



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

STATE OF NEW MEXICO

**CAÑONCITO AT APACHE CANYON
MUTUAL DOMESTIC WATER ASSOCIATION**

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

Year Ended December 31, 2012

STATE OF NEW MEXICO

**CAÑONCITO AT APACHE CANYON
MUTUAL DOMESTIC WATER ASSOCIATION**

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

Year Ended December 31, 2012

**STATE OF NEW MEXICO
CAÑONCITO AT APACHE CANYON MUTUAL DOMESTIC WATER ASSOCIATION**

**Table of Contents
December 31, 2012**

		<u>Page</u>
Title Page		i
Table of Contents		ii
Official Roster		iii
Independent Accountants' Report on Applying Agreed-Upon Procedures – Tier 4		iv-viii
	<u>Exhibit</u>	
Schedule of Revenues and Expenses – Budget and Actual (Cash Basis)	A	1-2
Schedule of Findings and Responses		3-7
Exit Conference		8

**STATE OF NEW MEXICO
CAÑONCITO AT APACHE CANYON MUTUAL DOMESTIC WATER ASSOCIATION**

**Official Roster
at December 31, 2012**

<u>Name</u>		<u>Title</u>
<u>Board of Directors</u>		
Rita Gurule		President
Andy Ortiz		Vice-President
Lupita Martinez		Secretary/Treasurer
Vacant		Member
Vacant		Member
<u>Staff</u>		
Ana M. Berry		Accounts Manager



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 - Tier 4

To: Rita Gurule, President
Cañoncito at Apache Canyon Mutual Domestic Water Association
and
Honorable Timothy M. Keller
New Mexico State Auditor

We have performed the procedures enumerated below for the Cañoncito at Apache Canyon Mutual Domestic Water Association (CaACMDWA), for the year ended December 31, **2012**, solely to assist the CaACMDWA 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 Exhibit A. The procedures were agreed to by the CaACMDWA through the Office of the New Mexico State Auditor. The Cañoncito at Apache Canyon Mutual Domestic Water 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 DFA-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 CaACMDWA has one checking account and utilizes Quickbooks to record cash transactions. Bank reconciliations are performed on a timely basis and all bank statements were complete and on-hand for the entire year.

- a) Random tests of bank reconciliations revealed no exceptions. The reconciliations were accurate and agreed with supporting documentation. We did not trace the December 31, 2012 cash balance to the year-end quarterly financial report submitted to DFA-LGD since the CaACMDWA did not submit any quarterly financial reports but, currently, there is no DFA-LGD required quarterly cash balance reporting format.
- b) The single bank account balance never exceeded uninsured limits and, therefore, pledged collateral was not required on the bank account at any time during the year.

2. 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

Although there are substantial capital assets and accumulated depreciation shown on the balance sheet, the CaACMDWA did not maintain a capital assets inventory listing and, therefore, did not perform a yearly inventory as required by Section 12-6-10 NMSA 1978. See Finding 2010-2 on p. 7 of this report.

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.

Results of Procedures Performed

- a) An analytical review of prior-year to current-year revenue revealed no unexplained or unusual variations. The test of actual revenue compared to budgeted revenue for the year for each revenue type revealed no exceptions.
- b) We requested supporting documentation for twelve (12) deposits (31% of total revenue) from a total of 42 deposits for the year. For the sample selected, amounts recorded on Quickbooks general ledger agreed with deposit tickets, other supporting documentation provided and the bank statements, with no exception.
- c) Amounts were properly recorded on a cash 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).

Results of Procedures Performed

- a) We requested supporting documentation for (twenty-nine) 29 disbursements (25% of total expenditures) from a total of 185 disbursements for the year. For the sample selected, amounts recorded as disbursed agreed to supporting documentation, with no exceptions. Amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and check clearing amount, as appropriate.
- b) Except as described below, for the sample selected, disbursements were properly authorized and approved in compliance with the legal requirements and established policies and procedures. Payments to Board members for services are employee wages but were not treated as such. These payments are subject to payroll tax withholding and employer match. There were two such instances noted in our expenditures sample for FY 2012. See Finding 2011-1 on p. 9 of this report.
- 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.

Results of Procedures Performed

The CaACMDWA bookkeeper utilizes Quickbooks to record cash transactions but the fee accountant normally prepares general journal entries at the end of the year to reclassify equipment purchased from expenses to capital assets and record depreciation expense. Also at the end of the year, journal entries are normally made to reclassify loan payments to principal and interest. The results of our tests are as follows:

- a) There were no journal entries recorded in FY 2012.

