



MACIAS, GUTIERREZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESPANOLA, NEW MEXICO
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STATE OF NEW MEXICO

**AGUA FRIA COMMUNITY
WATER SYSTEM ASSOCIATION**

Independent Accountants' Report on Applying
Agreed-Upon Procedures

Year Ended December 31, 2013

STATE OF NEW MEXICO

**AGUA FRIA COMMUNITY
WATER SYSTEM ASSOCIATION**

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Agreed-Upon Procedures**

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AGUA FRIA COMMUNITY WATER SYSTEM ASSOCIATION**

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

**Official Roster
at December 31, 2013**

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



Macias, Gutierrez
& Co., P.C.

*Certified Public Accountants
Member AICPA, NMSCPA*

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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, 2013 solely to assist AFCWSA 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 and B. 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 the Department of Finance and Administration, 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, in one financial institution, 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 no exceptions. The reconciliations were accurate and agreed with supporting documentation. We did not trace the December 31, 2013 cash balances to the year-end quarterly financial report submitted to DFA-LGD since year-end balances were not included with their report and, currently, there is no DFA-LGD required cash balance reporting format.
- 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 AFCWSA performed a yearly inventory as required by Section 12-6-10 NMSA 1978 and maintains a capital asset listing.

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 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 revenue type revealed no exceptions.
- b) We requested supporting documentation for sixteen (16) deposits (69% of total revenue) from a total of 95 deposits for the year. For the sample selected, 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 based on auditor judgment 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 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) We requested supporting documentation for 31 disbursements (65% of total expenditures) from a total of 277 disbursements for the year. For the sample selected, 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 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 AFCWSA utilizes Quickbooks to record cash transactions but the accounts manager prepares formal journal entries at the end of each month to record receivable accruals and the fee accountant prepares formal journal entries at year-end 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) A review of minutes and related correspondence revealed that the FY 2013 original proposed and final budget was approved by the AFCWSA governing body and DFA-LGD. There was one subsequent 2013 budget adjustment approved by the AFCWSA governing body and DFA-LGD.
- b) Total actual expenses did not exceed the final budget at the total fund level, the legal level of budgetary control.
- c) The AFCWSA prepared and submitted to DFA-LGD a Profit and Loss Budget vs. Actual for the year ended December 31, 2013 (herein Exhibit B). 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.

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, noncompliance or any 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 and B. 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 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.
Española, New Mexico
May 9, 2014

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, 2013

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Hook-up Fees	\$ 4,800	\$ 4,800	\$ 4,875	\$ 75
Installation Fees	5,500	5,500	1,375	(4,125)
Membership Fees	2,500	2,500	11,475	8,975
Water Base Rate	69,600	69,600	75,119	5,519
Water Usage	43,200	43,200	44,695	1,495
Water Trust Board Grant	471,064	162,000	56,765	(105,235)
Water Trust Board Loan	314,043	315,000	314,043	(957)
Interest Income	108	108	78	(30)
NSF Check Fees Refunds	-	-	126	126
Rental Bill Income	480	480	476	(4)
Insurance Claim Refund	-	-	22,780	22,780
Total revenues	<u>911,295</u>	<u>603,188</u>	<u>531,807</u>	<u>(71,381)</u>
Cash balance budgeted	-	-	-	-
Total revenues and cash balance budgeted	<u>911,295</u>	<u>603,188</u>	<u>531,807</u>	<u>(71,381)</u>
Expenses:				
2013 Improvements	6,000	6,000	187	5,813
Attorney Fees	-	-	1,149	(1,149)
Audit (AUP)	5,000	5,000	4,977	23
Bank Service Charges	-	-	48	(48)
Corporate Filing Fees	-	-	30	(30)
Damage Deposit	-	-	50	(50)
Director Fees	500	500	500	-
Dues and Subscriptions	264	264	528	(264)
Efficiency Washer Credit	-	-	50	(50)
Emergency Funds	1,200	1,200	-	1,200
General Meeting Supplies	250	250	229	21
Promotions	200	200	-	200
Contractor Insurance	1,700	1,700	1,860	(160)
Liability Insurance	4,600	4,600	4,876	(276)
Liens	-	-	100	(100)
Line Locates	240	240	544	(304)
NMFA Loan	15,708	1,291	1,291	-
NMFA Loan Interest	-	166	166	-
Maintenance-Emergency Repairs	11	11	3,087	(3,076)
NMFA Grant Application	-	-	3,750	(3,750)
Call Multiplier	89	89	89	-
Easements	-	-	25	(25)
Office Electricity	600	600	695	(95)
Minutes Taking	-	-	280	(280)
Office Lease	2,400	2,400	2,400	-

