

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, 2012



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

STATE OF NEW MEXICO

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

**Official Roster
at December 31, 2012**

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



Macias, Gutierrez
& Co., P.C.

*Certified Public Accountants
Member AICPA, NMSCPA*

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To: Gilbert Salazar, President
Chamita Mutual Domestic Water Consumers and Sewage Works Association #3090
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, 2012 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, B and C. The procedures were agreed to by the CMDWCSWA through the Office of the New Mexico State Auditor. The CMDWCSWA'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 for the fiscal year.

- b) Random tests of bank reconciliations revealed no exceptions. The reconciliations were accurate and agreed with supporting documentation. We traced ending balances to the general ledger, supporting documentation and to the quarterly financial report submitted to DFA-LGD at year-end, included herein as Exhibit B, without exception.
- c) Cumulative single-institution bank account balances never exceeded uninsured limits and therefore, pledged collateral was not required on any uninsured deposits.

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 maintains a capital assets inventory listing and performed a yearly inventory as required by Section 12-6-10 NMSA 1978. (Prior-year finding 2011-1 resolved)

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 revenue 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.

Findings

- 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 revealed no exceptions.
- b) We requested supporting documentation for fifteen (15) deposits (25% of total revenue from a total of 49 deposits for the year. For the sample selected, amounts recorded on Quickbooks agreed with supporting documentation 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 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) We requested supporting documentation for thirty-one (31) disbursements (20% of total expenses) out of a total of 358 disbursements 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) Except for not having a DFA-LGD approved budget for FY 2012, 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) The CMDWCSWA did not submit the 2012 budget to DFA-LGD for approval on a timely basis. The June 5, **2013** Board minutes include Board approval of the 2012 budget. Therefore, there was no Board or DFA-LGD approved operating budget utilized during the year. The information included herein was provided during the agreed-upon procedures engagement and shows budgeted expenses exceeding budgeted revenues by \$11,761.
- 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. In June 2013, the CMDWCSWA submitted the expense portion of the budget only for the year ended December 31, 2012 to DFA-LGD, which is presented herein as Exhibit C.

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 and Late 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 any part thereof, including Exhibits A, B and C. 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 Department of Finance and Administration, Local Government Division 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
September 24, 2013

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, 2012

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Bank correction	\$ -	\$ -	\$ 52	\$ 52
Interest Income	846	846	555	(291)
Reconnect Fee	175	175	75	(100)
Reimbursement	29,025	29,025	-	(29,025)
Returned Item Replacement	236	236	127	(109)
Water Service Connections	225	225	350	125
Water Service Sales	106,437	106,437	104,512	(1,925)
Total revenues	<u>136,944</u>	<u>136,944</u>	<u>105,671</u>	<u>(31,273)</u>
Cash balance budgeted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and cash balance budgeted	<u>136,944</u>	<u>136,944</u>	<u>105,671</u>	<u>(31,273)</u>
Expenses:				
Adjustments to Register	5	5	-	5
Advertising	100	100	78	22
Association Meetings	450	450	200	250
Audit	4,800	4,800	-	4,800
Auto	1,283	1,283	288	995
Bank Check Charge	80	80	86	(6)
Chama Community Center	10,090	10,090	8,081	2,009
Contract Labor	2,893	2,893	1,233	1,660
Contractor	7,069	7,069	3,155	3,914
Dues	639	639	264	375
Equipment	400	400	-	400
Insurance	6,100	6,100	5,499	601
Legal	850	850	712	138
Mileage	102	102	-	102
Miscellaneous	640	640	630	10
Office Supplies	6,032	6,032	9,300	(3,268)
Payroll Expenses	43,121	43,121	46,072	(2,951)
Postage	1,619	1,619	1,573	46
Well Project Expense	35,000	35,000	891	34,109
Registration Fee	500	500	800	(300)
Returned Checks	289	289	127	162
Supplies	10,523	10,523	2,650	7,873
Tax	7,610	7,610	7,829	(219)
Training	1,097	1,097	402	695
Utilities	7,413	7,413	7,584	(171)
Total expenses	<u>148,705</u>	<u>148,705</u>	<u>97,454</u>	<u>51,251</u>
Excess revenues over (under) expenses	<u>\$ (11,761)</u>	<u>\$ (11,761)</u>	<u>\$ 8,217</u>	<u>\$ 19,978</u>

Chamita Mutual Domestic Water Consumers & Sewage Works Association
PO Box 1301, San Juan Pueblo, New Mexico 87566

2012 Cash flow Report
All Accounts Summary

Beginning Balance All Accounts \$197,928.20

Operations Account

Jan - Dec 12

Beginning Balance January 01, 2012	\$53,588.92	
Income	\$105,200.20	
Expenses	\$97,472.55	
Net Income/Loss	\$7,727.65	
Ending Balance December 31, 2012		\$61,316.50
Cash on hand		\$100.00

