



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 (Tier 4)

Year Ended June 30, 2015

STATE OF NEW MEXICO

SANTA CRUZ IRRIGATION DISTRICT

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

Year Ended June 30, 2015

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

**Table of Contents
June 30, 2015**

		<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, 2015**

<u>Name</u>		<u>Title</u>
<u>Board of Directors</u>		
Kenneth Salazar		Chairman
Ron Gallegos		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 (TIER 4)

To: Kenneth Salazar, Chairman
Santa Cruz Irrigation District
and
Honorable Timothy Keller
New Mexico State Auditor

We have performed the procedures enumerated below for the Santa Cruz Irrigation District (SCID), for the year ended June 30, 2015, 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.

Results of Procedures

- 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. At year-end, the SCID had four (4) regular checking accounts, a savings account and a money market checking account, in two different financial institutions. 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, 2015 cash balances to the required quarterly financial report submitted to DFA-LGD, without exception.
- c) Cumulative, single-institution bank account balances exceeded uninsured limits for only a period during the middle of the year due to the purchase/consolidation of two banks into one; however, upon recognizing the excess, the SCID transferred sufficient funds to another financial institution (Finding 2015-001). There were no other instances of single-institution account balances exceeding uninsured limits.

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

The SCID performed a yearly inventory as required by Section 12-6-10 NMSA 1978 and maintained a capital asset listing including the office building, land purchased during the year and the reservoir dam.

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

- 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 all deposits for three months of the year which cumulatively amounted to 30% 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).

Results of Procedures

- a) We requested supporting documentation for 30 disbursements (14% of total expenses) from a total of 274 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.

Results of Procedures

- a) The SCID utilized journal entries to record monthly interest income on the savings account, journal entries to record fund transfers, a journal entry to correct federal withholding, journal entries to correct capital assets 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.

Results of Procedures

- a) A review of the minutes and correspondence revealed that the original budget was approved by the SCID governing body and DFA-LGD. There were no subsequent 2015 budget adjustments.
- 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, 2015 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.

Results of Procedures

No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud, illegal acts, noncompliance or internal control deficiencies.

* * * * *

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 the NM 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.
Española, New Mexico
August 13, 2015

STATE OF NEW MEXICO
SANTA CRUZ IRRIGATION DISTRICT
Schedule of Revenues and Expenditures-Budget and Actual (Cash Basis)
Year Ended June 30, 2015

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Assessments - Water	\$ 75,000	\$ 75,000	\$ 76,283	\$ 1,283
Interest - Savings	-	-	281	281
Interest from Tax	1,000	1,000	1,612	612
Change of Ownership	1,000	1,000	1,045	45
Late Fees	2,000	2,000	2,825	825
BLM	2,500	2,500	4,925	2,425
Total revenues	<u>81,500</u>	<u>81,500</u>	<u>86,971</u>	<u>5,471</u>
Cash balance budgeted	240,420	240,420	240,420	-
Total revenues and cash balance budgeted	<u>\$ 321,920</u>	<u>\$ 321,920</u>	<u>327,391</u>	<u>5,471</u>
Expenditures:				
Wages	\$ 53,000	\$ 53,000	\$ 47,478	5,522
Casual Labor	1,000	1,000	-	1,000
Board Expense	-	-	20	(20)
Election Expense	250	250	100	150
Contract Services	1,000	1,000	2,490	(1,490)
Lease - Water Rights	4,000	4,000	-	4,000
Payroll Expense	3,700	3,700	3,694	6
Accounting Services	2,550	2,550	2,590	(40)
Audit Services (AUP)	3,900	3,900	3,908	(8)
Legal Services	5,000	5,000	2,916	2,084
Bank Charges	-	-	30	(30)
Penalties	-	-	11	(11)
Security	-	-	353	(353)
Insurance Expense	5,000	5,000	3,946	1,054
Miscellaneous	-	-	35	(35)
Office Expense	3,000	3,000	3,276	(276)
Postage	2,000	2,000	941	1,059
Repairs - Building	1,000	1,000	-	1,000
Repairs - Office Equipment	500	500	51	449
Dam Expense	5,000	5,000	4,082	918
Telephone	1,700	1,700	1,560	140
Travel and Mileage	1,500	1,500	1,485	15
Utilities	3,500	3,500	3,368	132
Total expenditures	<u>\$ 97,600</u>	<u>\$ 97,600</u>	<u>82,334</u>	<u>15,266</u>
Excess revenues over expenditures			<u>\$ 245,057</u>	<u>\$ 20,737</u>

DEPARTMENT OF FINANCE AND ADMINISTRATION
LOCAL GOVERNMENT DIVISION
BUDGET AND FINANCE BUREAU
SPECIAL DISTRICT FINANCIAL QUARTERLY REPORT

SUBMIT TO LOCAL GOVERNMENT DIVISION NOT LATER THAN ONE MONTH AFTER THE CLOSE OF EACH QUARTER. I HEREBY CERTIFY THAT THE CONTENTS IN THIS REPORT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE.