- b) The CaACMDWA has procedures that require journal entries to be reviewed and normally there is evidence the reviews are being performed through approval of monthly and yearly financial statements.

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.

Results of Procedures Performed

- a) The annual membership Board meeting minutes reflect approval of the 2012 budget but this budget was not submitted to DFA-LGD for approval. The budget was prepared for internal use only and the CaACMDWA made no subsequent 2012 budget adjustments. See Finding 2010-1 on p. 6 of this report.
- b) The CaACMDWA prepared but did not submit budget vs. actual report for the year ended December 31, 2012 to DFA-LGD. See Finding 2010-1 on p. 6 of this report. Since the CaACMDWA did not submit a 2012 budget for DFA-LGD approval, the comparison of actual expenditures to budget for the purposes of determining whether actual expenditures exceeded the final budget does not apply.
- c) A schedule of revenues and expenses – budget and actual was prepared from CaACMDWA records on the cash budgetary basis. This schedule is included herein as Exhibit A.

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, or any internal control deficiencies. However, see the Schedule of Findings and Responses for noncompliance issues related to the Capital Assets and Budget findings described above and Late Report (see Finding 2010-3 on p. 8 of this report).

* * * * *

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 a part thereof, including the accompanying Exhibit A. 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 the Cañoncito at Apache Canyon Mutual Domestic Water 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.
Española, New Mexico
January 20, 2016

STATE OF NEW MEXICO
CAÑONCITO AT APACHE CANYON MUTUAL DOMESTIC WATER ASSOCIATION
Schedule of Revenues and Expenses-Budget and Actual (Cash Basis)
Year Ended December 31, 2012

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Billings	\$ 66,851	\$ 66,851	\$ 68,842	\$ 1,991
Insurance Overpayment	-	-	-	-
Interest Income	-	-	-	-
New Service	-	-	-	-
NMFA Funding	-	-	-	-
Total revenues	66,851	66,851	68,842	1,991
Cash balance budgeted	-	-	-	-
Total revenues and cash balance budgeted	66,851	66,851	68,842	1,991
Expenses:				
2010 System Improvements	-	-	-	-
Attorney Fees	924	924	920	4
Line Locates	78	78	272	(194)
Materials	636	636	-	636
Remote Sensors	302	302	285	17
Repairs and Maintenance	420	420	2,852	(2,432)
System Maintenance	132	132	-	132
Water Testing	272	272	649	(377)
Cost of Operation-Other	-	-	-	-
Depreciation Expense	-	-	-	-
Emergency Funds	1,200	1,200	-	1,200
Liability Insurance	2,387	2,387	2,976	(589)
License to WRT	500	500	3,511	(3,011)
Loans	24,902	24,902	22,473	2,429
NSF Check Fees	-	-	12	(12)
NSF Checks	-	-	164	(164)
Agreed-upon procedures	-	-	4,541	(4,541)
Bank Charges	-	-	112	(112)
Call Multiplier	89	89	-	89
Dues and Subscriptions	129	129	-	129
General Meeting Supplies	52	52	-	52
Liens	-	-	-	-
Mileage	1,175	1,175	811	364
Monthly Meeting	1,440	1,440	150	1,290
Overdraft Fee	-	-	70	(70)
PO Box Rental	60	60	74	(14)
Postage	540	540	493	47
Printing	-	-	31	(31)
Public Regulation Commission	-	-	-	-
Software Support	-	-	836	(836)

STATE OF NEW MEXICO
CAÑONCITO AT APACHE CANYON MUTUAL DOMESTIC WATER ASSOCIATION
Schedule of Revenues and Expenses-Budget and Actual (Cash Basis)
Year Ended December 31, 2012

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Expenses (cont'd):				
Storage Unit	\$ 375	\$ 375	\$ 450	\$ (75)
Supplies	705	705	398	307
Wire Transfer Fee	-	-	-	-
WTB Grant Application	-	-	-	-
Accounting	541	541	541	-
Bookkeeping	10,248	10,248	10,248	-
Stenographer	570	570	335	235
Water Operator	7,440	7,440	8,775	(1,335)
Meter Reader	3,276	3,276	3,276	-
Conservation Fee	111	111	-	111
Corporate Income Tax	50	50	50	-
Gross Receipts	3,145	3,145	3,082	63
Property Taxes	4	4	4	-
State Income Taxes	-	-	-	-
Electricity	4,205	4,205	4,154	51
WRT CPI Adjustment	710	710	-	710
Total expenses	<u>66,618</u>	<u>66,618</u>	<u>72,545</u>	<u>(5,927)</u>
Excess revenues over (under) expenses	<u>\$ 233</u>	<u>\$ 233</u>	<u>\$ (3,703)</u>	<u>\$ (3,936)</u>

