



MACIAS, GUTIERREZ & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
ESPANOLA, NEW MEXICO  
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**STATE OF NEW MEXICO**

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

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

Year Ended December 31, 2015

**STATE OF NEW MEXICO**

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

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**Year Ended December 31, 2015**

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

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December 31, 2015**

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

**Official Roster  
at December 31, 2015**

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<u>Name</u>		<u>Title</u>
<b><u>Board of Directors</u></b>		
Gilbert Salazar		President
David Archuleta		Vice-President
Anna Flores		Secretary
Gloria Gonzales		Treasurer
Henry Talache		Member
<b><u>Staff</u></b>		
Juliet Salazar		Office Manager
Gloria Gonzales		Water Operator/Meter Reader



Macias, Gutierrez  
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505.747.4415  
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## **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES (TIER 4)**

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To: Gloria Gonzales, President  
Chamita Mutual Domestic Water Consumers and Sewage Works Association #3090  
and  
Honorable Timothy Keller  
New Mexico State Auditor

We have performed the procedures enumerated below for Chamita Mutual Domestic Water Consumers and Sewage Works Association (CMDWCSWA), for the year ended **December 31, 2015** solely to assist 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 CMDWCSWA through the Office of the New Mexico State Auditor. Chamita 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.

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

- a) CMDWCSWA has three checking accounts and three certificates of deposit, all in one financial institution, and utilizes Quickbooks to record cash transactions. Sampled bank reconciliations were performed on a timely basis 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, 2015 Quickbooks general ledger ending balances, without exception, to the final year-end quarterly financial report submitted to DFA-LGD and to the internally generated Cash Flow Report. Currently, there is no DFA-LGD required cash reporting format.
- c) Cumulative, single-institution bank account balances exceeded uninsured limits for the final six months of the fiscal year but the CMDWCSWA's financial institution did not provide it with the 50% of pledged collateral on all Federal Deposit Insurance Corporation (FDIC) uninsured deposits nor did the CMDWCSWA withdraw the excess funds as required by Sections 6-10-17 and 6-10-17.1 NMSA 1978. (See Finding 2015-001 on pages 4-5).

## **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**

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

## **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 type of revenue could not be performed since the CMDWCSWA did not submit a detailed line-item revenue budget but only total projected income. The comparison, in total, was reasonable in the circumstances.
- b) We requested supporting documentation for sixteen (16) deposits (57% of total revenue/deposits) from a total of 56 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, without 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 thirty (30) disbursements (57% of total expenditures/disbursements) from a total of 345 for the year. For the sample selected, amounts recorded as disbursed agreed to supporting documentation. Amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and photocopied cancelled check, as appropriate.
- b) For the sample selected, disbursements were properly authorized and approved in compliance with the budget, 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.

##### Results of Procedures Performed

The CMDWCSWA utilizes Quickbooks to record cash transactions only and does not prepare formal journal entries.

#### 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) A review of minutes and correspondence revealed that the CMDWCSWA submitted a 2015 budget to DFA-LGD for approval. There was one subsequent Board and DFA-LGD approved budget adjustment increasing the revenue and expense budget and revising expense line items.
- 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 cash budgetary basis. This schedule is included herein as Exhibit A. The CMDWCSWA submitted a Profit and Loss Budget Performance report for the year ended December 31, 2015 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.

**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 internal control deficiencies. However, see the Schedule of Findings and Responses for noncompliance issues related to the procedures for the Cash finding described above (See Finding 2015-001 on pages 4-5).

\* \* \* \* \*

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 the accompanying 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 the Chamita 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 those specified parties.

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

Macias, Gutierrez & Co., CPAs, P. C.  
 Espanola, New Mexico  
 May 27, 2016



**STATE OF NEW MEXICO**  
**CHAMITA MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION**  
**Schedule of Revenues and Expenses-Budget and Actual (Cash Basis)**  
**Year Ended December 31, 2015**

