



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

STATE OF NEW MEXICO

**AGUA FRIA COMMUNITY
WATER SYSTEM ASSOCIATION**

Independent Accountants' Report on Applying
Agreed-Upon Procedures

Year Ended December 31, 2010

STATE OF NEW MEXICO

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**STATE OF NEW MEXICO
AGUA FRIA COMMUNITY WATER SYSTEM ASSOCIATION**

**Official Roster
at December 31, 2010**

<u>Name</u>		<u>Title</u>
<u>Board of Directors</u>		
Ramon Romero		President
Rudy Martinez		Vice-President
Michael Bergt		Secretary/Treasurer
Mike Mier		Member
Gil Tercero		Member
<u>Staff</u>		
Ana M. Berry		Accounts Manager
Frank Leyba		Water Operator



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: Ramon Romero, President
Agua Fria Community Water System Association
and
Honorable Hector H. Balderas
New Mexico State Auditor

We have performed the procedures enumerated below for the Agua Fria Community Water System Association (AFCWSA), for the year ended December 31, 2010. The AFCWSA was determined to be a Tier 5 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 AFCWSA through the Office of the New Mexico State Auditor. The Agua Fria Community Water System 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 AFCWSA has one checking account and one savings account and utilizes Quickbooks to record cash transactions. 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 one exception. The December 31, 2010, checking account reconciliation had an unexplained difference of \$164. Also, since required quarterly financial reports were not submitted to DFA-LGD at any time during the year or at year-end, we could not trace ending balances to that report. Although now late, the AFCWSA accounts manager 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 at any time during the year.

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

Although there are several capital assets groupings shown on the balance sheet, the AFCWSA did not maintain 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 revenue type revealed no exceptions.
- b) Amounts recorded on Quickbooks general ledger agreed with deposit tickets, other supporting documentation provided and the bank statements, with no exception.
- c) Amounts were properly recorded on a modified accrual 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 check clearing amount (cancelled checks not returned), 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) Our tests of transactions revealed that amounts recorded as disbursed agreed to supporting documentation, with no exceptions. Amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and check clearing amount, as appropriate.
- b) Disbursements were properly authorized and approved in compliance with the 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 AFCWSA utilizes Quickbooks to record cash transactions but the fee accountant prepares formal journal entries at the end of each month to record receivable accruals and at the end of the year to record minor adjustments and reclassifications. The results of our tests are as follows:

- a) Journal entries are reasonable and have supporting documentation.
- b) The AFCWSA has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed through approval of monthly financial statements.

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 March 21, 2010, annual membership Board meeting minutes reflect approval of the 2010 budget but this budget was not submitted to DFA-LGD for approval. The budget was prepared for internal use only and the AFCWSA 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) The AFCWSA prepares but did not submit the budget report for the year ended December 31, 2010 to DAF-LGD. A schedule of revenues and expenses – budget and actual was prepared from AFCWSA records on the modified accrual budgetary basis. This schedule is included herein as Exhibit A.

Capital Outlay Appropriations

The Contractor shall request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the year.

The Contractor shall test all capital outlay expenditures during the fiscal year to:

- 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).
- d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.
- e) Verify that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.
- f) If the project was funded in advance, the Contractor shall determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.
- g) If the project is complete, the Contractor shall determine if there is unexpended balance and whether it was reverted per statute and agreement with the grantor.
- h) Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay agreement.
- i) Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.

Findings

- a) We determined that amounts recorded as disbursed agreed to adequate supporting documentation and we verified that amounts, payees, dates and descriptions agreed to the vendor's invoices, purchase orders, contracts and cancelled checks, as appropriate.
- b) We determined that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c) We determined 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).
- d) Since the projects are not complete and include only surveying and engineering, we were unable to determine the physical existence (by observation) of the capital asset based on expenditures to date.
- e) We verified that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.
- f) There were two projects. The projects were not intended to be funded in advance but on a reimbursement basis.
- g) Both projects are not yet complete.
- h) Since the projects were approved on a reimbursement basis, no separate fund or bank account was required.
- i) We determined that reimbursement requests were properly supported by costs incurred by the recipient and that the costs were paid by the local public body prior to the request for reimbursement.

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, Capital Assets, and Budget findings described 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 a part thereof. 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 the Agua Fria Community Water System 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.
Española, New Mexico
June 22, 2011

STATE OF NEW MEXICO
AGUA FRIA COMMUNITY WATER SYSTEM ASSOCIATION
Schedule of Revenues and Expenses-Budget and Actual (Modified Accrual Basis)
Year Ended December 31, 2010

