



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

STATE OF NEW MEXICO

SANTA CRUZ IRRIGATION DISTRICT

Independent Accountants' Report on Applying
Agreed-Upon Procedures

Year Ended June 30, 2011

STATE OF NEW MEXICO

SANTA CRUZ IRRIGATION DISTRICT

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Agreed-Upon Procedures**

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**STATE OF NEW MEXICO
SANTA CRUZ IRRIGATION DISTRICT**

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**STATE OF NEW MEXICO
SANTA CRUZ IRRIGATION DISTRICT**

**Official Roster
at June 30, 2011**

<u>Name</u>		<u>Title</u>
<u>Board of Directors</u>		
Kenneth Salazar		Chairman
Mel Martinez		Vice-Chairman
Josie E. Lujan		Secretary/Treasurer
<u>Staff</u>		
Karen Martinez		Office Manager
Loretta Lopez		Bookkeeper
Charlie Esquibel		Dam 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

To: Kenneth Salazar, Chairman
Santa Cruz Irrigation District
and
Honorable Hector H. Balderas
New Mexico State Auditor

We have performed the procedures enumerated below for the Santa Cruz Irrigation District (SCID), for the year ended June 30, 2011, solely to assist the SCID in demonstrating compliance with a Tier 4 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978 and 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 SCID through the Office of the New Mexico State Auditor. The Santa Cruz Irrigation District'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 SCID pays a fee accountant, who uses Intuit-EasyACCT trial balance software, to record cash transactions, make journal entries and prepare monthly bank reconciliations and monthly financial statements. The SCID has two (2) active checking accounts and a savings account. Two (2) closed checking accounts shown on the June 30, 2011 balance sheet (\$221 and a deficit account \$11) have had no activity over the last several years and should be deleted according to the SCID. All bank reconciliations are performed on a timely basis and, except as noted above, all bank statements were complete and on-hand for the entire year. There were no records available for the two (2) closed accounts.
- b) Random tests of bank reconciliations revealed no exceptions. The reconciliations were accurate and agreed with supporting documentation and the general ledger. We traced the June 30, 2011 cash balances to the required quarterly financial report submitted to DFA-LGD, without exception.
- 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 SCID performed a yearly inventory as required by Section 12-6-10 NMSA 1978 but again maintained capital asset listings of only the office building and office furniture/equipment. There was a detailed description of the building but no value was shown. The various office furniture/equipment listings showed "estimated values" totaling \$6,235 and estimated values for the various items ranged from \$1,000 to \$1.

Included on the listings were items such as staplers, trash cans and tape dispensers. The SCID does not have a capital asset capitalization policy.

The fee accountant prepared SCID balance sheet at June 30, 2011 shows Office Building & Lot , \$86,719; Caretaker Equipment, \$802; Office Furniture/Equipment \$16,469; and, Reservoir Dam, \$11,551,661, for a total of \$11,655,650. Those same amounts were reported on the June 30, 2010 balance sheet. The SCID could not provide supporting documentation as to when and how these amounts were recorded.

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.

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 Intuit EasyACCT financial statements and general ledger 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 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) Amounts recorded as disbursed agreed to supporting documentation. Amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and copy of 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

- a) The SCID utilized journal entries to record monthly interest income on the savings account, a journal entry to record a voided check and a journal entry to record an Automated Clearing House (ACH) deposit. The journal entries appear reasonable and have supporting documentation.
- b) The SCID has procedures that require journal entries to be reviewed and there is evidence that the reviews are being performed.

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 minutes and correspondence revealed that the original budget and one subsequent budget adjustment were approved by the SCID governing body and DFA-LGD. The SCID made one subsequent 2011 budget adjustment to increase legal services expense by \$5,500 from cash balance.
- b) Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control.
- c) A schedule of revenues and expenditures – budget and actual (Exhibit A) was prepared from the DFA-LGD approved budget and SCID records on the cash budgetary basis, the basis used by SCID. The SCID submitted a budget report (Income statement) for the year ended June 30, 2011 to DFA-LGD which is included herein (Exhibit C). However, the budgeted amounts shown on the budget report submitted included prior-year grant income and expenditures of \$153,750 that was received and expended as of June 30, 2010 but excluded cash balance rebudgeted to balance the budget.

