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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

Year Ended December 31, 2010

**STATE OF NEW MEXICO**

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

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

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December 31, 2010**

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

**Official Roster  
at December 31, 2010**

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



Macias, Gutierrez  
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## **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES**

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To: David Archuleta, President  
Chamita Mutual Domestic Water Consumers and Sewage Works Association  
and  
Honorable Hector H. Balderas  
New Mexico State Auditor

We have performed the procedures enumerated below for the Chamita Mutual Domestic Water Consumers and Sewage Works Association (CMDWCSWA), for the year ended December 31, 2010. The CMDWCSWA was determined to be a Tier 4 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by the CMDWCSWA through the Office of the New Mexico State Auditor. The 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 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.

#### **Findings**

- a) The CMDWCSWA has three checking accounts and three certificates of deposit and utilizes Quickbooks to record cash transactions. All bank reconciliations are performed on a timely basis and all were complete and on-hand.

- b) Random tests of bank reconciliations revealed no exceptions. The reconciliations were accurate and agreed with supporting documentation. However, we could not trace ending balances since a quarterly financial report was not submitted to DFA-LGD at year-end. The CMDWCSWA treasurer indicated that submission of quarterly financial reports would begin with the March 2011 report.
- c) Bank account balances never exceeded uninsured limits and therefore, pledged collateral was not required on any bank account.

## 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 does not have a capital assets inventory listing and, therefore, did not perform 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.

Test 50% of the total amount of revenues for 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) Analytical review and test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed no exceptions.
- b) Amounts recorded on Quickbooks agreed with supporting documentation and the bank statements.
- 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 and test at least 25 transactions and 50% of the total amount of expenditures for 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 cancelled check, 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) Except for one out of fifty (50) expenses tested, amounts recorded as disbursed agreed to supporting documentation. The one exception where no invoice was available was a payment for \$1,152 for pump house supplies. Except as noted previously, amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and cancelled check, as appropriate.
- b) 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.

### **Findings**

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.

## **Findings**

- a) A review of the January 21, 2011 Board minutes indicated that the 2010 budget was approved by the Board after the year ended and had not been submitted to DFA-LGD for approval at any time during 2010. Therefore, the budget was prepared for internal use only and the CMDWCSWA made no subsequent 2010 budget adjustments. The 2011 budget has not yet been submitted to DFA-LGD for approval.
- 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 budget report for the year ended December 31, 2010 to DFA-LGD, which is presented 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, or any internal control deficiencies. However, see the Schedule of Findings and Responses for noncompliance issues related to the Cash and Budget findings above.

\* \* \* \* \*

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. 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 Chamita Mutual Domestic Water Consumers and Sewage Works Association, the New Mexico State Auditor's Office and the DFA-LGD 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  
April 25, 2011



**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, 2010**

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues:</b>				
Interest Income	\$ 2,054	\$ 2,054	\$ 1,158	\$ (896)
Reconnect Fee	200	200	50	(150)
Refund	250	250	217	(33)
Reimbursement	34,128	34,128	1,519	(32,609)
Returned Check Charges	25	25	-	(25)
Returned Item Replacement	325	325	359	34
Supplies Sold	250	250	644	394
Water Service Connections	150	150	50	(100)
Water Service Sales	109,501	109,501	103,592	(5,909)
Member Fee	-	-	37	37
Total revenues	<u>146,883</u>	<u>146,883</u>	<u>107,626</u>	<u>(39,257)</u>
Cash balance budgeted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and cash balance budgeted	<u>146,883</u>	<u>146,883</u>	<u>107,626</u>	<u>(39,257)</u>
<b>Expenses:</b>				
Adjustments to Register	10	10	5	5
Association Meetings	250	250	361	(111)
Audit	4,000	4,000	-	4,000
Auto	1,213	1,213	926	287
Bank Check Charge	25	25	-	25
Chama Community Center	7,669	7,669	7,661	8
Contract Labor	250	250	100	150
Contractor	500	500	300	200
Dues	228	228	490	(262)
Gifts	150	150	75	75
Insurance	4,638	4,638	5,329	(691)
Land Payment	350	350	277	73
Legal	1,425	1,425	645	780
Maintenance	100	100	26	74
Miscellaneous	950	950	690	260
Office Supplies	7,000	7,000	5,470	1,530
Payroll Expenses	58,000	58,000	41,716	16,284
Postage	1,800	1,800	1,604	196
Returned Checks	500	500	279	221
Supplies	10,000	10,000	6,346	3,654
System	30,000	30,000	1,637	28,363
Tax	7,000	7,000	7,162	(162)
Training	2,000	2,000	1,503	497
Utilities	7,250	7,250	6,424	826
Total expenses	<u>145,308</u>	<u>145,308</u>	<u>89,026</u>	<u>56,282</u>
<b>Excess revenues over (under) expenses</b>	<u>\$ 1,575</u>	<u>\$ 1,575</u>	<u>\$ 18,600</u>	<u>\$ 17,025</u>

