

Accounting & Auditing Services, LLC

Financial Audits - Agreed Upon Procedures - Tax - Consulting

El Valle Water Alliance

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the Fiscal Year Ended June 30, 2013

**El Valle Water Alliance
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Fiscal Year Ended June 30, 2013**

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**El Valle Water Alliance
Official Roster
Fiscal Year Ending June 30, 2013**

Board of Directors

Ramon Lucero Jr., President

Lawrence Padilla, Vice President

Edward Sena, Secretary

Edward Madrid, Treasurer

Rick Konersman, Member

Administrative Staff

Kenneth Lucero, Business Manager

Veronica Castro, Office Administrator

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P.O. Box 24164
Santa Fe, NM 87502
Office: 505.920.4024
Fax: 505.984.8088
nmauditors@gmail.com

Independent Accountant's Report on Applying Agreed-Upon Procedures

Ramon M. Lucero, President
El Valle Water Alliance
and
Honorable Hector H. Balderas
New Mexico State Auditor

I have performed the procedures enumerated below for the El Valle Water Alliance (Alliance) for the year ended June 30, 2013, 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.

Four months of bank reconciliations were randomly selected and reviewed. The bank reconciliations were performed on a monthly basis in a timely manner by the office administrator and reviewed by the business manager. 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 the New Mexico Department of Finance and Administration-Local Government Division (DFA-LGD).

The selected bank reconciliations were accurate, and the ending balances on the bank reconciliations agreed with the general ledger, supporting documentation and the year-end financial report submitted to DFA-LGD.

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- 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 did not perform a complete capital asset inventory for the fiscal year ending June 30, 2013. See finding 2012-1 on p. 6.

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 tested which amounted to 63% 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.

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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 40 cash disbursements were selected and tested. The amounts recorded as disbursed agreed with the supporting documentation. The amount, payee, date and description of the purchase agreed with the purchase order, vendor's invoice, contract (if applicable) and canceled check.

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 that required sealed bids or requests for proposals. The cash disbursements tested were processed in accordance with applicable provisions of the State Procurement Code, State Purchasing Regulations and Regulations Governing the Per Diem and Mileage Act (if applicable).

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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, only two journal entries were posted during the fiscal year to reclassify two transactions for miscellaneous expenditures and subsequent reimbursements. Based on a review of the supporting documentation and explanations from management, the journal entries were reasonable.

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 to ensure that non-routine journal entries are reviewed by management and there was evidence that the reviews were performed.

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 the budget adjustments were approved by the governing body and 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. 8.

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. 8.

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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 other 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
September 18, 2013

**El Valle Water Alliance
Schedule of Findings and Responses
Fiscal Year Ending June 30, 2013**

Status of Prior Year Findings

Finding 2012-1. No Capital Asset Inventory at Fiscal Year-End – Repeated.

Finding 2012-2. Noncompliance with Budget Laws and Regulations – Resolved.

Current Year Findings

Finding 2012-1. No Capital Asset Inventory at Fiscal Year-End

Condition

On June 30, 2012 and 2013, the Alliance did not perform a complete physical inventory of its capital assets. The water systems' infrastructure has not been fully inventoried, recorded, valued and accounted for in accordance with generally accepted accounting principles and state laws and regulations.

Criteria

Section 12-6-10.A NMSA 1978 states: "Annual Inventory. The governing authority of each agency shall, at the end of each fiscal year, conduct a physical inventory of movable chattels and equipment costing more than five thousand dollars (\$5,000) and under the control of the governing authority." Section 2.20.1 NMAC requires an annual inventory and establishes standards to properly record, control and account for capital assets acquired by agencies. Also, generally accepted accounting principles require assets to be capitalized in accordance with Alliance policy and properly recorded, valued and depreciated.

Effect

The Alliance does not have an established carrying amount for the value of its capital assets as of June 30, 2012 and 2013 or a complete listing of its capital assets which is useful to properly control, account for and manage its capital assets in a proper manner.

