



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, 2013

STATE OF NEW MEXICO

SANTA CRUZ IRRIGATION DISTRICT

**Independent Accountants' Report on Applying
Agreed-Upon Procedures**

Year Ended June 30, 2013

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

**Table of Contents
June 30, 2013**

		<u>Page</u>
Title Page		i
Table of Contents		ii
Official Roster		iii
Independent Accountants' Report on Applying Agreed-Upon Procedures		iv-viii
	<u>Exhibit</u>	
Schedule of Revenues and Expenditures – Budget and Actual (Cash Basis)	A	1
Copy of year-end cash balance report submitted to DFA	B	2
Copy of year-end actual vs. budget statement submitted to DFA	C	3
Schedule of Findings and Responses		4-5
Exit Conference		6

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

**Official Roster
at June 30, 2013**

<u>Name</u>		<u>Title</u>
<u>Board of Directors</u>		
Mel Martinez		Chairman
Henry Trujillo		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: Mel Martinez, 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, 2013, 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) regular checking accounts, a savings account and a NOW checking account, all in one financial institution. All bank reconciliations are 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 and the general ledger. We traced the June 30, 2013 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, 2013 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, 2011 and 2012 balance sheets. 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) 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 that a refund of prior-year legal fees (\$3,659) was posted as a reduction of legal services expense but should have been recorded as miscellaneous revenue. There were no other exceptions.
- b) We requested supporting documentation for all deposits for three months of the year and Federal Grant No. 2, which cumulatively amounted to 63% of total revenue. 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) We requested supporting documentation for 25 disbursements (18% of total expenses) from a total of 268 disbursements for the year. 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, journal entries to record voided checks and journal entries to record Automated Clearing House (ACH) deposits. 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 was approved by the SCID governing body and DFA-LGD. No subsequent 2013 budget adjustments were made.
- 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, 2013 to DFA-LGD which is included herein (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 internal control deficiencies. However, see the Schedule of Findings and Responses for 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 2, 2013

STATE OF NEW MEXICO
SANTA CRUZ IRRIGATION DISTRICT
Schedule of Revenues and Expenditures-Budget and Actual (Cash Basis)
Year Ended June 30, 2013

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Assessments - Water	\$ 75,000	\$ 75,000	\$ 77,994	\$ 2,994
Interest - Savings	1,000	1,000	214	(786)
Interest from Tax	-	-	2,181	2,181
BLM	2,500	2,500	5,433	2,933
Change of Ownership	1,200	1,200	725	(475)
Late Fees	2,000	2,000	2,820	820
Refund-Legal Fees	-	-	3,659	3,659
Grant #2	-	-	117,763	117,763
Total revenues	<u>81,700</u>	<u>81,700</u>	<u>210,789</u>	<u>129,089</u>
Cash balance budgeted	<u>56,061</u>	<u>56,061</u>	<u>55,961</u>	<u>(100)</u>
Total revenues and cash balance budgeted	<u>\$ 137,761</u>	<u>\$ 137,761</u>	<u>266,750</u>	<u>128,989</u>
Expenditures:				
Wages	\$ 50,000	\$ 50,000	46,513	3,487
Casual Labor	1,000	1,000	150	850
Board Expense	3,000	3,000	-	3,000
Election Expense	250	250	237	13
Contract Services	1,000	1,000	-	1,000
Purchases - Water Rights	4,000	4,000	-	4,000
Payroll Taxes	3,700	3,700	3,625	75
Accounting Services	2,550	2,550	2,532	18
Audit Services (AUP)	3,700	3,700	3,678	22
Legal Services	5,000	5,000	2,527	2,473
Security	-	-	357	(357)
Insurance Expense	4,700	4,700	4,804	(104)
Miscellaneous	-	-	41	(41)
Office Expense	3,000	3,000	3,013	(13)
Bank Charges	-	-	6	(6)
Dues	-	-	100	(100)
Postage	1,600	1,600	1,078	522
Repairs - Building	500	500	156	344
Repairs - Office Equipment	1,000	1,000	-	1,000
Dam Expense	6,000	6,000	3,899	2,101
Telephone	1,600	1,600	1,447	153
Travel and Mileage	1,500	1,500	1,057	443
Utilities	3,500	3,500	3,399	101
Total expenditures	<u>\$ 97,600</u>	<u>\$ 97,600</u>	<u>78,619</u>	<u>18,981</u>
Excess revenues over expenditures			<u>\$ 188,131</u>	<u>\$ 147,970</u>

