



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, 2016

**STATE OF NEW MEXICO**

**CAÑON MUTUAL DOMESTIC  
WATER CONSUMERS AND  
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**Year Ended December 31, 2016**

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

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December 31, 2016**

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

**Official Roster  
at December 31, 2016**

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<u>Name</u>		<u>Title</u>
<b><u>Board of Directors</u></b>		
Jon Bull		President
Cody Lewis		Vice-President
Frances Strain		Secretary
Lee Graves		Treasurer
Sally Lucero		Member
<b><u>Staff</u></b>		
Roy Spencer		Water Operator
Diane Nunez		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: Wayne Punjak, 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, 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, 2016, 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, 2016, 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 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) 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.

### **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. Sampled bank reconciliations were 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, 2016 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.

### **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 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.

#### **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-five (35) deposits (25% of total revenue) from a total of 209 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 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).

### Results of Procedures Performed

- a) We requested supporting documentation for thirty (30) disbursements (22% of total expenses) out of a total of 109 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).

## 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 only and did not prepare formal journal entries for the year ended December 31, 2016.

## 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 submit a budget to DFA-LGD for approval for the year ended December 31, 2016. There was one subsequent budget adjustment for 2016 approved by the governing board and approved by the DFA-LGD.
- 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, 2016 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, 2016, 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.  
 Espanola, New Mexico  
 May 25, 2017



**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, 2016**

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues:</b>				
Monthly Sales	\$ 78,384	\$ 78,384	\$ 87,957	\$ 9,573
Grant Income	-	3,000	3,000	-
Reconnect Fee	-	-	150	150
New Membership	-	-	2,000	2,000
Late Fees	-	-	2,280	2,280
Dividend Income	-	-	354	354
	<u>78,384</u>	<u>81,384</u>	<u>95,741</u>	<u>14,357</u>
Total revenues	78,384	81,384	95,741	14,357
Cash balance budgeted	<u>95,236</u>	<u>95,236</u>	<u>95,236</u>	<u>-</u>
Total revenues and cash balance budgeted	<u>173,620</u>	<u>176,620</u>	<u>190,977</u>	<u>14,357</u>
<b>Expenses:</b>				
Operator Contract	14,918	14,918	15,236	(318)
Non-Standard Scope of Work	800	800	983	(183)
Operator Mileage Reimbursement	1,100	1,100	876	224
Contract Labor	4,000	4,000	11,535	(7,535)
Electricity	3,000	3,000	2,600	400
Repairs & Maintenance Materials	3,000	3,000	2,411	589
Chemical Supplies	450	450	440	10
Water Conservation Fee	300	300	210	90
Permits	200	200	-	200
Property Taxes	25	25	3	22
Capital Improvement	6,000	9,000	2,512	6,488
Bookkeeper Contract	15,515	15,515	15,514	1
Special Projects	500	500	-	500
Bookkeeper Mileage Reimbursement	100	100	-	100
CPA - AUP	3,854	3,854	3,854	-
Printing & Reproduction	100	100	-	100
Office Supplies	450	450	584	(134)
Postage	1,300	1,300	1,080	220
Bank Fees	50	50	-	50
Computer Software	750	750	740	10
Advertisement	100	100	69	31
Annual Meeting	100	100	-	100
Mileage Reimbursement	500	500	-	500
Bond Insurance	100	100	-	100
Director & Officer	687	687	687	-
Liability Insurance	2,700	2,700	2,423	277
Debt Payments	38,100	38,100	38,100	-
Subscription & Dues	200	200	339	(139)
Training	1,200	1,200	-	1,200
Uncollectible Accounts	-	-	13	(13)
	<u>100,099</u>	<u>103,099</u>	<u>100,209</u>	<u>2,890</u>
Total expenses	100,099	103,099	100,209	2,890
<b>Excess revenues over (under) expenses</b>	<u>\$ 73,521</u>	<u>\$ 73,521</u>	<u>\$ 90,768</u>	<u>\$ 17,247</u>