Cause

The Alliance was unaware that the state laws and regulations cited above were applicable to Mutual Domestic Water Consumer Associations. Historical cost records are not available for all the water systems in the Alliance. The Alliance did not have the resources available to pay for appraisals and other services needed to list and value its water systems in accordance with generally accepted accounting principles.

**El Valle Water Alliance
Schedule of Findings and Responses
Fiscal Year Ending June 30, 2013**

Recommendation

The Alliance should perform a complete physical inventory of its capital assets as soon as possible, and at the end of each fiscal year. The results of the inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing authority of the Alliance. The Alliance should develop and implement written policies and procedures to perform the capital asset inventory on an annual basis and record, control and account for its capital assets in accordance with state laws, regulations and generally accepted accounting principles.

Management's Response

The capital assets in question are the water tanks and well houses for all associations managed by the El Valle Water Alliance. We currently have them documented but not valued. We have received a grant to develop an asset management plan that will identify our assets and determine their value and life of the asset. We plan on preparing the asset management plan this fiscal year.

El Valle Water Alliance
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP Cash Basis) - General Fund
For the Fiscal Year Ended June 30, 2013

Exhibit 1

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Contractual services	\$ 10,200	\$ 10,200	\$ 12,698	\$ 2,498
Water services	136,428	136,428	137,914	1,486
Miscellaneous Income	<u>130</u>	<u>130</u>	<u>266</u>	<u>136</u>
 Total revenues	 146,758	 146,758	 <u>\$ 150,878</u>	 <u>\$ 4,120</u>
Transfer in	<u>-</u>	<u>15,164</u>		
 Total revenues and transfers	 <u>\$ 146,758</u>	 <u>\$ 161,922</u>		
 Expenditures				
Current:				
Personal services	\$ 62,800	\$ 62,800	\$ 62,737	\$ 63
Contractual services - operator	23,000	19,120	18,464	656
Office expenses	14,000	18,772	17,877	895
Association expenses	18,400	21,045	22,760	(1,715)
Debt service	<u>19,378</u>	<u>34,542</u>	<u>34,278</u>	<u>264</u>
 Total expenditures	 <u>\$ 137,578</u>	 <u>\$ 156,279</u>	 <u>\$ 156,116</u>	 <u>\$ 163</u>

El Valle Water Alliance
Balance Sheet
 As of June 30, 2013

	<u>Jun 30, 13</u>
ASSETS	
Current Assets	
Checking/Savings	
Bank of Las Vegas	1.31
LANB 1st Checking Acc	38,420.46
LANB 2nd Checking Acc	58,612.74
Savings- O&M and Emerg reserve	54,651.88
Total Checking/Savings	<u>151,686.39</u>
Accounts Receivable	
Accounts Receivable	2,250.00
Total Accounts Receivable	<u>2,250.00</u>
Total Current Assets	153,936.39
Fixed Assets	
Office Software&Equipm	11,512.91
Total Fixed Assets	<u>11,512.91</u>
TOTAL ASSETS	<u><u>165,449.30</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	299.70
Total Accounts Payable	<u>299.70</u>
Other Current Liabilities	
Payroll Liabilities	1,975.69
Total Other Current Liabilities	<u>1,975.69</u>
Total Current Liabilities	2,275.39
Long Term Liabilities	
El Valle 3	40,725.00
El Valle 4	9,023.00
Ilfeld LOAN	95,027.34
SSY Loan 05	23,067.65
SSY Loan 1	21,102.54
Villanueva Loan	534,175.75
Total Long Term Liabilities	<u>723,121.28</u>
Total Liabilities	725,396.67
Equity	
Opening Balance Equity	-683,300.19
Retained Earnings	115,419.98
Net Income	7,932.84
Total Equity	<u>-559,947.37</u>
TOTAL LIABILITIES & EQUITY	<u><u>165,449.30</u></u>

