



MACIAS, GUTIERREZ & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
ESPANOLA, NEW MEXICO  
[www.mgandc.com](http://www.mgandc.com)

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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 – Tier 4

Year Ended December 31, 2017

**STATE OF NEW MEXICO**

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

**Independent Accountants' Report on Applying  
Agreed-Upon Procedures – Tier 4**

**Year Ended December 31, 2017**

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

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December 31, 2017**

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

**Official Roster  
at December 31, 2017**

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<u>Name</u>	<u>Title</u>
<b><u>Board of Directors</u></b>	
Wayne Punjak	President
Esther Smedley	Vice-President
Frances Strain	Secretary
Lee Graves	Treasurer
Prexie Lucero	Member
<b><u>Staff</u></b>	
James Stout	Operator
Sherri Barcroft	Bookkeeper



Macias, Gutierrez  
& Co., P.C.

*Certified Public Accountants*  
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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES – TIER 4

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To: Prexie Lucero, President  
Cañon Mutual Domestic Water Consumers and Sewage Works Association  
and  
Wayne A. Johnson  
New Mexico State Auditor

We have performed the procedures enumerated below, which were agreed to by the Cañon Mutual Domestic Water Consumers and Sewage Works Association (CMDWCSWA) and the Office of the State Auditor on the Tier Verification, Cash, Capital Assets, Revenue, Expenditures, Journal Entries, Budget and Other as of and for the year ended December 31, 2017, included in the accompanying information provided to us by management of the CMDWCSWA. The CMDWCSWA is responsible for the Tier Verification, Cash, Capital Assets, Revenue, Expenditures, Journal Entries, Budget and Other as of and for the year ended December 31, 2017, included in the accompanying information provided to us by management of the CMDWCSWA. The sufficiency of these procedures is solely the responsibility of those parties specified in this 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. The procedures and associated findings (Results of Procedures) 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 CMDWCSWA's revenue calculation and tier determination. Cañon Mutual Domestic Water Consumers and Sewage Works Association's cash basis revenue was between the **Tier 4** lower and upper limits.

### 2. 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) 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 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.

### **Results of Procedures Performed**

- a) The CMDWCSWA has one checking account and four savings accounts, all in the same financial institution, and utilizes Quickbooks to record cash transactions. The sample of tested bank reconciliations (33%) showed they are performed on a timely basis and all bank statements were complete and on-hand for the entire year.
- b) Random tests of four month-end bank reconciliations (33%) revealed no exceptions. The reconciliations were accurate and agreed with supporting documentation. Required quarterly financial cash reports were submitted to DFA-LGD during the year and at year-end (Exhibit B) and we traced the ending cash balances to those reports.
- c) Cumulative single-institution bank account balances never exceeded uninsured limits and, therefore, pledged collateral was not required at any time on any uninsured deposit balances.

### **3. Capital Assets**

#### **Procedures**

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

#### **Results of Procedures Performed**

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

### **4. 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 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.
- 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.

#### **Results of Procedures Performed**

- 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-three (33) deposits (36% of total revenue) from a total of 145 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.

## 5. Expenditures

### Procedures

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 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).

### Results of Procedures Performed

- a) We requested supporting documentation for thirty (30) disbursements (44% of total expenses) out of a total of 119 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, 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).

## 6. 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.

### Results of Procedures Performed

The CMDWCSWA utilizes Quickbooks to record cash transactions but the bookkeeper prepares formal journal entries at the end of each month to record receivable accruals and make minor adjustments to gross receipts taxes (GRT) due to rounding. There was one additional journal entry due to a returned check and GRT correction. The results of our tests are as follows:

- a) Journal entries are reasonable and have supporting documentation.
- b) The CMDWCSWA has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed through approval of monthly financial statements.

## 7. 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.

### Results of Procedures Performed

- a) The CMDWCSWA prepared and submitted an interim and final budget to DFA-LGD for approval for the year ended December 31, 2017. There were no subsequent budget adjustments for 2017.
- 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, 2017 to DFA-LGD, which is presented herein as Exhibit B.

## 8. 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.

### Results of Procedures Performed

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.

\* \* \* \* \*

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 a review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Tier Verification, Cash, Capital Assets, Revenue, Expenditures, Journal Entries, Budget and Other of the CMDWCSWA as of and for the year ended December 31, 2017, included in the accompanying information provided to us by management of the CMDWCSWA. 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 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 New Mexico Legislature and is not intended to be and should not be used by anyone other than the specified parties.