**CANON MUTUAL DOMESTIC WATER ASSOCIATION**  
 Revenue Expenses Compared to Budget 2016

ASSETS	12.31.16	2016	\$ Over Budget	2016 Budget
<b>Current Assets</b>				
<b>Checking/Savings</b>				
1010 General Checking (079)	20,508.47			
1011 USDA Loan Reserves (051)	14,375.99			
1012 Emergency Fund (052)	26,170.07			
1013 Capital Improvement Fund (053)	25,089.65			
1020 Savings JVCU (000)	9,091.94			
1225 Undeposited Funds	0.00			
<b>Total Checking/Savings</b>	<b>95,236.12</b>	<b>103,780.59</b>	<b>-8,544.47</b>	<b>103,780.59</b>
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
4000 - Ordinary Income				
4010 - Monthly Sales	87,956.71	78,384.00		78,384.00
4020 - Reconnect Fee	150.00			
4030 - Membership Transfer Fees	0.00			
4035 - New Membership Fees	2,000.00			
4040 - Late Fees	2,280.00			
4060 - Meter Hookup	0.00			
<b>Total 4000 - Ordinary Income</b>	<b>92,386.71</b>	<b>78,384.00</b>	<b>14,002.71</b>	<b>78,384.00</b>
4101 - Grant Income	3,000.00			3,000.00
<b>Total Income</b>	<b>95,386.71</b>	<b>78,384.00</b>	<b>14,002.71</b>	<b>81,384.00</b>
<b>Expense</b>				
5500 - Water Systems Operational Costs				
5511 - Operator Contract	15,236.31	14,918.00	318.31	14,918.00
5512 - Non-Standard Scope of Work	982.81	800.00	182.81	800.00
5514 - Operator Mileage Reimbursement	875.89	1,100.00	-224.11	1,100.00
5515 - Contract Labor	11,534.74	4,000.00	7,534.74	4,000.00
5521 - Electric	2,599.69	3,000.00	-400.31	3,000.00
5523 - Repairs & Maintenance Materials	2,410.84	3,000.00	-589.16	3,000.00

**CANON MUTUAL DOMESTIC WATER ASSOCIATION**  
**Revenue Expenses Compared to Budget 2016**

5524 · Chemical Supplies	440.00	450.00	-10.00	450.00
5551 · NM 811	0.00	0.00	0.00	0.00
5552 · Water Conservation Fee	209.77	300.00	-90.23	300.00
5553 · Permits	0.00	200.00	-200.00	200.00
5554 · Property Taxes	3.56	25.00	-21.44	25.00
5900 · Capital Improvement	2,511.84	6,000.00	-3,488.16	9,000.00
<b>Total 5500 · Water Systems Operational Costs</b>	<b>36,805.45</b>	<b>33,793.00</b>	<b>3,012.45</b>	<b>36,793.00</b>
<b>6500 · Administrative Costs</b>				
6511 · Bookkeeper Contract	15,514.20	15,515.00	-0.80	15,515.00
6512 · Special Projects	0.00	500.00	-500.00	500.00
6513 · Bookper Mileage Reimbursement	0.00	100.00	-100.00	100.00
6515 · Audit	3,853.97	3,854.00	-0.03	3,854.00
6520 · Printing & Reproduction	0.00	100.00	-100.00	100.00
6521 · Office Supplies	584.55	450.00	134.55	450.00
6522 · Postage	1,080.04	1,300.00	-219.96	1,300.00
6523 · Post Office Box	0.00	0.00	0.00	0.00
6525 · Bank Fees	0.00	50.00	-50.00	50.00
6526 · Computer Software	740.18	750.00	-9.82	750.00
6529 · Legal/Attorney Fees	0.00	0.00	0.00	0.00
<b>Total 6500 · Administrative Costs</b>	<b>21,772.94</b>	<b>22,619.00</b>	<b>-846.06</b>	<b>22,619.00</b>
<b>6600 · Other Expenses</b>				
6610 · Advertisement	69.06	100.00	-30.94	100.00
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	0.00	100.00	-100.00	100.00
6622 · Director & Officer	687.00	687.00	0.00	687.00
6623 · Liability	2,423.00	2,700.00	-277.00	2,700.00
<b>Total 6620 · Insurance</b>	<b>3,110.00</b>	<b>3,487.00</b>	<b>-377.00</b>	<b>3,487.00</b>
6630 · Interest Expense	3,472.54	5,400.00		5,400.00
Principal Payment	34,627.46	32,700.00		32,700.00