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 or illegal acts. However, see the Schedule of Findings and Responses for internal control deficiencies and noncompliance issues related to the Capital Asset finding described above.

* * * * *

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, 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 Santa Cruz Irrigation District, 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
August 9, 2011

STATE OF NEW MEXICO
SANTA CRUZ IRRIGATION DISTRICT
Schedule of Revenues and Expenditures-Budget and Actual (Cash Basis)
Year Ended June 30, 2011

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Assessments - Water	\$ 75,000	\$ 75,000	\$ 75,571	\$ 571
Interest - Savings	900	900	174	(726)
Interest from Tax	-	-	1,174	1,174
BLM	4,000	4,000	2,371	(1,629)
Change of Ownership	1,200	1,200	985	(215)
Late Fees	2,000	2,000	2,501	501
Rent	-	-	80	80
Water Rights Lease	-	-	2,030	2,030
Total revenues	<u>83,100</u>	<u>83,100</u>	<u>84,886</u>	<u>1,786</u>
Cash balance budgeted	<u>62,386</u>	<u>62,386</u>	<u>62,386</u>	<u>-</u>
Total revenues and cash balance budgeted	<u>\$ 145,486</u>	<u>\$ 145,486</u>	<u>147,272</u>	<u>1,786</u>
Expenditures:				
Wages	\$ 55,000	\$ 55,000	41,678	13,322
Casual Labor	1,000	1,000	-	1,000
Board Expense	3,000	3,000	3,220	(220)
Election Expense	250	250	206	44
Contract Services	1,000	1,000	1,000	-
Purchases - Water Rights	5,000	5,000	4,640	360
Payroll Expense	3,564	3,564	3,216	348
Accounting Services	2,000	2,000	4,159	(2,159)
Audit	2,000	2,000	3,459	(1,459)
Legal Services	4,500	10,000	4,457	5,543
Dues	-	-	300	(300)
Security	-	-	1,056	(1,056)
Insurance - General	3,500	3,500	2,388	1,112
Miscellaneous	-	-	156	(156)
Office Expense	3,000	3,000	2,464	536
Postage	1,600	1,600	1,358	242
Repairs & Maint - Building	500	500	156	344
Repairs - Office Equipment	1,000	1,000	-	1,000
Dam Expense	3,000	3,000	8,385	(5,385)
Supplies	-	-	282	(282)
Telephone	1,600	1,600	1,343	257
Travel and Mileage	2,400	2,400	1,380	1,020
Utilities	3,500	3,500	2,816	684
Total expenditures	<u>\$ 97,414</u>	<u>\$ 102,914</u>	<u>88,119</u>	<u>14,795</u>
Excess revenues over expenditures			<u>\$ 59,153</u>	<u>\$ 16,581</u>

SANTA CRUZ IRRIGATION DISTRICT
Income Statement
For the Period Ended June 30, 2011