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

Macias, Gutierrez & Co., CPAs, P. C.  
Española, New Mexico  
May 24, 2018

**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, 2017**

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues:</b>				
Water Sales	\$ 84,288	\$ 84,288	\$ 93,748	\$ 9,460
New Membership	-	-	1,000	1,000
Late Fees	-	-	2,380	2,380
Dividend Income	-	-	624	624
Total revenues	84,288	84,288	97,752	13,464
Cash balance budgeted	95,236	95,236	95,236	-
Total revenues and cash balance budgeted	179,524	179,524	192,988	13,464
<b>Expenses:</b>				
Salaries - Operator, Bookkeeper, etc.	32,056	32,056	31,069	987
Employee Benefits and Expenses	-	-	-	-
Electricity	3,200	3,200	2,821	379
Other Utilities - Gas, Water, Sewer, Telephone	-	-	-	-
System Parts and Supplies	6,550	6,550	4,574	1,976
System Repairs and Maintenance	5,000	5,000	7,293	(2,293)
Vehicle Expenses	1,800	1,800	1,347	453
Office and Administrative Expenses	2,900	2,900	3,420	(520)
Professional Services - Accounting, Engr., Legal	12,354	12,354	6,506	5,848
Insurance	4,800	4,800	3,221	1,579
Dues, Fees, Permits and Licenses	450	450	378	72
Taxes - Gross Receipts Tax, Water Cons. Fee	300	300	100	200
Training	2,500	2,500	880	1,620
Miscellaneous	230	230	37	193
Annual Debt Service - Loan 1	8,100	8,100	8,171	(71)
Total expenses	80,240	80,240	69,817	10,423
<b>Excess revenues over (under) expenses</b>	<b>\$ 99,284</b>	<b>\$ 99,284</b>	<b>\$ 123,171</b>	<b>\$ 23,887</b>

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

Canon Mutual Domestic Water Consumers & Sewage Works Association (Jemez)  
 1459 Hwy 485, Jemez Pueblo, NM 87024  
 cmdwa.bookkeeper@gmail.com  
 505-771-7038

**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>								
Cash	95,236							
Savings								
CDs								
Investments								
<b>Beginning Balance TOTAL</b>	<b>\$95,236</b>							
<b>REVENUES</b>								
Water Sales (Water Use Fees)	84,288	20,637	26,472	24,517	22,122	93,748	(9,460)	111%
Connection/Reconnection Charges						0	0	-%
Membership and Meter Sales (Utility Service Fees)		1,000				1,000	(1,000)	-%
Late Fees and Penalties (Other Fines and Forfeits)		600	510	670	600	2,380	(2,380)	-%
Gross Receipts Tax (Other State shared taxes)						0	0	-%
Other Operating Revenue (miscellaneous - other)		97	296	113	118	624	(624)	-%
<b>TOTAL</b>	<b>\$84,288</b>	<b>22,334</b>	<b>27,278</b>	<b>25,300</b>	<b>22,840</b>	<b>97,752</b>	<b>(13,464)</b>	<b>116%</b>
<b>EXPENDITURES</b>								
Salaries - Operator, Bookkeeper, etc.	32,056	7,172	7,464	8,783	7,650	31,069	987	97%
Employee Benefits and Expenses						0	0	-%
Electricity	3,200	900	625	754	542	2,821	379	88%
Other Utilities - Gas, Water, Sewer, Telephone						0	0	-%
System Parts and Supplies	6,550	1,602	105	905	1,962	4,574	1,976	70%
System Repairs and Maintenance	5,000	141	1,095	759	5,298	7,293	(2,293)	146%
Vehicle Expenses	1,800	306	273	332	436	1,347	453	75%
Office and Administrative Expenses	2,900	456	1,135	1,343	486	3,420	(520)	118%
Professional Services - Accounting, Engineering, Legal	12,354	0	3,703	2,278	525	6,506	5,848	53%
Insurance	4,800	100	3,121	0		3,221	1,579	67%
Dues, Fees, Permits and Licenses	450	170	10		198	378	72	84%
Taxes - Gross Receipts Tax, Water Conservation Fee	300	0	93	0	7	100	200	33%
Training	2,500	225	250	405		880	1,620	35%
Miscellaneous	230	0	37			37	193	16%
Loans								
Annual debt service - Loan 1	8,100	2,096	2,025	2,025	2,025	8,171	(71)	101%
Annual debt service - Loan 2						0	0	-%
<b>TOTAL</b>	<b>\$80,240</b>	<b>13,168</b>	<b>19,936</b>	<b>17,584</b>	<b>19,129</b>	<b>69,817</b>	<b>10,424</b>	<b>87%</b>
<b>Ending Balance</b>	<b>99,284</b>					<b>123,171</b>		
LESS: Operating Reserve						(1,951)		
Emergency Reserve								
Capital Improvement Reserve								
Debt Reserve								
<b>Ending Available Cash Balance</b>	<b>\$99,284</b>					<b>\$125,122</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.

*Kesher Bradley*  
 \_\_\_\_\_  
 President/Chairperson

*2-6-18*  
 \_\_\_\_\_  
 Date

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

**Schedule of Findings and Responses  
Year Ended December 31, 2017**

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	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
<b>Current Year Findings:</b> None Reported	N/A	N/A	N/A
<b>Follow-up on Prior Year Findings:</b> None Reported	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, 2017**

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**EXIT CONFERENCE**

The report contents were discussed at a telephonic exit conference held on May 30, 2018 with the following:

Cañon Mutual Domestic Water Consumers and Sewage Works Association

By telephone:

Lee Graves, Treasurer

Accounting Firm

James R. (Jim) Macias, CPA