**CANON MUTUAL DOMESTIC WATER ASSOCIATION**

**Revenue Expenses Compared to Budget 2016**

Total Debt Payment	38,100.00	38,100.00	-34,627.46	38,100.00
<b>6650 - Subscription &amp; Dues</b>				
6653 - General Subs and Dues	338.88	200.00	138.88	200.00
<b>Total 6650 - Subscription &amp; Dues</b>	<u>338.88</u>	<u>200.00</u>	<u>138.88</u>	<u>200.00</u>
<b>6660 - Training</b>	0.00	1,200.00	-1,200.00	1,200.00
<b>Total 6600 - Other Expenses</b>	<u>41,617.94</u>	<u>43,687.00</u>	<u>-2,069.06</u>	<u>43,687.00</u>
<b>6691 - Uncollectable Accounts</b>	12.66	0.00	0.00	0.00
<b>6900 - Depreciation Expenses</b>	15,840.00	0.00	0.00	0.00
<b>Total Expenses</b>	<u>116,048.99</u>	<u>100,099.00</u>	<u>15,949.99</u>	<u>103,099.00</u>
<b>Net Ordinary Income</b>	<u>-20,662.28</u>	<u>-21,715.00</u>	<u>1,052.72</u>	<u>-21,715.00</u>
<b>Other Income/Expense</b>	<u>116,048.99</u>	<u>100,099.00</u>	<u>15,949.99</u>	<u>103,099.00</u>
<b>Other Income</b>				
7000 - Other Income				
7010 - Dividend Income	354.05	0.00	354.05	0.00
<b>Total 7000 - Other Income</b>	<u>354.05</u>	<u>0.00</u>	<u>354.05</u>	<u>0.00</u>
<b>Total Other Income</b>	<u>354.05</u>	<u>0.00</u>	<u>354.05</u>	<u>0.00</u>
<b>Net Other Income</b>	<u>354.05</u>	<u>0.00</u>	<u>354.05</u>	<u>0.00</u>
<b>Net Income</b>	<u><b>-20,308.23</b></u>	<u><b>-21,715.00</b></u>	<u><b>1,406.77</b></u>	<u><b>-21,715.00</b></u>
	<i>Principal Payment</i>			
	34,627.46			
	<b>Net Income/Balance Sheet</b>			
	14,319.23			
	<b>Adjustments</b>			
	11,763.76			
<b>PROJECTED ENDING CASH</b>	<b>95,236.12</b>	<b>82,065.59</b>		<b>82,065.59</b>

**CANON MUTUAL DOMESTIC WATER ASSOCIATION**  
 Revenue Expenses Compared to Budget 2016

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

Beginning Cash 12.31.15	103,780.59
Revenue as of 12.31.16	95,386.71
Other Revenue	354.05
<b>Total Revenue</b>	<u>95,740.76</u>
<b>Change in A/R - Decrease + (Increase -)</b>	<b>(3,463.76)</b>

Change in A/P = Depreciation Expense - Decrease -  
 (Increase +)

Cash Basis Income (Cash)	<u>15,227.52</u>
Expenses as of 12.31.16	107,504.52
<b>Net Cash Income</b>	<u>116,048.99</u>
<b>Cash Basis Income (Cash)</b>	<b>-8,544.47</b>
<b>Ending Cash Balance as of 12.31.16</b>	<u>95,236.12</u>
<b>Net Difference</b>	<b>95,236.12</b>

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

**Schedule of Findings and Responses  
Year Ended December 31, 2016**

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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	N/A	N/A	N/A
<b>Follow-up on Prior Year Findings:</b> 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, 2016**

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**EXIT CONFERENCE**

The report contents were discussed at a telephonic exit conference held on May 30, 2017 with the following:

Cañon Mutual Domestic Water Consumers and Sewage Works Association

By telephone:

Jon Bull, Former President through 12/31/16  
Diane Nunez, Bookkeeper

Accounting Firm

James R. (Jim) Macias, CPA