**Chamita MDWCA**  
**Profit & Loss Budget Performance**  
 January through December 2010

Exhibit B

	Jan - Dec 10	Budget	Jan - Dec 10	YTD Budget	Annual Budget
<b>Ordinary Income/Expense</b>					
<b>Income</b>					
Interest Income	1,157.64	2,053.73	1,157.64	2,053.73	2,053.73
Reconnect fee	50.00	200.00	50.00	200.00	200.00
Refund	216.53	250.00	216.53	250.00	250.00
Reimbursement	1,518.57	34,127.77	1,518.57	34,127.77	34,127.77
Returned Check Charges	0.00	25.00	0.00	25.00	25.00
Returned Item Replacement	358.86	325.00	358.86	325.00	325.00
Supplies Sold	643.65	250.00	643.65	250.00	250.00
Water Service Connections	50.00	150.00	50.00	150.00	150.00
Water Service Sales	103,592.13	109,500.82	103,592.13	109,500.82	109,500.82
<b>Total Income</b>	<b>107,587.38</b>	<b>146,882.32</b>	<b>107,587.38</b>	<b>146,882.32</b>	<b>146,882.32</b>
<b>Cost of Goods Sold</b>					
Cost of Goods Sold	700.71		700.71		
<b>Total COGS</b>	<b>700.71</b>		<b>700.71</b>		
<b>Gross Profit</b>	<b>106,886.67</b>	<b>146,882.32</b>	<b>106,886.67</b>	<b>146,882.32</b>	<b>146,882.32</b>
<b>Expense</b>					
Adjustments to register	5.00	10.00	5.00	10.00	10.00
Association Meetings	361.19	250.00	361.19	250.00	250.00
Audit	0.00	4,000.00	0.00	4,000.00	4,000.00
Auto	925.94	1,212.75	925.94	1,212.75	1,212.75
Bank Check charge	0.00	25.00	0.00	25.00	25.00
Chamita Community Center	7,660.54	7,669.08	7,660.54	7,669.08	7,669.08
Contract Labor	100.00	250.00	100.00	250.00	250.00
Contractor	300.00	500.00	300.00	500.00	500.00
Dues	490.00	228.00	490.00	228.00	228.00
Gifts	75.00	150.00	75.00	150.00	150.00
Insurance	5,329.00	4,638.00	5,329.00	4,638.00	4,638.00
Land Payment	277.20	350.00	277.20	350.00	350.00
Legal	645.00	1,425.00	645.00	1,425.00	1,425.00
MAINTENANCE	25.64	100.00	25.64	100.00	100.00
Misc	690.00	950.00	690.00	950.00	950.00
Office Supplies	5,469.52	7,000.00	5,469.52	7,000.00	7,000.00
Payroll Expenses	41,715.95	58,000.00	41,715.95	58,000.00	58,000.00
Postage	1,603.61	1,800.00	1,603.61	1,800.00	1,800.00
Returned Cks	279.25	500.00	279.25	500.00	500.00
Supplies	6,346.40	10,000.00	6,346.40	10,000.00	10,000.00
System	1,637.10	30,000.00	1,637.10	30,000.00	30,000.00
Tax	7,162.38	7,000.00	7,162.38	7,000.00	7,000.00
Training	1,502.53	2,000.00	1,502.53	2,000.00	2,000.00
Utilities	6,424.44	7,250.00	6,424.44	7,250.00	7,250.00
<b>Total Expense</b>	<b>89,025.69</b>	<b>145,307.83</b>	<b>89,025.69</b>	<b>145,307.83</b>	<b>145,307.83</b>
<b>Net Ordinary Income</b>	<b>17,860.98</b>	<b>1,574.49</b>	<b>17,860.98</b>	<b>1,574.49</b>	<b>1,574.49</b>
<b>Other Income/Expense</b>					
<b>Other Income</b>					
Member Fee	36.57		36.57		
<b>Total Other Income</b>	<b>36.57</b>		<b>36.57</b>		
<b>Net Other Income</b>	<b>36.57</b>		<b>36.57</b>		
<b>Net Income</b>	<b>17,897.55</b>	<b>1,574.49</b>	<b>17,897.55</b>	<b>1,574.49</b>	<b>1,574.49</b>

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

**Schedule of Findings and Responses  
 Year Ended December 31, 2010**

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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>			
Budget Submission/Approval and Quarterly Financial Reports	D	N/A	2010-1
Capital Assets Inventory	D	N/A	2010-2
<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  
CHAMITA MUTUAL DOMESTIC WATER CONSUMERS  
AND SEWAGE WORKS ASSOCIATION**

**Schedule of Findings and Responses  
Year Ended December 31, 2010**

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**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 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 Compilation states that every local public body shall make all reports as may be required by the Department of Finance and Administration-Local Government Division (DFA-LGD) and conform to the rules and regulations adopted by the DFA-LGD.

**Condition**

The Chamita Mutual Domestic Water Consumers and Sewage Works Association (CMDWCSWA) did not submit their 2010 budget for DFA-LGD approval but have a record of Board approval after the year ended in the January 21, 2011 minutes. The CMDWCSWA submitted a variety of financial reports, upon request, at various intervals during the year. However, not all required quarterly financial cash activity and budget reports were submitted to the DFA-LGD on a consistent basis during the year. The CMDWCSWA submitted only a budget report for the year ended December 31, 2010.

**Cause**

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

**Effect**

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

**Recommendation**

We recommend that the CMDWCSWA 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 further recommend that the CMDWCSWA submit quarterly financial reports, as required, to DFA-LGD.

**Entity Response**

“The Annual Budget to DFA-LGD will be sent for approval by December 1 of each calendar year and will submit financial reports in the required format each quarter and at the end of each calendar year.”

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

**Exit Conference  
Year Ended December 31, 2010**

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**EXIT CONFERENCE**

The report contents were discussed at an exit conference held on April 29, 2011 with the following in attendance:

Chamita Mutual Domestic Water Consumers and Sewage Works Association

Gilbert Salazar, Board Vice-President  
Juliet Salazar, Office Manager  
Gloria Gonzales, Treasurer, Water Operator/Meter Reader

Accounting Firm

James R. (Jim) Macias, CPA