Special District: Santa Cruz Irrigation District (SCID)
Period Ending: 06/30/2015 FY2015
Prepared by: Loretta Lopez

Fund #	FUND (1)	CASH BALANCE PER BOOKS July 1, 2014 (3)	REVENUES TO DATE (4)	NET TRANSFERS (5)	EXPENDITURES TO DATE (6)	BOOK BALANCE END OF PERIOD (7)	ADD: OUTSTANDING CHECKS (8)	LESS: DEPOSITS IN TRANSIT (9)	ADJUSTMENTS (10)	ADJUSTED BALANCE END OF PERIOD (11)	BALANCE PER BANK STATEMENTS (12)	DIFFERENCE (13)
	GENERAL	41,821.06	60,064.97	0.00	66,049.19	43,036.84	1,076.28			45,513.12	45,513.12	0.00
	SAVINGS	36,529.05	5,026.34	0.00		41,555.39			0.00	41,555.39	41,555.39	0.00
	**CHANGE FUND	100.00				100.00				100.00	100.00	0.00
	**Note: Change Fund does not have a Bank Statement					0.00				0.00	0.00	0.00
						0.00				0.00	0.00	0.00
						0.00				0.00	0.00	0.00
						0.00				0.00	0.00	0.00
						0.00				0.00	0.00	0.00
						0.00				0.00	0.00	0.00
						0.00				0.00	0.00	0.00
						0.00				0.00	0.00	0.00
						0.00				0.00	0.00	0.00
						0.00				0.00	0.00	0.00
						0.00				0.00	0.00	0.00
						0.00				0.00	0.00	0.00
	SUB-TOTAL	78,450.11	93,891.31	0.00	86,849.19	85,492.23	1,676.28		0.00	87,168.51	87,168.51	0.00
	INVESTMENTS					0.00				0.00	0.00	0.00
						0.00				0.00	0.00	0.00
	GRANT MONIES (1)	3,827.26	0.00	0.00	2,881.20	946.06				946.06	946.06	0.00
						0.00				0.00	0.00	0.00
	GRANT MONIES (3)	157,142.89	207.27		60,000.00	97,350.16				97,350.16	97,350.16	0.00
	Century Bank-Money Market	60,000.00	5.20		10,000.00	50,005.20				50,005.20	50,005.20	0.00
	Community Bank-Checking	1,000.00				1,000.00				1,000.00	1,000.00	0.00
	Century Bank-Checking					0.00				0.00	0.00	0.00
						0.00				0.00	0.00	0.00
						0.00				0.00	0.00	0.00
						0.00				0.00	0.00	0.00
						0.00				0.00	0.00	0.00
						0.00				0.00	0.00	0.00
						0.00				0.00	0.00	0.00
						0.00				0.00	0.00	0.00
						0.00				0.00	0.00	0.00
	SUB-TOTAL INVESTMENTS	221,970.15	212.47	0.00	72,881.20	149,301.42				149,301.42	149,301.42	0.00
	GRAND TOTAL	\$300,420.26	\$94,103.78	\$0.00	\$159,730.39	\$234,793.65	\$1,676.28	\$0.00	\$0.00	236,469.93	\$236,469.93	\$0.00

RECAP

SANTA CRUZ IRRIGATION DISTRICT
Income Statement
For the Period Ended June 30, 2015

