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El Valle Water Alliance

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the Fiscal Year Ending June 30, 2015

**El Valle Water Alliance
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For the Fiscal Year Ending June 30, 2015**

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**El Valle Water Alliance
Official Roster
June 30, 2015**

Board of Directors

Ramon Lucero Jr., President

Lawrence Padilla, Vice President

Edward Sena, Secretary

Edward Madrid, Treasurer

Rick Konersman, Member

Administrative Staff

Veronica Castro, Office Manager

Carlos Vigil, Certified Operator

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Independent Accountant's Report on Applying Agreed-Upon Procedures

Ramon M. Lucero, President
El Valle Water Alliance
and
Tim Keller
New Mexico State Auditor

I have performed the procedures enumerated below for the El Valle Water Alliance (Alliance) for the year ended June 30, 2015, solely to assist in determining compliance with the provisions of the Audit Act for a Tier 4 entity per Section 12-6-3 B (4) NMSA 1978, Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978. The procedures were agreed to by the Alliance through the New Mexico Office of the State Auditor. The Alliance's management is responsible for its accounting records and the subject matter. 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 the parties specified in this 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

- 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.

The bank reconciliations were performed on a monthly basis in a timely manner. All bank statements for the fiscal year were complete and on hand. The Alliance did not have any investment accounts.

- 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.

The randomly selected bank reconciliations were accurate, and the ending balances on the bank reconciliations agreed with the general ledger and supporting documentation.

- 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.

The bank account balances of the Alliance were fully insured by the FDIC. Pledged collateral was not required since the Alliance's bank balances were well below \$250,000 during the fiscal year.

2. Capital Assets

- a. Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.

The Alliance performed a capital asset inventory for the fiscal year ending June 30, 2015.

3. Revenues

- a. Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation and perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

The major revenue sources of the Alliance consist of water user fees and contractual services. The variances between budgeted revenues and actual revenues were reasonably explained by management. No unusual or unexplained variances were noted.

- b. Select a sample of revenues based on auditor judgment and test using the following attributes:

- i. Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.

A sample of cash receipts were judgmentally selected and tested which amounted to 48% of total revenues. The amount recorded in the general ledger agreed with the supporting documentation and the bank statement.

- ii. 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 basis, or accrual basis. The cash receipts tested were properly classified and recorded in the general ledger.

4. Expenditures

- a. Select a sample of cash disbursements based on auditor judgment and test using the following attributes:

- i. Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to vendor's invoice, purchase order, contract and canceled check, as appropriate.

A sample of cash disbursements were tested which amounted to 49% of total expenses. The amounts recorded as disbursed agreed with the supporting documentation. The amount, payee, date and description of the purchase agreed with the vendor's invoice, contract and canceled check. The Alliance does not use purchase order forms.

- ii. Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

The cash disbursements tested were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

- iii. 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 13-1-199 NMSA 1978), State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

None of the cash disbursements tested exceeded the amounts requiring sealed bids or requests for proposals. The cash disbursements tested were processed in accordance with applicable provisions of the State Procurement Code, Purchasing Regulations and the Per Diem and Mileage Act, as applicable.

5. Journal Entries

- a. If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

- i. Journal entries appear reasonable and have supporting documentation.

According to management of the Alliance, no non-routine journal entries were posted to the general ledger during the fiscal year; however, the Alliance proposed two journal entries after fiscal year-end to reclassify gross receipts taxes and reimbursements totaling \$7,297.83 that were recorded in the general ledger as revenues instead of crediting the related expenditure accounts. The Alliance had adequate documentation to support the journal entries and the adjustments to the Alliance's profit and loss statement were included in the Schedule of Revenues and Expenses on p. 7.

- ii. The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

The Alliance has procedures in place that require management's review of non-routine journal entries. The President of the Alliance approved the journal entries noted above.

6. Budgets

- a. Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:
 - i. 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.

The minutes of the meetings showed that the original budget and subsequent budget adjustments were approved by the governing body. Also, the original and final budget was approved by DFA-LGD.

- ii. Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.

Total expenditures did not exceed the final budget at the total fund level. See Exhibit 1 on p. 7.

- iii. 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. See Exhibit 1 on p. 7.

7. Other

- a. If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed 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.

No findings were noted during the performance of the agreed-upon procedures.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the Tier 4 agreed upon procedures. 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 management and others with the Alliance, the New Mexico State Auditor, the Department of Finance and Administration – Local Government Division, and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Accounting & Auditing Services, LLC

Accounting & Auditing Services, LLC
Santa Fe, New Mexico
November 23, 2015

**El Valle Water Alliance
Schedule of Findings and Responses
For the Fiscal Year Ending June 30, 2015**

Status of Prior Year Findings

None.

Current Year Findings

None.