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Hook-up Fees	\$ 2,650	\$ 2,650	\$ 1,200	\$ (1,450)
Installation Fees	2,750	2,750	2,955	205
Membership Fees	-	-	2,050	2,050
Water Base Rate	69,600	69,600	69,155	(445)
Water Usage	52,800	52,800	42,712	(10,088)
Interest Income	144	144	155	11
Meter Reinstallation	-	-	75	75
Refund for Purchased Water	-	-	17	17
Refund on Purchased Equipment	-	-	300	300
Rental Bill Income	504	504	500	(4)
Shut Off Fees	240	240	180	(60)
Tampering Fees	-	-	100	100
Total revenues	<u>128,688</u>	<u>128,688</u>	<u>119,399</u>	<u>(9,289)</u>
Cash balance budgeted	-	-	-	-
Total revenues and cash balance budgeted	<u>128,688</u>	<u>128,688</u>	<u>119,399</u>	<u>(9,289)</u>
Expenses:				
2010 Improvements	9,000	9,000	1,908	7,092
Bank Service Charges	-	-	10	(10)
NSF Check Charges	-	-	8	(8)
Contributions	10	10	-	10
Corporate Filing Fees	-	-	10	(10)
Director Fees	500	500	500	-
Dues and Subscriptions	250	250	251	(1)
Emergency Funds	18,000	18,000	-	18,000
Gasoline	-	-	15	(15)
General Meeting Supplies	300	300	185	115
Promotions	200	200	65	135
Liability Insurance	3,500	3,500	3,726	(226)
Interest Expense	-	-	14	(14)
Construction Expense	-	-	830	(830)
Legislative Funding Expenses - Other	-	-	32	(32)
Liens	-	-	45	(45)
Line Locates	-	-	168	(168)
Low Flow Credit	-	-	100	(100)
Emergency Repairs	9,600	9,600	-	9,600
Well Maintenance and Repairs	9,600	9,600	400	9,200
Membership Refunds	-	-	300	(300)
Mileage	-	-	60	(60)
Easements	-	-	46	(46)

STATE OF NEW MEXICO
AGUA FRIA COMMUNITY WATER SYSTEM ASSOCIATION
Schedule of Revenues and Expenses-Budget and Actual (Modified Accrual Basis)
Year Ended December 31, 2010

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Expenses (cont'd):				
Office Electricity	\$ 600	\$ 600	\$ 428	\$ 172
Office Lease	2,400	2,400	2,400	-
Office Supplies	1,740	1,740	1,110	630
Payroll Taxes	-	-	59	(59)
Post Office Box Rent	-	-	96	(96)
Postage	1,656	1,656	1,397	259
Printing and Reproduction	-	-	272	(272)
Rental Costs	450	450	450	-
Safety Deposit Box	60	60	60	-
Software Update	-	-	848	(848)
Telephone/Fax/Internet	960	960	895	65
Operations and Maintenance - Materials	4,800	4,800	2,201	2,599
Operations and Maintenance - Other	18,000	18,000	16,390	1,610
Payroll Expenses	23,316	23,316	23,265	51
Accounting	550	550	568	(18)
Water Rights Consultant	-	-	4,253	(4,253)
System Leak Repairs	-	-	2,423	(2,423)
Repairs - Other	-	-	2,208	(2,208)
Security Monitoring	480	480	298	182
Software Support	600	600	632	(32)
CRS Taxes	6,600	6,600	-	6,600
Property Taxes	-	-	1,422	(1,422)
Water Conservation Fee	540	540	345	195
Tools and Other Expense	-	-	4,710	(4,710)
Training and Education	-	-	61	(61)
Utilities - Electricity	5,100	5,100	3,649	1,451
Water Leak Adjustments	8,400	8,400	1,333	7,067
Water Quality Testing	-	-	454	(454)
Well Testing Expenses	-	-	150	(150)
Total expenses	<u>127,212</u>	<u>127,212</u>	<u>81,050</u>	<u>46,162</u>
Excess revenues over (under) expenses	<u>\$ 1,476</u>	<u>\$ 1,476</u>	<u>\$ 38,349</u>	<u>\$ 36,873</u>

STATE OF NEW MEXICO
 AGUA FRIA COMMUNITY WATER SYSTEM ASSOCIATION
 Projects Schedule - Summary
 Year Ended December 31, 2010

Exhibit B

Grant No.	Pay Request	Amount Awarded	2010 Amount Received	2010 Amount Expended	2010 Remaining Balance	Actual Legislation	Effective Dates
SAP 07-6083-GF		\$ 270,883.20					
	1		\$ 34,303.62	\$ 34,303.62	\$ 236,579.58	Laws of 2007, Chapter 42, Section 99, SubSection AA, for acquiring water rights, including needed applications and transfers, for improvements to the water distribution system and wells and for planning a sewer system in Agua Fria in Santa Fe county. Reauthorized in Laws of 2011, Senate Bill 373, Section 98, extending through fiscal year 2013	Original Approved Through 6/30/2011
	2		2,407.63	2,407.63	234,171.95		
	3		5,585.69	5,585.69	228,586.26		
	4		30,051.60	30,051.60	198,534.66		
	5		5,580.31	5,580.31	192,954.35		
	6		-	4,146.99	188,807.36		
	7		-	11,752.95	177,054.41		
			<u>77,928.85</u>	<u>93,828.79</u>	<u>\$ 177,054.41</u>		
SAP 09-3814-STB		\$ 500,000.00					
	1		-	19,185.28	\$ 480,814.72	Laws of 2009, Chapter 7, Section 3, SubSection 75, for acquiring water rights, including needed applications and transfers, for improvements to the water distribution system and wells and for planning a sewer system in Agua Fria in Santa Fe county.	Through 6/30/2013
			-	19,185.28	<u>\$ 480,814.72</u>		
			<u>-</u>	<u>19,185.28</u>	<u>\$ 480,814.72</u>		
Total Projects			<u>\$ 77,928.85</u>	<u>\$ 113,014.07</u>			