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, 2013

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Expenses (cont'd):				
Office Supplies	\$ 2,400	\$ 2,400	\$ 1,644	\$ 756
Payroll Taxes	-	-	181	(181)
Post Office Box Rent	114	114	118	(4)
Postage	1,104	1,104	1,395	(291)
Printing and Reproduction	115	115	-	115
Rental Costs	450	450	450	-
Safety Deposit Box	60	60	-	60
Software Update	400	400	1,242	(842)
Telephone/Fax/Internet	1,800	1,800	1,951	(151)
Office Helper	-	-	440	(440)
Operations and Maintenance - Materials	2,400	2,400	5,652	(3,252)
Operations and Maintenance - Other	20,400	20,400	19,809	591
Payroll Expenses	26,004	26,004	28,416	(2,412)
Phase II - Archeological	-	-	10,539	(10,539)
Phase II - Attorney Fees	5,000	1,200	855	345
Phase II - Construction	470,962	315,000	273,388	41,612
Phase II - Engineering	74,817	158,000	153,852	4,148
Phase II - Engineering of Well	45,000	-	-	-
Phase II - New Well	189,328	-	-	-
Accounting	649	649	866	(217)
System Leak Repairs	-	-	4,505	(4,505)
Well House Repairs	-	-	2,092	(2,092)
Security Monitoring	300	300	359	(59)
Software Support	633	633	-	633
CRS Taxes	5,700	5,700	5,096	604
Property Taxes	-	-	1,423	(1,423)
Water Conservation Fee	336	336	681	(345)
Tools & Other Expense	-	-	925	(925)
Training & Education	-	-	370	(370)
Utilities - Electricity	12,000	12,000	15,380	(3,380)
Purchased Water	6,000	6,000	2,293	3,707
Water Leak Adjustments	2,280	2,280	2,282	(2)
Water Quality Testing	720	720	519	201
Wire Fee	-	-	50	(50)
Total expenses	<u>907,734</u>	<u>582,576</u>	<u>563,684</u>	<u>18,892</u>
Excess revenues over (under) expenses	<u>\$ 3,561</u>	<u>\$ 20,612</u>	<u>\$ (31,877)</u>	<u>\$ (52,489)</u>

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Accrual Basis

Agua Fria Community Water Systems Association Profit & Loss Budget vs. Actual January through December 2013

	TOTAL		
	Jan - Dec 13	Budget	% of Budget
		\$ Over Budget	
Ordinary Income/Expense			
Income			
Hook-up fees	4,875.00	4,800.00	101.6%
Installation fees	1,375.00	5,000.00	25.0%
Membership Fees	11,475.00	8,975.00	459.0%
Water base rate	75,119.46	69,600.00	107.9%
Water usage	44,694.90	43,200.00	103.5%
Total Income	137,539.36	125,600.00	109.5%
Expense			
2013 Improvements	186.78	6,000.00	3.1%
Attorney Fees	1,148.77	-5,813.22	
Audit	4,976.63	-23.37	
Bank Service Charges	48.00		
Bounced Check Charges			
NSF check charges	-66.00		
NSF checks	0.00		
Total Bounced Check Charges	-66.00		
Corporate filing fees	30.00		
Damage deposit	50.00		
Director fees	500.00	500.00	100.0%
Dues and Subscriptions	528.00	264.00	200.0%
Efficiency washer credit	50.00		
Emergency funds	0.00	1,200.00	0.0%
General meeting supplies	228.95	250.00	91.6%
Gifts/Promotions	0.00	-200.00	0.0%
Insurance			
Contractor Insurance	1,860.25	1,700.00	109.4%
Liability Insurance	4,876.00	4,600.00	106.0%
Total Insurance	6,736.25	6,300.00	106.9%
Liens	100.00		
Line locates	543.53	240.00	226.5%
Loans			
NMFA Loan	0.00	1,291.00	0.0%
NMFA Loan Interest	165.74	165.74	100.0%
NMFA Loan Principal	1,291.00	0.00	
Total Loans	1,456.74	1,456.74	100.0%
Maintenance			
Emergency Repairs	0.00	11.00	0.0%
System Maintenance	2,551.74		
Well Maintenance & Repairs	535.25		
Total Maintenance	3,086.99	11.00	28,063.5%

Agua Fria Community Water Systems Association
Profit & Loss Budget vs. Actual
January through December 2013

