water Conservation Fee | 150 | 150 | 178 | (28) |
| Permits | 200 | 200 | - | 200 |
| Property Taxes | 50 | 50 | 3 | 47 |
| Capital Improvement | 4,000 | 4,000 | 5,582 | (1,582) |
| Bookkeeper Contract | 14,917 | 14,917 | 14,918 | (1) |
| Special Projects | - | - | 143 | (143) |
| Bookkeeper Mileage Reimbursement | 330 | 330 | 77 | 253 |
| CPA - AUP | 3,600 | 3,600 | 3,516 | 84 |
| Printing & Reproduction | 155 | 155 | - | 155 |
| Office Supplies | 650 | 650 | 934 | (284) |
| Postage | 1,200 | 1,200 | 1,116 | 84 |
| Post Office Box | - | - | (22) | 22 |
| Bank Fees | 50 | 50 | - | 50 |
| Computer Software | 3,829 | 3,829 | 3,829 | - |
| Legal/Attorney Fees | - | - | - | - |
| Annual Meeting | 100 | 100 | - | 100 |
| Mileage Reimbursement | 500 | 500 | - | 500 |
| Bond Insurance | 110 | 110 | 100 | 10 |
| Director & Officer | 1,100 | 1,100 | 1,108 | (8) |
| Liability Insurance | 2,500 | 2,500 | 2,541 | (41) |
| Debt Payments | 12,300 | 12,300 | 12,200 | 100 |
| Subscription & Dues | 310 | 310 | 568 | (258) |
| Training | 1,200 | 1,200 | 218 | 982 |
| Uncollectible Accounts | - | - | 6,315 | (6,315) |
| Total expenses | 76,095 | 76,095 | 74,555 | 1,540 |
| Excess revenues over (under) expenses | \$ (6,663) | \$ (6,663) | \$ (2,634) | \$ 4,029 |

CANON MUTUAL DOMESTIC WATER ASSOCIATION
Actual Cash Balance, Revenue Expenses Compared to 2014 Budget 12.31.14 Final 2015 Budget
DRAFT - Pending USDA Principal and Interest Reconciliation

| ASSETS | <u>12.31.14</u> | <u>2014</u> | <u>\$ Over Budget</u> | <u>Final 2015 Budget</u> |
|-----------------------------------------------|------------------|------------------|-----------------------|------------------------------|
| Current Assets | | | | |
| Checking/Savings | | | | |
| 1010 General Checking (079) | 17,777.95 | | | |
| 1011 USDA Loan Reserves (051) | 9,289.06 | | | |
| 1012 Emergency Fund (052) | 14,939.35 | | | |
| 1013 Capital Improvement Fund (053) | 23,526.37 | | | |
| 1020 Savings JVCU (000) | 12,979.28 | | | |
| 1225 Undeposited Funds | 0.00 | | | |
| Total Checking/Savings | <u>78,512.01</u> | <u>74,345.80</u> | <u>4,166.21</u> | <u>78,512.01</u> |
| Ordinary Income/Expense | | | | |
| Income | | | | |
| 4000 · Ordinary Income | | | | |
| 4010 · Monthly Sales | 67,645.01 | 69,432.00 | | 64,440.00 |
| 4020 · Reconnect Fee | 142.86 | | | |
| 4030 · Membership Transfer Fees | 66.00 | | | |
| 4035 · New Membership Fees | 1,904.76 | | | |
| 4040 · Late Fees | 1,822.64 | | | |
| 4060 · Meter Hookup | 23.81 | | | |
| Total 4000 · Ordinary Income | <u>71,605.08</u> | <u>69,432.00</u> | <u>2,173.08</u> | <u>64,440.00</u> |
| Total Income | <u>71,605.08</u> | <u>69,432.00</u> | <u>2,173.08</u> | <u>64,440.00</u> |
| Expense | | | | |
| 5500 · Water Systems Operational Costs | | | | |
| 5511 · Operator Contract | 14,342.72 | 15,343.72 | -1,001.00 | 14,344.00 |
| 5512 · Non-Standard Scope of Work | 845.31 | 800.00 | 45.31 | 800.00 |
| 5514 · Operator Mileage Reimbursement | 853.96 | 1,300.00 | -446.04 | 1,000.00 |
| 5515 · Contract Labor | 1,200.66 | 6,000.00 | -4,799.34 | 4,000.00 |
| 5521 · Electric | 2,396.70 | 3,300.00 | -903.30 | 3,000.00 |
| 5523 · Repairs & Maintenance Materials | 1,417.32 | 1,700.00 | -282.68 | 2,500.00 |
| 5524 · Chemical Supplies | 174.40 | 400.00 | -225.60 | 400.00 |