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues:</b>				
Interest Income	\$ -	\$ -	\$ 65	\$ 65
Membership Fee	-	-	37	37
Reconnect Fee	-	-	225	225
Reimbursements-Chamita Community Center	-	-	1,583	1,583
Capital Outlay-Environment Department	-	15,000	-	(15,000)
Loan Proceeds-Environment Department	-	78,000	77,550	(450)
Returned Item Replacement	-	-	416	416
Water Service Sales	139,000	139,000	111,558	(27,442)
	<u>139,000</u>	<u>232,000</u>	<u>191,434</u>	<u>(40,566)</u>
Total revenues	139,000	232,000	191,434	(40,566)
Cash balance budgeted	-	-	-	-
Total revenues and cash balance budgeted	<u>139,000</u>	<u>232,000</u>	<u>191,434</u>	<u>(40,566)</u>
<b>Expenses:</b>				
Advertising	50	50	41	9
Association Meetings	200	200	32	168
Audit (AUP)	4,900	4,900	4,885	15
Auto	694	694	108	586
Bank	77	77	-	77
Bank Check Charge	9	9	26	(17)
Chama Community Center	8,161	8,161	7,210	951
Contract Labor	3,433	3,433	2,829	604
Dues	264	264	264	-
Insurance	5,100	5,100	4,760	340
Legal	645	645	699	(54)
Loan Payment	2,500	2,500	1,074	1,426
Miscellaneous Stipend	630	630	56	574
Office Supplies	8,616	8,616	4,007	4,609
Payroll Expenses	46,072	46,072	37,008	9,064
Postage	1,574	1,574	1,433	141
Registration Fee	800	800	-	800
Returned Checks	127	127	416	(289)
RIP Loan Expenses	-	78,000	78,000	-
Shipping Charge	-	27	-	27
System Supplies	2,294	2,294	1,104	1,190
System Upgrade/Repairs	6,000	6,000	4,454	1,546
System Design	800	800	-	800
Tax	7,829	7,829	6,239	1,590
Training	720	720	637	83
Utilities	7,584	7,584	6,699	885
	<u>109,079</u>	<u>187,106</u>	<u>161,981</u>	<u>25,125</u>
Total expenses	109,079	187,106	161,981	25,125
<b>Excess revenues over (under) expenses</b>	<u>\$ 29,921</u>	<u>\$ 44,894</u>	<u>\$ 29,453</u>	<u>\$ (15,441)</u>

**Chamita MDWCA**  
**Profit & Loss Budget Performance**  
October through December 2015

	<u>Oct - Dec 15</u>	<u>Jan - Dec 15</u>	<u>Annual Budget</u>
<b>Ordinary Income/Expense</b>			
<b>Income</b>			
Interest Income	9.29	65.26	0.00
Membership Fee	0.00	36.57	0.00
RIP Loan	0.00	77,549.99	78,000.00
Reconnect fee	50.00	225.00	0.00
Capital Outley	0.00	0.00	15,000.00
Reimbursement	383.75	1,583.27	0.00
Returned Item Replacement	140.00	415.78	0.00
Water Service Connections	0.00	0.00	0.00
Water Service Sales	27,704.42	111,558.24	139,000.00
<b>Total Income</b>	<u>28,287.46</u>	<u>191,434.11</u>	<u>232,000.00</u>
<b>Gross Profit</b>	28,287.46	191,434.11	232,000.00
<b>Expense</b>			
Advertising	0.00	40.71	50.00
Association Meetings	0.00	32.39	199.99
Audit	0.00	4,885.31	4,900.00
Auto	0.00	108.04	693.80
Bank	0.00	0.00	76.50
Bank Chrg	25.55	25.55	9.00
Chamita Community Center	2,212.64	7,210.50	8,161.44
Contract Labor	170.00	2,829.25	3,432.67
Dues	264.00	264.00	264.00
Insurance	0.00	4,760.00	5,100.00
Legal	0.00	698.75	645.00
Rip Loan Pmt. Int	0.00	1,073.52	2,500.00
Misc Stipend	0.00	56.00	630.00
Office Supplies	295.33	4,006.67	8,616.43
Payroll Expenses	9,878.61	37,008.06	46,072.35
Postage	269.50	1,433.85	1,573.45
Registration Fee	0.00	0.00	800.00
Returned Cks	140.00	415.78	127.00
Shipping Charge	0.00	0.00	26.75
Supplies	0.00	1,103.55	2,294.26
System Upgrade/Repairs	0.00	4,454.18	6,000.00
System Design	0.00	0.00	800.00
Tax	1,568.91	6,239.45	7,829.34
Training	426.89	636.58	720.00
Utilities	1,769.85	6,699.05	7,583.82
Rip Loan from Emergency Acct.	0.00	78,000.00	78,000.00
<b>Total Expense</b>	<u>17,021.28</u>	<u>161,981.19</u>	<u>187,105.80</u>
<b>Net Ordinary Income</b>	<u>11,266.18</u>	<u>29,452.92</u>	<u>44,894.20</u>
<b>Net Income</b>	<u>11,266.18</u>	<u>29,452.92</u>	<u>44,894.20</u>