	Jan - Dec 13	Budget	\$ Over Budget	% of Budget
TOTAL				
NMFA Grant application	3,750.00			
Office Expense				
Call multiplier	89.00	89.00	0.00	100.0%
Easements	25.00			
Electricity for office	695.20	600.00	95.20	115.9%
Health Insurance	0.00			
Minutes Taking	280.00			
Office Lease	2,400.00	2,400.00	0.00	100.0%
Office Supplies	1,644.39	2,400.00	-755.61	68.5%
Payroll Taxes	181.17			
Post Office Box Renta	118.00	114.00	4.00	103.5%
Postage	1,394.78	1,104.00	290.78	126.3%
Printing and Reproduction	0.00	115.00	-115.00	0.0%
Rental costs	450.00	450.00	0.00	100.0%
Safety Deposit Box	0.00	60.00	-60.00	0.0%
Software update	1,242.30	400.00	842.30	310.6%
Telephone/Fax/Internet	1,950.87	1,800.00	150.87	108.4%
Total Office Expense	10,470.71	9,532.00	938.71	109.8%
Office helper	440.00			
Operations & Maintenance				
Materials	5,851.86	2,400.00	3,251.86	235.5%
Operations & Maintenance - Other	19,808.74	20,400.00	-591.26	97.1%
Total Operations & Maintenance	25,460.60	22,800.00	2,660.60	111.7%
Payroll Expenses	28,415.64	26,004.00	2,411.64	109.3%
Phase II				
Archaeological-WTB	10,539.00			
Attorney fees-WTB	855.99	1,200.00	-344.01	71.3%
Construction-WTB	273,388.39	315,000.00	-41,611.61	86.8%
Engineering-WTB	153,851.54	158,000.00	-4,148.46	97.4%
Total Phase II	438,634.92	474,200.00	-35,565.08	92.5%
Professional Fees				
Accounting	866.00	649.00	217.00	133.4%
Total Professional Fees	866.00	649.00	217.00	133.4%
Repairs				
System leak repairs	4,504.74			
Well house	2,092.36			
Total Repairs	6,597.10			
Security monitoring	359.18	300.00	59.18	119.7%
Software support	0.00	633.00	-633.00	0.0%

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Accrual Basis

Agua Fria Community Water Systems Association
Profit & Loss Budget vs. Actual
 January through December 2013

	TOTAL			
	Jan - Dec 13	Budget	\$ Over Budget	% of Budget
Taxes				
CRS	5,095.84	5,700.00	-604.16	89.4%
Property	1,422.76			
Water Conservation Fee	681.15	336.00	345.15	202.7%
Total Taxes	7,199.75	6,036.00	1,163.75	119.3%
Tools & Others expense				
Training & Education	925.07			
Utilities	369.70			
Electricity	15,380.38	12,000.00	3,380.38	128.2%
Purchased water	2,293.14	6,000.00	-3,706.86	38.2%
Total Utilities	17,673.52	18,000.00	-326.48	98.2%
Void	0.00			
Water leak adjustments	2,281.51	2,280.00	1.51	100.1%
Water Quality Testing	519.32	720.00	-200.68	72.1%
Wire fee	50.00			
Total Expense	563,617.66	582,575.74	-18,958.08	96.7%
Net Ordinary Income	-426,078.30	-456,975.74	30,897.44	93.2%
Other Income/Expense				
Other Income				
Insurance claim payment	22,779.60			
Interest earned	93.33	108.00	-14.67	86.4%
NSF check fees	60.00			
Rental bill income	476.00	480.00	-4.00	99.2%
Water Trust Board Grant	56,765.16	162,000.00	-105,234.84	35.0%
Water Trust Board Loan	314,043.00	315,000.00	-957.00	99.7%
Total Other Income	394,217.09	477,588.00	-83,370.91	82.5%
Net Other Income	394,217.09	477,588.00	-83,370.91	82.5%
Net Income	-31,861.21	20,612.26	-52,473.47	-154.6%

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

**Schedule of Findings and Responses
 Year Ended December 31, 2013**

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current Year Findings:			
None	N/A	N/A	N/A
Follow-up on Prior Year Findings:			
Budget Submission/Approval and Quarterly Financial Reports	D	2010-1	Resolved
Capital Assets Inventory	D	2010-2	Resolved
Late Report	D	2010-3	Resolved

*** 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**

**Exit Conference
Year Ended December 31, 2013**

EXIT CONFERENCE

The report contents were discussed at an exit conference held on May 14, 2014 with the following in attendance:

Agua Fria Community Water System Association

Gil Tercero, Treasurer
Ana Berry, Accounts Manager

Accounting Firm

James R. (Jim) Macias, CPA