CANON MUTUAL DOMESTIC WATER ASSOCIATION
Actual Cash Balance, Revenue Expenses Compared to 2014 Budget 12.31.14 Final 2015 Budget
DRAFT - Pending USDA Principal and Interest Reconciliation

| | | | | |
|-----------------------------------------------------|------------------|------------------|------------------|------------------|
| 5551 · NM 811 | 0.00 | 0.00 | 0.00 | 0.00 |
| 5552 · Water Conservation Fee | 178.19 | 150.00 | 28.19 | 300.00 |
| 5553 · Permits | 0.00 | 200.00 | -200.00 | 200.00 |
| 5554 · Property Taxes | 3.48 | 50.00 | -46.52 | 50.00 |
| 5900 · Capital Improvement | 5,581.61 | 4,000.00 | 1,581.61 | 4,000.00 |
| Total 5500 · Water Systems Operational Costs | 26,994.35 | 33,243.72 | -6,249.37 | 30,594.00 |
| 6500 · Administrative Costs | | | | |
| 6511 · Bookkeeper Contract | 14,917.56 | 14,917.56 | 0.00 | 14,918.00 |
| 6512 · Special Projects | 143.43 | 0.00 | 143.43 | 2,000.00 |
| 6513 · Bookkper Mileage Reimbursement | 76.84 | 330.00 | -253.16 | 250.00 |
| 6515 · Audit | 3,516.09 | 3,600.00 | -83.91 | 4,000.00 |
| 6520 · Printing & Reproduction | 0.00 | 155.00 | -155.00 | 150.00 |
| 6521 · Office Supplies | 934.12 | 650.00 | 284.12 | 900.00 |
| 6522 · Postage | 1,116.03 | 1,200.00 | -83.97 | 1,200.00 |
| 6523 · Post Office Box | -21.50 | 0.00 | -21.50 | 0.00 |
| 6525 · Bank Fees | 0.00 | 50.00 | -50.00 | 50.00 |
| 6526 · Computer Software | 3,828.68 | 3,828.61 | 0.07 | 650.00 |
| 6529 · Legal/Attorney Fees | 0.00 | 0.00 | 0.00 | 0.00 |
| Total 6500 · Administrative Costs | 24,511.25 | 24,731.17 | -219.92 | 24,118.00 |
| 6600 · Other Expenses | | | | |
| 6611 · Annual Meeting Expense | 0.00 | 100.00 | -100.00 | 100.00 |
| 6612 · Mileage Reimbursement | 0.00 | 500.00 | -500.00 | 500.00 |
| 6620 · Insurance | | | | |
| 6621 · Bond Insurance | 100.00 | 110.00 | -10.00 | 100.00 |
| 6622 · Director & Officer | 1,108.00 | 1,100.00 | 8.00 | 1,200.00 |
| 6623 · Liability | 2,541.00 | 2,500.00 | 41.00 | 2,700.00 |
| Total 6620 · Insurance | 3,749.00 | 3,710.00 | 39.00 | 4,000.00 |
| 6630 · Interest Expense | 5,400.00 | | | 5,400.00 |
| Principal Payment | 6,800.00 | | | 2,700.00 |
| Total Debt Payment | 12,200.00 | 12,300.00 | -6,900.00 | 8,100.00 |
| 6650 · Subscription & Dues | | | | |