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

**Schedule of Findings and Responses  
 Year Ended December 31, 2015**

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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>			
Pledged Collateral on Uninsured Deposits	D	N/A	2015-001
<b>Follow-up on Prior Year Findings:</b>			
Budget Reporting on Quarterly Financial Reports	D	2010-1	Resolved
Budget Overexpended	D	2014-001	Resolved
Late Report	D	2014-002	Resolved

**\* Legend for Findings:**

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

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

**Schedule of Findings and Responses  
Year Ended December 31, 2015**

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**2015-001**

**Pledged Collateral on Uninsured Deposits**

**Criteria**

The Federal Deposit Insurance Corporation (FDIC) insures deposits in a single financial institution up to maximum of \$250,000. Section 6-10-17 NMSA 1978 states, in part, “that any bank or savings and loan association designated as a depository of public money shall deliver securities of the kind specified in [Section 6-10-16](#) NMSA 1978 to a custodial bank described in [Section 6-10-21](#) NMSA 1978 and shall then deliver a joint safekeeping receipt issued by the custodial bank to the public official from whom or the public board from which the public money is received for deposit. The securities delivered shall have an aggregate value equal to one-half the amount of public money to be received.”

Section 6-10-17.1 NMSA 1978 states that “when a treasurer, board of finance or board of control finds that a bank or savings and loan association that has been designated as a depository of public money has not maintained qualifying securities as collateral for deposits of public money under the control of that treasurer or board as required by law, the treasurer or board shall request the depository to substitute or provide additional qualifying securities to meet those requirements within ten calendar days. If the bank or savings and loan association does not comply with the request within ten calendar days, the treasurer or board shall withdraw from that depository within the next ten calendar days all deposits of public money under the treasurer's or board's control without penalty to the public depositor, notwithstanding any other provision of law to the contrary.”

**Condition**

The Chamita Mutual Domestic Water Consumers and Sewage Works Association's (CMDWCSWA) cumulative single-bank deposits exceeded \$250,000 for the last six months of the fiscal year but the financial institution did not provide the CMDWCSWA with 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, nor did they withdraw the excess funds from that financial institution as required by Section 6-10-17.1 NMSA 1978. The amount over the \$250,000 FDIC insured amount ranged from \$989 in July 2015 and increased every month thereafter to the largest overage of \$14,951 in December 2015.

**Cause**

The CMDWCSWA did not have procedures in place to recognize that the cumulative bank balance amounts exceeded the FDIC insured amount for the last six months of the fiscal year.

**Effect**

The CMDWCSWA was exposed to custodial credit risk for the last six months of the year and did not comply with Section 6-10-17 and 6-10-17.1 NMSA 1978. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

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

**Schedule of Findings and Responses  
Year Ended December 31, 2015**

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**2015-001 (cont'd)**

**Pledged Collateral on Uninsured Deposits (cont'd)**

**Recommendation**

We recommend that the CMDWCSWA implement procedures to recognize when cumulative single-bank account balances exceed FDIC insured limits and comply with Sections 6-10-17 and 6-10-17.1 NMSA 1978.

**Entity Response and Corrective Action Plan**

“The CMDWCSWA will implement procedures to monitor bank account balances, so that balances do not exceed FDIC insured limits. The President and Vice President positions will monitor the accounts monthly to ensure that balances do not exceed FDIC insured limits. The CMDWCSWA board will draft a policy implementing the procedures.”

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

**Exit Conference  
Year Ended December 31, 2015**

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**EXIT CONFERENCE**

The report contents were discussed at a telephonic exit conference held on May 31, 2016 with the following:

Chamita Mutual Domestic Water Consumers and Sewage Works Association

By telephone:

Alex Sisneros, Jr., Board Vice-President  
Juliet Salazar, Office Manager

Accounting Firm

James R. (Jim) Macias, CPA