**STATE OF NEW MEXICO
CAÑONCITO AT APACHE CANYON MUTUAL DOMESTIC WATER ASSOCIATION**

**Schedule of Findings and Responses
Year Ended December 31, 2012**

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current Year Findings:			
Budget Submission/Approval and Quarterly Financial Reports	D	2010-1	2010-1
Capital Assets Inventory	D	2010-2	2010-2
Late Report	D	2010-3	2010-3
Payments to Board Members	D	2011-1	2011-1
Follow-up on Prior Year Findings:			
Budget Submission/Approval and Quarterly Financial Reports	D	2010-1	2010-1
Capital Assets Inventory	D	2010-2	2010-2
Late Report	D	2010-3	2010-3
Payments to Board Members	D	2011-1	2011-1

*** Legend for Findings:**

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

**STATE OF NEW MEXICO
CAÑONCITO AT APACHE CANYON MUTUAL DOMESTIC WATER ASSOCIATION**

**Schedule of Findings and Responses
Year Ended December 31, 2012**

2010-1

Budget Submission/Approval and Quarterly Financial Reports

Criteria

Section 6-6-2 (A) NMSA, 1978 requires each local public body to furnish and file with the Department of Finance and Administration-Local Government Division (DFA-LGD), on or before December 1, of each year, a proposed budget for the next fiscal year. Upon receipt of any budget approved by the DFA-LGD, the local public body shall cause such budget to be made a part of the minutes of such body. Section 6-6-2 (B) NMSA, 1978 requires each local public body to submit periodic financial reports, at least quarterly, to the DFA-LGD. Section 6-6-3 NMSA, 1978 states that every local public body shall make all reports as may be required by the DFA-LGD and conform to the rules and regulations adopted by the DFA-LGD. Section 6-6-6 NMSA 1978 states that when any budget for a local public body has been approved, it is binding upon all officials and governing authorities, and no governing authority or official shall allow or approve claims in excess thereof.

Condition

The Cañoncito at Apache Canyon Mutual Domestic Water Association (CaACMDWA) did not submit a 2012 budget for DFA-LGD approval nor did they submit required quarterly financial reports to the DFA-LGD at any time during the year or at year end. This is a repeat finding from the agreed-upon procedures reports for the years ended December 31, 2010 and 2011.

Cause

The CaACMDWA was not aware of the DFA-LGD requirements.

Effect

The CaACMDWA has not complied with Sections 6-6-2, 6-6-3 and 6-6-6 NMSA 1978.

Recommendation

We again recommend that the CaACMDWA submit their proposed budget to DFA-LGD for approval, on or before December 1 of each year and that upon receipt of the approved budget cause such budget to be made a part of the minutes. We again also recommend that the CaACMDWA submit quarterly financial reports, as required, to DFA-LGD.

Entity Response

"We were not aware that the budget had to be submitted to DFA for initial approval nor that quarterly financial submissions were required.

Corrective Action Plan - All annual budgets will be prepared by the Accounts Manager in October and the budget will be submitted to the Board for approval in November. Budget will be submitted to DFA for initial approval by December 1st. All quarterly financial reports will be submitted as required."

**STATE OF NEW MEXICO
CAÑONCITO AT APACHE CANYON MUTUAL DOMESTIC WATER ASSOCIATION**

**Schedule of Findings and Responses
Year Ended December 31, 2012**

2010-2

Capital Assets Inventory

Criteria

Section 12-6-10 NMSA, 1978 requires each local public body to, at the end of each fiscal year, conduct a physical inventory of capital assets costing more than five thousand dollars (\$5,000) and under control of the governing authority. The inventory shall list all capital assets and the date and cost of acquisition. Upon completion, the inventory shall be certified by the governing authority as to correctness. Each local public body shall maintain one copy in its files.

Condition

The Cañoncito at Apache Canyon Mutual Domestic Water Association (CaACMDWA) did not maintain a capital asset listing or performed a yearly inventory as required by Section 12-6-10 NMSA 1978. This is a repeat finding from the agreed-upon procedures reports for the years ended December 31, 2010 and 2011.