El Valle Water Alliance
Profit & Loss
 July 2012 through June 2013

	<u>Jul '12 - Jun 13</u>
Ordinary Income/Expense	
Income	
Contracting Services	
Administrative Services	3,047.40
Contracting Services - Other	1,695.00
Total Contracting Services	<u>4,742.40</u>
Non Profit Income	
Capital Credit Income	
ENMR Capital Credits	96.89
Total Capital Credit Income	96.89
EI Ancon Water Revenue	13,680.78
EI Coruco MDWCA Water Revenue	
EC NEW MEMBERSHIP	300.00
Returned checks	-508.00
EI Coruco MDWCA Water Revenue - Other	16,323.16
Total EI Coruco MDWCA Water Revenue	<u>16,115.16</u>
Ifield MDWCA water Revenue	
IF Disconnection fee	75.00
New Meter Service	891.53
Returned Checks	-398.55
Ifield MDWCA water Revenue - Other	37,580.28
Total Ifield MDWCA water Revenue	<u>38,148.26</u>
La Sacatosa Water Revenue	3,352.01
Lower Colonias MDWCA water rev	2,536.82
San Juan MDWCA Water Revenue	11,122.72
San Miguel Del Bado Water Reven	11,336.08
South San Ysidro Water Revenue	7,527.36
Villanueva MDWCA Water Revenue	
Returned checks	-100.00
VN New Memberships	3,000.00
Villanueva MDWCA Water Revenue - Other	31,195.01
Total Villanueva MDWCA Water Revenue	<u>34,095.01</u>
Non Profit Income - Other	7,956.00
Total Non Profit Income	<u>145,967.09</u>
Rebates	8.00
Reimbursements	36.65
Total Income	<u>150,754.14</u>
Gross Profit	150,754.14
Expense	
Business Expense	
Administrative fee EVWA 3	107.34
Adminstrative Fee EVWA 4	23.88
Association Supplies	
Chlorox	75.64
Equipment	8.60
Association Supplies - Other	125.28
Total Association Supplies	<u>209.52</u>
Association Water Testing	324.56
Capital outlay projects	
Repairs and Maintance	240.00
Total Capital outlay projects	<u>240.00</u>
Continuing Education	
Cont education Travel	142.80
Continueing Education - Other	135.00
Total Continuing Education	<u>277.80</u>

**EI Valle Water Alliance
 Profit & Loss
 July 2012 through June 2013**

	<u>Jul '12 - Jun 13</u>
Contracting Expense	
Field Operations	17,990.93
Travel	473.34
Total Contracting Expense	<u>18,464.27</u>
Dues & Subscriptions	15.90
Insurance	1,512.00
Interest paid	
WCF Interest	45.51
Total Interest paid	<u>45.51</u>
Legal & Professional Fees	1,599.38
Membership Dues	70.00
Penalties & Settlements	
WCF penalties	32.40
Penalties & Settlements - Other	333.61
Total Penalties & Settlements	<u>366.01</u>
Reimbursements	
Chlorox/Chemicals for wells	35.45
Reimbursements - Other	64.87
Total Reimbursements	<u>100.32</u>
Repair & Maintenance	50.00
Villanueva Project	0.00
Total Business Expense	<u>23,406.49</u>
EI Ancon MDWCA	
Contract services distribution	386.78
Contracted service back hoe	750.00
EA NM GRT	604.31
EA Water Testing	
Repeat Samples	224.49
EA Water Testing - Other	244.50
Total EA Water Testing	<u>468.99</u>
EA WCF	20.72
EA Well House Elec Bill	906.28
EA Well house repair & Maint	1,284.28
EI Ancon Membership Dues	65.28
NPCR	10.00
Total EI Ancon MDWCA	<u>4,496.64</u>
EI Corruco MDWCA	
EC GRT	687.96
EC Membership Dues	70.31
EC WCF	29.93
EC Well House Electric bill	1,037.38
Pump & well house maintance	314.25
Total EI Corruco MDWCA	<u>2,139.83</u>
Ilfeld MDWCA	
IF Contracting Services	150.00
IF Loan Interest	2,854.61
IF Maintance software/equi	1,982.71
IF Membership dues	79.20
IF Meter Parts	528.58
IF New Membership Meter Purchas	217.80
IF NM GRT	1,679.07
IF Nonprofit corp Report	10.00
IF Storage Rental	540.00
IF WCF	89.76
IF Well House Elec Bill14170001	2,023.80
IF Well House Elec Bill18877001	1,159.56
Website	120.00