3

CANON MUTUAL DOMESTIC WATER ASSOCIATION
Actual Cash Balance, Revenue Expenses Compared to 2014 Budget 12.31.14 Final 2015 Budget
DRAFT - Pending USDA Principal and Interest Reconciliation

| | | | | |
|---------------------------------------------|--------------------------|-------------------------|-------------------------|-------------------------|
| 6653 · General Subs and Dues | 567.69 | 310.00 | 257.69 | 300.00 |
| Total 6650 · Subscription & Dues | <u>567.69</u> | <u>310.00</u> | <u>257.69</u> | <u>300.00</u> |
| | | | | |
| 6660 · Training | 217.76 | 1,200.00 | -982.24 | 1,200.00 |
| Total 6600 · Other Expenses | <u>16,734.45</u> | <u>18,120.00</u> | <u>-1,385.55</u> | <u>14,200.00</u> |
| | | | | |
| 6691 · Uncollectable Accounts | 6,314.59 | 0.00 | 0.00 | 0.00 |
| | | | | |
| 6900 · Depreciation Expenses | 10,363.00 | 0.00 | 0.00 | 0.00 |
| | | | | |
| Total Expenses | 84,917.64 | 76,094.89 | 8,822.75 | 68,912.00 |
| | | | | |
| Net Ordinary Income | -13,312.56 | -6,662.89 | -6,649.67 | -4,472.00 |
| Other Income/Expense | <u>84,917.64</u> | <u>76,094.89</u> | <u>8,822.75</u> | <u>68,912.00</u> |
| Other Income | | | | |
| 7000 · Other Income | | | | |
| 7010 · Dividend Income | 315.29 | 0.00 | 315.29 | 0.00 |
| Total 7000 · Other Income | <u>315.29</u> | <u>0.00</u> | <u>315.29</u> | <u>0.00</u> |
| | | | | |
| Total Other Income | <u>315.29</u> | <u>0.00</u> | <u>315.29</u> | <u>0.00</u> |
| Net Other Income | <u>315.29</u> | <u>0.00</u> | <u>315.29</u> | <u>0.00</u> |
| Net Income | <u><u>-12,997.27</u></u> | <u><u>-6,662.89</u></u> | <u><u>-6,334.38</u></u> | <u><u>-4,472.00</u></u> |
| | | | | |
| <i>Principal Payment</i> | 6,800.00 | | | 2,700.00 |
| Net Income/Balance Sheet | (6,197.27) | | | (1,772.00) |
| | | | | |
| PROJECTED ENDING CASH | | 67,682.91 | | 74,040.01 |

4

CANON MUTUAL DOMESTIC WATER ASSOCIATION
Actual Cash Balance, Revenue Expenses Compared to 2014 Budget 12.31.14 Final 2015 Budget
DRAFT - Pending USDA Principal and Interest Reconciliation

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

| | | | |
|----------------------------------------------------------------|------------------|-----------------|----------------|
| Beginning Cash 12.31.13 | | 74,345.80 | |
| Revenue as of 12.31.14 | 71,605.08 | | |
| Other Revenue | <u>315.29</u> | | |
| Total Revenue | 71,920.37 | | |
| Change in A/R - Decrease + (Increase -) | 7,236.72 | | |
| Change in A/P = Depreciation Expense - Decrease - (Increase +) | <u>9,926.76</u> | | 10363+(436.24) |
| Cash Basis Income (Cash) | 89,083.85 | | |
| Expenses as of 12.31.14 | <u>84,917.64</u> | | |
| Net Cash Income | \$ 4,166.21 | <u>4,166.21</u> | |
| Cash Basis Income (Cash) | | 78,512.01 | |
| Ending Cash Balance as of 12.31.14 | | 78,512.01 | |
| Net Difference | | \$ - | |

5

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

**Schedule of Findings and Responses
Year Ended December 31, 2014**

| | <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: None | N/A | N/A | N/A |

*** 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, 2014**

EXIT CONFERENCE

The report contents were discussed at an exit conference held on May 19, 2015 with the following in attendance:

Cañon Mutual Domestic Water Consumers and Sewage Works Association

Lee Graves, Treasurer

Accounting Firm

James R. (Jim) Macias, CPA