Capital Projects Checking Account (Emergency Fund)

Beginning Balance January 01, 2012	\$24,753.73	
Income	\$24.78	
Expenses	0.00	
Net Income/Loss	\$24.78	
Ending Balance December 31, 2012		\$24,778.51

CD #1 Capital & Depreciation CD'S (Reserve Fund)

Beginning Balance January 01, 2012	\$75,928.26	
Income	\$192.96	
Expenses	\$0.00	
Net Income/Loss	\$192.96	
Ending Balance CD #1 December 31, 2012		\$76,121.22

Chamita Mutual Domestic Water Consumers & Sewage Works Association
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CD #2 (Water Rights Fund)

Beginning Balance January 01, 2012	\$16,344.02	
Income	227.32	
Expenses	0.00	
Net Income/loss	\$227.32	
Ending Balance December 31, 2012		\$16,571.34

Membership Checking Account

Beginning Balance January 01, 2012	\$2,631.16	
Income	\$0.24	
Expense	\$0.00	
Net Income/Loss	\$0.24	
Ending Balance December 31, 2012		\$2,631.40

CD #3 Membership Investment Account

Beginning Balance January 01, 2012	\$16,384.14	
Income	\$25.02	
Expense	\$0.00	
Net Income/Loss	\$25.02	
Ending Balance December 31, 2012		\$16,409.16

Net Income/Loss All Accounts		\$8,197.97
Closing Balance All Accounts Dec 31, 2012		\$197,928.20

Chamita MDWCA 2012 Budget

Projected Income	\$136,000.00
Expense	
Adjustments to register	5.00
Advertising	100.00
Association Meetings	450.00
Audit	4,800.00
Auto	1,282.55
Bank Check charge	80.00
Chamita Community Center	10,090.01
Contract Labor	2,892.50
Contractor	7,069.43
Dues	639.00
Equipment	400.00
Insurance	6,100.00
Legal	850.00
Mileage	102.00
Misc	640.00
Office Supplies	6,032.21
Payroll Expenses	43,121.06
Postage	1,619.44
Well Project Exp	35,000.00
Registration Fee	500.00
Returned Cks	289.46
Supplies	10,522.65
Tax	7,609.56
Training	1,096.95
Utilities	7,413.29
Total Expense	<u><u>148,705.11</u></u>

**STATE OF NEW MEXICO
 CHAMITA MUTUAL DOMESTIC WATER CONSUMERS
 AND SEWAGE WORKS 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
Late Report	D	2011-2	2011-2
Follow-up on Prior Year Findings:			
Budget Submission/Approval and Quarterly Financial Reports	D	2010-1	2010-1
Capital Assets Inventory	D	2011-1	Resolved
Late Report	D	2011-2	2011-2

*** 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, 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 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 2012 budget for DFA-LGD approval but have record of Board approval of the 2012 budget in the June 5, **2013** minutes. The CMDWCSWA submitted the 2012 Board approved expenses budget only in June 2013. Not all required quarterly financial cash activity and budget reports were submitted to the DFA-LGD during the year. The CMDWCSWA submitted only a financial cash activity for the year ended December 31, 2012 in June 2013.

Cause

The CMDWCSWA did not comply with the prior-year agreed-upon procedures recommendations.

Effect

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

Recommendation

We again recommend that the CMDWCSWA submit a 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 cash activity and budget to actual reports, as required, to DFA-LGD.

Entity Response

“The Chamita MDWCA has corrected this finding and will submit Budget and Quarterly Financial Reports from this date forward to 2013.”

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

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

2011-2

Late Report

Criteria

Office of the State Auditor, Rule 2010, 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 Chamita Mutual Domestic Water Consumers and Sewage Works Association (CMDWCSWA) 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.

Cause

The CMDWCSWA did not prepare and submit the required recommendation and contract forms to the State Auditor for approval in a timely manner. Since the contract was approved on July 15, 2013, the agreed-upon procedures engagement was started more than a year after the deadline.

Effect

The AFCWSA has not complied with Office of the State Auditor, Rule 2011, Section 2.2.2.16.H.

Recommendation

We recommend that the CMDWCSWA submit all future agreed upon procedures reports by the required deadline.

Entity Response

“The CMDWCA will submit all future agreed upon procedures reports by the required deadline in the future.”

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

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

EXIT CONFERENCE

The report contents were discussed at an exit conference held on September 30, 2013 with the following in attendance:

Chamita Mutual Domestic Water Consumers and Sewage Works Association

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

Accounting Firm

James R. (Jim) Macias, CPA