SANTA CRUZ IRRIGATION DISTRICT

Exhibit C

Income Statement

For the Period Ended June 30, 2013

	1 Month Ended				12 Months Ended			
	Jun. 30, 2013	Budget	Variance	Pct	Jun. 30, 2013	Budget	Variance	Pct
Revenue								
WATER ASSESSMEN	\$ 1,546.67	\$ 6,250.00	\$ (4,703.33)	(75)	\$ 77,994.02	\$ 75,000.00	\$ 2,994.02	4
LATE FEES	140.00	166.66	(26.66)	(16)	2,819.65	2,000.00	819.65	41
INTEREST FROM TAX	191.86	0.00	191.86	0	2,180.91	0.00	2,180.91	0
CHANGE OF OWNER	0.00	100.00	(100.00)	(100)	725.00	1,200.00	(475.00)	(40)
INTEREST FROM INV	52.71	83.33	(30.62)	(37)	214.27	1,000.00	(785.73)	(79)
BLM	0.00	208.33	(208.33)	(100)	5,433.00	2,500.00	2,933.00	117
INCOME-GRANT #2	0.00	0.00	0.00	0	117,762.94	0.00	117,762.94	0
Total Revenue	1,931.24	6,808.32	(4,877.08)	(72)	207,129.79	81,700.00	125,429.79	154
Cost of Sales								
Gross Profit	1,931.24	6,808.32	(4,877.08)	(72)	207,129.79	81,700.00	125,429.79	154
Operating Expenses								
WAGES	4,162.96	4,166.67	(3.71)	(0)	46,512.96	50,000.00	(3,487.04)	(7)
CASUAL LABOR	0.00	83.33	(83.33)	(100)	150.00	1,000.00	(850.00)	(85)
BOARD EXPENSE	0.00	250.00	(250.00)	(100)	0.00	3,000.00	(3,000.00)	(100)
ELECTION EXPENSE	0.00	20.83	(20.83)	(100)	237.24	250.00	(12.76)	(5)
CONTRACT SERVICE	0.00	83.33	(83.33)	(100)	0.00	1,000.00	(1,000.00)	(100)
PURCHASES-WATER	0.00	333.33	(333.33)	(100)	0.00	4,000.00	(4,000.00)	(100)
PAYROLL EXPENSE	318.46	308.33	10.13	3	3,624.49	3,700.00	(75.51)	(2)
AUDIT SERVICES	0.00	308.33	(308.33)	(100)	3,678.38	3,700.00	(21.62)	(1)
ACCOUNTING SERVI	210.97	212.50	(1.53)	(1)	2,531.64	2,550.00	(18.36)	(1)
LEGAL SERVICES	19.04	416.67	(397.63)	(95)	(1,132.55)	5,000.00	(6,132.55)	(123)
BANK CHARGES	0.00	0.00	0.00	0	6.00	0.00	6.00	0
DUES	0.00	0.00	0.00	0	100.00	0.00	100.00	0
SECURITY	357.02	0.00	357.02	0	357.02	0.00	357.02	0
INSURANCE-GENER	0.00	391.67	(391.67)	(100)	4,804.38	4,700.00	104.38	2
MISCELLANEOUS	0.00	0.00	0.00	0	40.72	0.00	40.72	0
OFFICE EXPENSE	475.89	250.00	225.89	90	3,012.75	3,000.00	12.75	0
POSTAGE	0.00	133.33	(133.33)	(100)	1,078.30	1,600.00	(521.70)	(33)
REPAIRS & MAINT-E	0.00	83.33	(83.33)	(100)	0.00	1,000.00	(1,000.00)	(100)
REPAIRS & MAINT-B	40.79	41.67	(0.88)	(2)	155.79	500.00	(344.21)	(69)
DAM EXPENSE	489.99	500.00	(10.01)	(2)	3,899.37	6,000.00	(2,100.63)	(35)
TELEPHONE	126.77	133.33	(6.56)	(5)	1,447.23	1,600.00	(152.77)	(10)
TRAVEL & MILEAGE	302.00	125.00	177.00	142	1,057.20	1,500.00	(442.80)	(30)
UTILITIES	232.16	291.67	(59.51)	(20)	3,399.34	3,500.00	(100.66)	(3)
Total Operating	6,736.05	8,133.32	(1,397.27)	(17)	74,960.26	97,600.00	(22,639.74)	(23)
Operating Inc	(4,804.81)	(1,325.00)	(3,479.81)	263	132,169.53	(15,900.00)	148,069.53	(931)
Net Income (L)	\$ (4,804.81)	\$ (1,325.00)	\$ (3,479.81)	263	\$ 132,169.53	\$ (15,900.00)	\$ 148,069.53	(931)

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

**Schedule of Findings and Responses
Year Ended June 30, 2013**

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current Year Findings:			
Capital Assets	C	2010-2	2010-2
Follow-up on Prior Year Findings:			
Financial Reports	C, D	2010-1	Resolved
Capital Assets	C	2010-2	2010-2
Payments to Board Members	D	2012-1	Resolved

*** 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, 2013**

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 annual inventory listings have not changed from the initial agreed-upon procedures for the year ended June 30, 2010, and show estimated values. The listings do not include the date and cost of acquisition. The listings include items that should be not considered capital assets since estimated values shown range from \$1 to \$1,000. The SCID does not have a capitalization policy. The SCID balance sheet asset amounts have no supporting documentation.

Cause

The SCID has not complied with the recommendations included in prior agreed-upon procedures engagements.

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 has developed a capitalization policy to comply with Section 12-6-10 NMSA 1978. SCID is working on the construction cost of the Dam and on the original cost of the office building. The balance sheet amounts will be adjusted as determined by the SCID capitalization policy.”

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

**Exit Conference
Year Ended June 30, 2013**

EXIT CONFERENCE

The report contents were discussed at an exit conference held on August 2, 2013 with the following in attendance:

Santa Cruz Irrigation District

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

Accounting Firm

James R. (Jim) Macias, CPA