	1 Month Ended				12 Months Ended			
	Jun. 30, 2011	Budget	Variance	Pct	Jun. 30, 2011	Budget	Variance	Pct
Revenue								
WATER ASSESSMEN	\$ 1,654.25	\$ 6,250.00	\$ (4,595.75)	(74)	\$ 75,571.02	\$ 75,000.00	\$ 571.02	1
LATE FEES	180.00	166.66	13.34	8	2,500.35	2,000.00	500.35	25
INTEREST FROM TAX	21.85	0.00	21.85	0	1,174.32	0.00	1,174.32	0
CHANGE OF OWNER	40.00	100.00	(60.00)	(60)	985.00	1,200.00	(215.00)	(18)
RENT	80.00	0.00	80.00	0	80.00	0.00	80.00	0
INTEREST FROM INV	13.91	75.00	(61.09)	(81)	174.15	900.00	(725.85)	(81)
BLM	0.00	333.33	(333.33)	(100)	2,371.00	4,000.00	(1,629.00)	(41)
WATER RIGHTS LEA	0.00	0.00	0.00	0	2,030.00	0.00	2,030.00	0
INCOME-GRANT	0.00	0.00	0.00	0	0.00	153,750.00	(153,750.00)	(100)
Total Revenue	1,990.01	6,924.99	(4,934.98)	(71)	84,885.84	236,850.00	(151,964.16)	(64)
Cost of Sales								
Gross Profit	1,990.01	6,924.99	(4,934.98)	(71)	84,885.84	236,850.00	(151,964.16)	(64)
Operating Expenses								
GRANT DISBURSEM	0.00	0.00	0.00	0	0.00	153,750.00	(153,750.00)	(100)
WAGES	3,479.56	4,583.33	(1,103.77)	(24)	41,677.93	55,000.00	(13,322.07)	(24)
CASUAL LABOR	0.00	83.33	(83.33)	(100)	0.00	1,000.00	(1,000.00)	(100)
BOARD EXPENSE	1,045.00	250.00	795.00	318	3,220.00	3,000.00	220.00	7
ELECTION EXPENSE	0.00	20.83	(20.83)	(100)	206.00	250.00	(44.00)	(18)
CONTRACT SERVICE	0.00	83.33	(83.33)	(100)	999.65	1,000.00	(0.35)	(0)
PURCHASES-WATER	0.00	416.66	(416.66)	(100)	4,640.00	5,000.00	(360.00)	(7)
PAYROLL EXPENSE	266.19	297.00	(30.81)	(10)	3,215.98	3,564.00	(348.02)	(10)
AUDIT SERVICES	0.00	166.66	(166.66)	(100)	3,459.09	2,000.00	1,459.09	73
ACCOUNTING SERVI	210.84	166.67	44.17	27	4,158.82	2,000.00	2,158.82	108
LEGAL SERVICES	0.00	833.33	(833.33)	(100)	4,457.50	10,000.00	(5,542.50)	(55)
DUES	0.00	0.00	0.00	0	300.00	0.00	300.00	0
SECURITY	357.02	0.00	357.02	0	1,056.01	0.00	1,056.01	0
INSURANCE-GENER	0.00	291.66	(291.66)	(100)	2,388.30	3,500.00	(1,111.70)	(32)
MISCELLANBOUS	0.00	0.00	0.00	0	156.38	0.00	156.38	0
OFFICE EXPENSE	127.31	250.00	(122.69)	(49)	2,463.75	3,000.00	(536.25)	(18)
POSTAGE	56.00	133.33	(77.33)	(58)	1,358.44	1,600.00	(241.56)	(15)
REPAIRS & MAINT-E	0.00	83.33	(83.33)	(100)	0.00	1,000.00	(1,000.00)	(100)
REPAIRS & MAINT-B	0.00	41.67	(41.67)	(100)	156.00	500.00	(344.00)	(69)
DAM EXPENSE	4,156.41	250.00	3,906.41	999	8,385.21	3,000.00	5,385.21	180
SUPPLIES	0.00	0.00	0.00	0	282.03	0.00	282.03	0
TELEPHONE	125.14	133.33	(8.19)	(6)	1,342.71	1,600.00	(257.29)	(16)
TRAVEL & MILEAGE	411.20	200.00	211.20	106	1,379.55	2,400.00	(1,020.45)	(43)
UTILITIES	221.35	291.67	(70.32)	(24)	2,816.00	3,500.00	(684.00)	(20)
Total Operating	10,456.02	8,576.13	1,879.89	22	88,119.35	256,664.00	(168,544.65)	(66)
Operating Inc	(8,466.01)	(1,651.14)	(6,814.87)	413	(3,233.51)	(19,814.00)	16,580.49	(84)
Net Income (L)	\$ (8,466.01)	\$ (1,651.14)	\$ (6,814.87)	413	\$ (3,233.51)	\$ (19,814.00)	\$ 16,580.49	(84)