Exhibit C

	1 Month Ended Jun. 30, 2015				12 Months Ended Jun. 30, 2015			
	Budget	Variance	Pct	Budget	Variance	Pct		
Revenue								
WATER ASSESMEN	\$ 1,233.35	\$ 6,250.00	\$ (5,016.65)	(80)	\$ 76,282.97	\$ 75,000.00	\$ 1,282.97	2
LATE FEES	80.00	166.66	(86.66)	(52)	2,825.00	2,000.00	825.00	41
INTEREST FROM T	22.86	83.33	(60.47)	(73)	1,612.25	1,000.00	612.25	61
CHANGE OF OWNE	50.00	83.33	(33.33)	(40)	1,045.00	1,000.00	45.00	5
INTEREST FROM IN	20.41	0.00	20.41	0	281.28	0.00	281.28	0
BLM	0.00	208.33	(208.33)	(100)	4,925.00	2,500.00	2,425.00	97
Total Revenue	1,406.62	6,791.65	(5,385.03)	(79)	86,971.50	81,500.00	5,471.50	7
Cost of Sales								
Gross Profit	1,406.62	6,791.65	(5,385.03)	(79)	86,971.50	81,500.00	5,471.50	7
Operating Expenses								
WAGES	4,291.79	4,416.67	(124.88)	(3)	47,478.32	53,000.00	(5,521.68)	(10)
CASUAL LABOR	0.00	83.33	(83.33)	(100)	0.00	1,000.00	(1,000.00)	(100)
BOARD EXPENSE	0.00	0.00	0.00	0	19.87	0.00	19.87	0
ELECTION EXPENSE	0.00	20.83	(20.83)	(100)	100.00	250.00	(150.00)	(60)
CONTRACT SERVIC	0.00	83.33	(83.33)	(100)	2,490.00	1,000.00	1,490.00	149
LEASE-WATER RIGH	0.00	333.33	(333.33)	(100)	0.00	4,000.00	(4,000.00)	(100)
PAYROLL EXPENSE	328.33	308.33	20.00	6	3,694.18	3,700.00	(5.82)	(0)
AUDIT SERVICES	0.00	325.00	(325.00)	(100)	3,908.26	3,900.00	8.26	0
ACCOUNTING SERV	423.40	212.50	210.90	99	2,589.67	2,550.00	39.67	2
LEGAL SERVICES	424.81	416.67	8.14	2	2,916.10	5,000.00	(2,083.90)	(42)
BANK CHARGES	21.69	0.00	21.69	0	29.83	0.00	29.83	0
PENALTIES	0.00	0.00	0.00	0	10.38	0.00	10.38	0
SECURITY	352.69	0.00	352.69	0	352.69	0.00	352.69	0
INSURANCE-GENER	0.00	416.67	(416.67)	(100)	3,946.35	5,000.00	(1,053.65)	(21)
MISCELLANEOUS	0.00	0.00	0.00	0	35.00	0.00	35.00	0
OFFICE EXPENSE	106.92	250.00	(143.08)	(57)	3,276.37	3,000.00	276.37	9
POSTAGE	0.00	166.67	(166.67)	(100)	940.83	2,000.00	(1,059.17)	(53)
REPAIRS & MAINT-	0.00	83.33	(83.33)	(100)	0.00	1,000.00	(1,000.00)	(100)
REPAIRS & MAINT-	0.00	41.67	(41.67)	(100)	50.92	500.00	(449.08)	(90)
DAM EXPENSE	864.30	416.67	447.63	107	4,082.00	5,000.00	(918.00)	(18)
TELEPHONE	139.18	141.67	(2.49)	(2)	1,560.27	1,700.00	(139.73)	(8)
TRAVEL & MILEAG	254.80	125.00	129.80	104	1,485.36	1,500.00	(14.64)	(1)
UTILITIES	299.03	291.67	7.36	3	3,367.92	3,500.00	(132.08)	(4)
Total Operating	7,506.94	8,133.34	(626.40)	(8)	82,334.32	97,600.00	(15,265.68)	(16)
Operating In	(6,100.32)	(1,341.69)	(4,758.63)	355	4,637.18	(16,100.00)	20,737.18	(129)
Net Income (\$ (6,100.32)	\$ (1,341.69)	\$ (4,758.63)	355	\$ 4,637.18	\$ (16,100.00)	\$ 20,737.18	(129)

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

**Schedule of Findings and Responses
Year Ended June 30, 2015**

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current Year Findings:			
Cumulative Single-Bank Account Balances in Excess of FDIC Insured Limits	D	N/A	2015-001
Follow-up on Prior Year Findings:			
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
SANTA CRUZ IRRIGATION DISTRICT**

**Schedule of Findings and Responses
Year Ended June 30, 2015**

2015-001 (Noncompliance)

Cumulative Single-Bank Account Balances in Excess of FDIC Insured Limits

Criteria

If a local public body's cumulative account balances in a single financial institution exceed the Federal Deposit Insurance Corporation (FDIC) \$250,000 limit, the local public body must either withdraw the excess funds within ten calendar days or the financial institution must provide it with the 50% of pledged collateral on all uninsured deposits as required by Sections 6-10-17 and 6-10-17.1 NMSA 1978, NM Public Money Act.

Condition

For the Santa Cruz Irrigation District (SCID), cumulative, single-institution bank account balances exceeded FDIC insured limits for a period between January and April 2015 due to the purchase/consolidation of two banks into one. In April, the SCID transferred sufficient funds to another financial institution to relieve the excess. There were no other instances of single-institution account balances exceeding uninsured limits.

Cause

The Santa Cruz Irrigation District did not recognize that their cumulative bank account balances exceeded the FDIC limit when the two banks merged and immediately transfer the excess to another financial institution or request required pledged collateral.

Effect

Santa Cruz Irrigation District did not comply with Sections 6-10-17 and 6-10-17.1 NMSA 1978. The SCID maintained cumulative single-institution bank account balances that were not either FDIC insured or collateralized and were subject to custodial credit risk, which is the risk that in the event of bank failure, the SCID's deposits may not be returned to SCID.

Recommendation

We recommend that the Santa Cruz Irrigation District monitor cumulative, single-institution account balances more closely to insure compliance with Sections 6-10-17 and 6-10-17.1 NMSA 1978.

Entity Response

"SCID will monitor cumulative, single-institution account balances more closely to insure compliance with Sections 6-10-17 and 6-10-17.1 NMSA 1978."

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

**Exit Conference
Year Ended June 30, 2015**

EXIT CONFERENCE

The report contents were discussed at an exit conference held on August 19, 2015 with the following in attendance:

Santa Cruz Irrigation District

Josie E. Lujan, Board Secretary/Treasurer
Karen Martinez, Office Manager
Loretta Lopez, Bookkeeper

Accounting Firm

James R. (Jim) Macias, CPA