STATE OF NEW MEXICO
 AGUA FRIA COMMUNITY WATER SYSTEM ASSOCIATION
 Projects Schedule - Detail
 Year Ended December 31, 2010

Exhibit C

<u>Grant No.</u>	<u>Pay Request</u>	<u>Request Date</u>	<u>Amount Awarded</u>	<u>Amount Received</u>	<u>Date Received</u>	<u>Check Date</u>	<u>Check Number</u>	<u>Amount Expended</u>
SAP 07-6083-GF			\$ 270,883.20					
	1	5/14/2010		\$ 34,303.62	6/16/2010	4/28/2010	3090	\$ 34,303.62
	2	5/24/2010		2,407.63	6/30/2010	5/24/2010	3105	2,407.63
	3	7/21/2010		5,585.69	9/16/2010	7/21/2010	3149	5,585.69
	4	9/15/2010		30,051.60	10/22/2010	8/16/2010 9/15/2010	3162 3178	12,275.06 17,776.54
	5	11/9/2010		5,580.31	12/2/2010	10/20/2010	3207	5,580.31
	6	11/21/2010		-		11/17/2010	3223	4,146.99
	7	12/27/2010		-		12/15/2010	3245	11,752.95
				<u>\$ 77,928.85</u>				<u>93,828.79</u>
SAP 09-3814-STB			\$ 500,000.00					
	1	9/21/2010		-		7/21/2010 9/15/2010	3152 3191	16,635.28 2,550.00
				<u>-</u>				<u>19,185.28</u>
Total Projects				<u>\$ 77,928.85</u>				<u>\$ 113,014.07</u>

**STATE OF NEW MEXICO
 AGUA FRIA COMMUNITY WATER SYSTEM ASSOCIATION**

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

	<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	N/A	2010-1
Capital Assets Inventory	D	N/A	2010-2
Late Report	D	N/A	2010-3
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
AGUA FRIA COMMUNITY WATER SYSTEM ASSOCIATION**

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

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 Agua Fria Community Water System Association (AFCWSA) did not submit a 2010 budget for DFA-LGD approval nor did they submit required quarterly financial cash activity and budget reports to the DFA-LGD at any time during the year or at year end.

Cause

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

Effect

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

Recommendation

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

Entity Response

“Now that the Association is aware of the requirements, the accounts manager will submit all necessary paperwork to DFA-LGD in a timely manner.”

**STATE OF NEW MEXICO
AGUA FRIA COMMUNITY WATER SYSTEM ASSOCIATION**

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

2010-2

Capital Assets Inventory

Criteria

Section 12-6-10 NMSA, 1978 requires each local public body to, at the end of each fiscal year, conduct a physical inventory of capital assets costing more than five thousand dollars (\$5,000) and under control of the governing authority. The inventory shall list all capital assets and the date and cost of acquisition. Upon completion, the inventory shall be certified by the governing authority as to correctness. Each local public body shall maintain one copy in its files.

Condition

The Agua Fria Community Water System Association (AFCWSA) has not maintained a capital asset listing or performed a yearly inventory as required by Section 12-6-10 NMSA 1978.

Cause

The AFCWSA was not aware of the statute requirements.

Effect

The AFCWSA has not complied with Section 12-6-10 NMSA 1978.

Recommendation

We recommend that the AFCWSA develop a capital asset inventory listing and perform a yearly inventory as required by Section 12-6-10 NMSA 1978.

Entity Response

“The Association will perform the annual inventory before the end of each calendar year.”

**STATE OF NEW MEXICO
AGUA FRIA COMMUNITY WATER SYSTEM ASSOCIATION**

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

2010-3

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 Agua Fria Community Water System Association (AFCWSA) 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 independent public accountant for the agreed upon procedures contract was unable to begin the work prior to the required deadline.

Effect

The AFCWSA has not complied with Office of the State Auditor, Rule 2010, Section 2.2.2.16.H.

Recommendation

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

Entity Response

“The AFCWSA has submitted the agreed upon procedures report to the Office of the State Auditor approximately one month after the deadline. The Association will ensure that all future agree upon procedures reports will be submitted by the deadline.”

**STATE OF NEW MEXICO
AGUA FRIA COMMUNITY WATER SYSTEM ASSOCIATION**

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

EXIT CONFERENCE

The report contents were discussed at an exit conference held on June 30, 2011 with the following in attendance:

Agua Fria Community Water System Association

Michael Bergt, Board Secretary/Treasurer
Gil Tercero, Board Member
Ana Berry, Accounts Manager

Accounting Firm

James R. (Jim) Macias, CPA