**STATE OF NEW MEXICO
SANTA CRUZ IRRIGATION DISTRICT**

**Schedule of Findings and Responses
Year Ended June 30, 2011**

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current Year Findings:			
Financial Reports/Incorrect Cash Balances	C, D	2010-1	2010-1
Capital Assets	C, D	2010-2	2010-2
Follow-up on Prior Year Findings:			
Quarterly Financial Reports/Incorrect Cash Balances	C, D	2010-1	2010-1
Capital Assets	C	2010-2	2010-2

*** Legend for Findings:**

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

**STATE OF NEW MEXICO
SANTA CRUZ IRRIGATION DISTRICT**

**Schedule of Findings and Responses
Year Ended June 30, 2011**

2010-1

Financial Reports/Incorrect Cash Balances

Criteria

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. The required financial reports include quarterly beginning balances, activity and ending balances on all cash and investment accounts and an actual revenue and expenditures compared to budget statement.

Condition

The June 30, 2011 and 2010 SCID balance sheets show two (2) small closed bank account balances that have had no activity over the last several years and should be deleted according to the SCID. Also, the SCID submitted revenue and expenditures budget comparison statements but the Budget amounts did not agree with the original and final DFA-LGD approved amounts. The budget amounts included prior-year grant income and expenditures of \$153,750 that was received and expended as of June 30, 2010 but excluded cash balance rebudgeted to balance the budget.

Cause

The SCID did not comply with the recommendations included in the prior agreed-upon procedures engagement.

Effect

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

Recommendation

We recommend that the SCID ensure that the budget comparison statements submitted to DFA-LGD agree with the approved amounts. We further recommend that the SCID correct the balance sheet to remove the two closed bank account balances.

Entity Response

“SCID met with the Fee Accountant to adjust the Budget amounts including prior-year grant income and expenditures of \$153,750 to agree with the original and final DFA-LGD approved amounts. SCID researched the (2) small closed bank accounts and informed the Fee Accountant to delete them from the balance sheet.”

**STATE OF NEW MEXICO
SANTA CRUZ IRRIGATION DISTRICT**

**Schedule of Findings and Responses
Year Ended June 30, 2011**

2010-2

Capital Assets

Criteria

Section 12-6-10 (A) NMSA, 1978 states, in part, that the governing authority shall, at the end of each fiscal year, conduct a physical inventory of moveable chattels and equipment costing more than five thousand dollars (\$5,000). The inventory shall list the chattels and equipment and the date and cost of acquisition. No agency shall be required to list any item costing five thousand dollars (\$5,000) or less. Upon completion, the inventory shall be certified by the governing authority as to correctness.

Condition

The SCID conducted an annual inventory but the listings did not change from the prior year and again show estimated values and do not include the date and cost of acquisition. The listings include items that are not considered capital assets since the SCID does not have a capitalization policy. The SCID balance sheet amounts have no supporting documentation.

Cause

The SCID did not comply with the recommendations included in the prior agreed-upon procedures engagement.

Effect

The SCID has not complied with Sections 12-6-10 NMSA 1978.

Recommendation

We again recommend that the SCID establish a capitalization policy and comply with Section 12-6-10 NMSA 1978. We further recommend that the SCID balance sheet amounts be adjusted as determined by the SCID capitalization policy.

Entity Response

“The SCID Board is working on a “Capitalization Policy” and on the balance sheet adjustments.”

**STATE OF NEW MEXICO
SANTA CRUZ IRRIGATION DISTRICT**

**Exit Conference
Year Ended June 30, 2011**

EXIT CONFERENCE

The report contents were discussed at an exit conference held on August 16, 2011 with the following in attendance:

Santa Cruz Irrigation District

Mel Martinez, Board Vice-Chairman
Karen Martinez, Office Manager
Loretta Lopez, Bookkeeper

Accounting Firm

James R. (Jim) Macias, CPA