Cause

The CaACMDWA was not aware of the statute requirements.

Effect

The CaACMDWA has not complied with Section 12-6-10 NMSA 1978.

Recommendation

We again recommend that the CaACMDWA develop a capital asset inventory listing and perform the yearly inventory as required by Section 12-6-10 NMSA 1978.

Entity Response

"The association was not aware that a capital asset inventory listing needed to be done.

Corrective Action Plan - An inventory listing will be done by the Board and water operator around the end of 2016 and will be approved by the Board at the following board meeting. The inventory listing will be updated as needed by the Accounts Manager with Board approval."

**STATE OF NEW MEXICO
CAÑONCITO AT APACHE CANYON MUTUAL DOMESTIC WATER ASSOCIATION**

**Schedule of Findings and Responses
Year Ended December 31, 2012**

2010-3

Late Report

Criteria

Office of the State Auditor, Rule 2012, Section 2.2.2.16.H, requires that local public bodies with a fiscal year end other than June 30 must submit the agreed upon procedures report no later than five months after the fiscal year end.

Condition

The Cañoncito at Apache Canyon Mutual Domestic Water Association (CaACMDWA) has a December 31 year end but the agreed upon procedures report was submitted more than five months after the end of the fiscal year. This is a repeat finding from the agreed-upon procedures reports for the years ended December 31, 2010 and 2011.

Cause

Previously, the CaACMDWA did not have sufficient funding to contract for required agreed-upon procedures reports. Once the CaACMDWA was approved for funding through a State Auditor appropriation in FY 15, the CaACMDWA began the process of contracting for all required agreed-upon procedures engagements.

Effect

The CaACMDWA has not complied with Office of the State Auditor, Rule 2012, Section 2.2.2.16.H.

Recommendation

We again recommend that the CaACMDWA submit all future agreed-upon procedures reports by the required deadline.

Entity Response

"The association did not have the funding to follow the requirements set forth by the OSA, therefore, the forms were not submitted to the OSA and the agreed upon procedures were not done this year.

Corrective Action Plan - The Accounts Manager will ensure that the required forms are submitted to OSA by January 1st of the following year and the agreed upon procedures are conducted and submitted to OSA by June 1st."

**STATE OF NEW MEXICO
CAÑONCITO AT APACHE CANYON MUTUAL DOMESTIC WATER ASSOCIATION**

**Schedule of Findings and Responses
Year Ended December 31, 2012**

2011-1

Payments to Board Members

Criteria

Internal Revenue Code Section 3401 (c) defines employee to include an "officer, elected official of any political subdivision thereof, or any agency of instrumentality. Case law provides further support in that governmental officials have been delegated sovereign powers of a government to be exercised for the benefit of the public. They render services defined by law and functions established by and for the position held. An official's actions are controlled by the "position" with the governmental entity. Hence, the employer-employee relationship exists and board members are employees.

Condition

The Canoncito at Apache Canyon Mutual Domestic Water Association (CaACMDWA) pays their board members for various services but does not treat these payments as employee wages and, therefore, does not withhold, match FICA or Medicare or pay in payroll taxes. There were two instances noted in the expenditure sample. This is a repeat finding from the agreed-upon procedures report for the year ended December 31, 2011.

Cause

The CaACMDWA was not aware of the requirements of Internal Revenue Code Section 3401 (c).

Effect

The CaACMDWA has not complied with Internal Revenue Code Section 3401 (c).

Recommendation

We recommend that CaACMDWA treat Board member payments as employee wages to comply with Internal Revenue Code Section 3401 (c).

Entity Response

"The Association was paying a stipend to board members for meeting attendance and mileage. We were not aware that the stipend was to be treated as a paycheck and when we were informed of this, all stipends were discontinued.

Corrective Action Plan - Stipends to board members have been discontinued."

**STATE OF NEW MEXICO
CAÑONCITO AT APACHE CANYON MUTUAL DOMESTIC WATER ASSOCIATION**

**Exit Conference
Year Ended December 31, 2012**

EXIT CONFERENCE

The report contents were discussed at a telephonic exit conference held on January 25, 2016 with the following:

Cañonito at Apache Canyon Mutual Domestic Water Association

By telephone:

Rita Gurule, Board President
Ana Berry, Accounts Manager

Accounting Firm

James R. (Jim) Macias, CPA