El Valle Water Alliance
Schedule of Revenues and Expenses
Budget and Actual (Non-GAAP Cash Basis)
For the Fiscal Year Ending June 30, 2015

Exhibit 1

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Contractual services	\$ 28,000	\$ 19,925	\$ 28,539	\$ 8,615
Water dues	167,664	157,828	148,663	(9,165)
Interest income	20	-	11	11
Reimbursements	-	-	3,091	3,091
Miscellaneous income	-	-	254	254
Total revenues	195,684	177,752	180,558	2,806
Transfer in	-	-	-	-
Total revenues and transfers	<u>\$ 195,684</u>	<u>\$ 177,752</u>	<u>\$ 180,558</u>	<u>\$ 2,806</u>
Expenses:				
Salaries and benefits	\$ 87,923	\$ 66,948	\$ 66,948	\$ -
Office expenses	27,170	26,327	29,302	(2,975)
Association expenses	17,840	44,901	41,926	2,975
Debt service payments	27,958	27,962	27,816	146
Total expenses	<u>\$ 160,891</u>	<u>\$ 166,139</u>	<u>\$ 165,993</u>	<u>\$ 146</u>

El Valle Water Alliance

Copy of Year-End Financial Report Submitted to DFA-LGD For the Fiscal Year Ending June 30, 2015

Exhibit 2

OPERATING INCOME	2014-2015 Budget	Q1: July-Sept.	Q2: Oct.-Dec.	Q3: Jan.-March	Q4: April-June	2014-2015 To Date	2014-2015 Actual Year To Date (Over) Under Budget
1 Beginning Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2 331 Active Members @ \$40/month	\$ 154,255.02	\$ 40,346.92	\$ 38,932.37	\$ 39,455.13	\$ 35,520.60	\$ 154,255.02	\$ -
3 81 Inactive Members @ \$12/month	\$ 3,572.66	\$ -	\$ -	\$ -	\$ 3,572.66	\$ 3,572.66	\$ -
4 Outsource Revenue	\$ 19,924.58	\$ 7,134.84	\$ 6,640.40	\$ 6,149.34	\$ 7,946.81	\$ 19,924.58	\$ -
5 Transfer from Bank Account	\$ 31,819.25	\$ -	\$ -	\$ 31,819.25	\$ -	\$ 31,819.25	\$ -
6 Interest Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7 TOTAL OPERATING INCOME	\$ 209,571.71	\$ 47,481.76	\$ 45,572.77	\$ 77,423.72	\$ 47,040.27	\$ 209,571.71	\$ -
8 OPERATING EXPENSES							
9 Salaries	\$ 81,486.72	\$ 22,052.66	\$ 13,570.95	\$ 13,926.29	\$ 11,936.82	\$ 61,486.72	\$ -
10 Benefits	\$ 5,461.59	\$ 2,130.27	\$ 1,174.24	\$ 1,191.84	\$ 965.24	\$ 5,461.59	\$ -
11 Mileage	\$ 3,831.66	\$ 1,296.12	\$ 945.84	\$ 829.92	\$ 759.78	\$ 3,831.66	\$ -
12 Total Salaries	\$ 70,779.97	\$ 25,479.05	\$ 15,691.03	\$ 15,948.05	\$ 13,661.84	\$ 70,779.97	\$ -
13 Utilities	\$ 3,054.18	\$ 526.57	\$ 1,049.61	\$ 476.42	\$ 1,001.58	\$ 3,054.18	\$ -
14 Office Supplies	\$ 8,607.47	\$ 2,347.57	\$ 3,523.23	\$ 1,225.76	\$ 1,110.91	\$ 8,607.47	\$ -
15 Insurance	\$ 2,774.00	\$ 465.00	\$ 465.00	\$ 1,268.00	\$ 576.00	\$ 2,774.00	\$ -
16 Audit	\$ 1,442.81	\$ -	\$ 1,442.81	\$ -	\$ -	\$ 1,442.81	\$ -
17 NMGR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18 Total Office Expenses	\$ 15,878.48	\$ 3,339.14	\$ 6,880.65	\$ 2,970.18	\$ 2,688.49	\$ 15,878.48	\$ -
19 O&M	\$ 10,031.34	\$ 3,775.18	\$ 5,482.64	\$ 819.80	\$ 153.82	\$ 10,031.34	\$ -
20 Association Utilities	\$ 9,154.23	\$ 2,204.92	\$ 2,155.99	\$ 2,457.11	\$ 2,388.41	\$ 9,154.23	\$ -
21 Storage	\$ 875.00	\$ 270.00	\$ 135.00	\$ 135.00	\$ 135.00	\$ 875.00	\$ -
22 NM One Call	\$ 596.17	\$ 82.10	\$ 438.43	\$ -	\$ 77.64	\$ 596.17	\$ -
23 Conservation Fees	\$ 429.55	\$ 177.39	\$ 29.87	\$ 202.64	\$ 19.65	\$ 429.55	\$ -
24 Total Association Expenses	\$ 20,886.29	\$ 6,509.58	\$ 8,169.83	\$ 3,414.55	\$ 2,772.52	\$ 20,886.29	\$ -
25 Asset Management	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
26 Asset Inventory	\$ 24,015.00	\$ -	\$ -	\$ 24,015.00	\$ -	\$ 24,015.00	\$ -
27 Project Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
28 Advertisement	\$ 88.61	\$ -	\$ 88.61	\$ -	\$ -	\$ 88.61	\$ -
29 Legal Fees	\$ 2,364.61	\$ -	\$ 1,798.72	\$ -	\$ 627.89	\$ 2,364.61	\$ -
30 Total	\$ 2,453.22	\$ -	\$ 1,825.33	\$ -	\$ 627.89	\$ 2,453.22	\$ -
31 Tech Support	\$ 4,163.76	\$ -	\$ 478.25	\$ 2,861.31	\$ 1,023.20	\$ 4,163.76	\$ -
32 Total	\$ 4,163.76	\$ -	\$ 478.25	\$ 2,861.31	\$ 1,023.20	\$ 4,163.76	\$ -
33 TOTAL OPERATING EXPENSES	\$ 138,178.70	\$ 35,327.78	\$ 33,065.89	\$ 49,009.09	\$ 20,773.94	\$ 138,178.70	\$ -
34 Net Operating Income (Line 8-25)	\$ 71,392.91	\$ 12,153.98	\$ 12,506.88	\$ 28,414.83	\$ 26,266.33	\$ 71,392.91	\$ -
NONOPERATING INCOME							
35 New Memberships	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
36 Service Connections	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
37 Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
38 Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
39 TOTAL NONOPERATING INCOME	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NONOPERATING EXPENSE							
41 Loan Payments	\$ 27,962.06	\$ 6,276.00	\$ 6,276.00	\$ 6,281.81	\$ 9,128.25	\$ 27,962.06	\$ -
42 TOTAL NONOPERATING EXPENSE	\$ 27,962.06	\$ 6,276.00	\$ 6,276.00	\$ 6,281.81	\$ 9,128.25	\$ 27,962.06	\$ -
43 Net Nonoperating Income (Line 31-33)	\$ (27,962.06)	\$ (6,276.00)	\$ (6,276.00)	\$ (6,281.81)	\$ (9,128.25)	\$ (27,962.06)	\$ -
44 Net Income (loss) add lines 26-34	\$ 43,432.95	\$ 5,877.98	\$ 6,230.88	\$ 22,132.82	\$ 17,138.08	\$ 43,432.95	\$ -