10:30 AM
 09/18/13
 Accrual Basis

El Valle Water Alliance
Profit & Loss
 July 2012 through June 2013

	<u>Jul '12 - Jun 13</u>
Well house maintance	
Well #2	310.16
Well house maintance - Other	193.39
Total Well house maintance	<u>503.55</u>
Total Ifield MDWCA	11,938.64
La Sacatosa MDWCA	
Contract Service	
Line repair	290.08
LS Contract Back hoe services	450.00
Total Contract Service	740.08
LS GRT	153.45
LS Well House Electric bill	1,194.03
LS Well House Repair and Maint.	10.77
Total La Sacatosa MDWCA	<u>2,098.33</u>
Lower Colonias MDWCA	
LC GRT	121.30
LC Membership dues	95.31
LC WCF	2.64
LC Well house elect bill	602.28
Total Lower Colonias MDWCA	821.53
Office Expenses	
Payroll Expenses	62,737.39
Rent or Lease	
Postal box	100.00
Webpage Domain name	35.88
Total Rent or Lease	135.88
shipping and billing	
Association shipping and billin	67.05
shipping and billing - Other	2,206.75
Total shipping and billing	2,273.80
Stationery & Printing	3,975.33
Supplies	234.76
Tech support	
Software updates	2,325.93
Total Tech support	2,325.93
Utilities	
EVWA Light bill	754.12
EVWA Propane Bill	889.02
office ENMR bill	1,346.25
Total Utilities	2,989.39
Website	1,000.00
Total Office Expenses	<u>75,672.48</u>
San Juan MDWCA	
SJ GRT	492.23
SJ Job Inspection	157.85
SJ Membership dues	78.66
SJ Shipping and billing	17.70
SJ WCF	79.89
SJ Well house electric bill	1,292.93
SJ Well house repair & maint	0.00
Total San Juan MDWCA	<u>2,119.26</u>

**EI Valle Water Alliance
 Profit & Loss
 July 2012 through June 2013**

	<u>Jul '12 - Jun 13</u>
SM MDWCA	
SM GRT	492.35
SM NPCR	10.00
SM Shipping & billing	12.35
SM WCF	20.05
SM Well house electric	924.09
Total SM MDWCA	<u>1,458.84</u>
South San Ysidro MDWCA	
SSY equipement & parts	718.67
SSY Gross receipts tax	309.36
SSY Loan Interest 01	695.37
SSY Loan Interest 05	1,049.01
SSY Membership Dues	50.00
SSY NPCR	10.00
SSY Reimbursements	13.15
SSY San Miguel County Taxes	10.35
SSY WCF	18.84
SSY Well house Electric bill	871.87
Total South San Ysidro MDWCA	<u>3,746.62</u>
Villanueva MDWCA	
Equipment	124.89
NPCR	10.00
VN Board Insurance	53.50
VN Meetings	
Receptions	40.60
Total VN Meetings	<u>40.60</u>
VN Membership dues	127.68
VN NM GRT	1,358.66
VN RCAC Loan Interest	516.98
VN Reimbursements	281.29
VN shipping and billing	5.75
VN USDA loan interest	9,819.75
VN Water Testing	
Repeat Samples	224.49
VN Water Testing - Other	224.49
Total VN Water Testing	<u>448.98</u>
VN WCF	254.00
VN Well house electric bill	1,996.10
VN Well house parts and maintan	8.60
Total Villanueva MDWCA	<u>15,046.78</u>
Total Expense	<u>142,945.44</u>
Net Ordinary Income	7,808.70
Other Income/Expense	
Other Income	
Interest Earned	124.14
Total Other Income	<u>124.14</u>
Net Other Income	<u>124.14</u>
Net Income	<u><u>7,932.84</u></u>

**El Valle Water Alliance
Exit Conference
Fiscal Year Ended June 30, 2013**

On October 9, 2013, 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
Ken Lucero, Business Manager
Veronica Castro, Office Administrator

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, General Manager