*Taxes billed directly to the users

LANB #1 Checking	34,380.73
LANB #2 Checking	47,738.53
LANB Savings	13,565.43
Total Fund Balance	95,682.69

Note

Money from Checking moved to cover the following expenses (Dec)

Asset Management	\$ 24,015.00
Project Support	\$ 1,825.00
Tech Support	\$ 479.25
O&M	\$ 5,500.00
	\$ 31,819.25

Funds moved from Office Supplies to O&M and Tech Support (March)

Transfer to O&M	\$ 377.52
Transfer to Tech Support	\$ 2,661.31
	\$ 3,038.83

Funds moved from Office Supplies to O&M, Storage, Loan Payment, Legal Fees and Tech Support (June)

Transfer to O&M	\$ 153.82
Transfer to Storage	\$ 135.00
Transfer to Loan Payment	\$ 4.06
Transfer to Legal Fees	\$ 627.89
Transfer to Tech Support	\$ 1,023.20
	\$ 1,943.97

2014-2015 year-end budget adjustment to Net Income (June)

Transfer from Salaries	\$ 18,636.29	The adjustment to salaries based on Ken's retirement four months through the year. The work is now being covered on a volunteer basis by Ramon.
Transfer from Benefits	\$ 2,338.41	
Transfer from Mileage	\$ 228.00	
Transfer from Utilities	\$ 215.82	
Transfer from Office Supplies	\$ 3,353.70	
Transfer from Insurance	\$ 226.00	
Transfer from Audit	\$ 57.19	
Transfer from Assoc. Utilities	\$ 2,645.77	
Transfer from NM One Call	\$ 3.83	
Transfer from Conservation Fees	\$ 470.45	
	\$ 28,173.43	

**El Valle Water Alliance
Exit Conference
For the Fiscal Year Ending June 30, 2015**

On November 23, 2015, an exit conference was held with the following individuals to discuss the results of the agreed upon procedures and the contents of this report:

El Valle Water Alliance

Ramon M. Lucero, President
Veronica Castro, Office Administrator

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, Engagement Manager