

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, 2014

**El Valle Water Alliance
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Fiscal Year Ended June 30, 2014**

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**El Valle Water Alliance
Official Roster
Fiscal Year Ending June 30, 2014**

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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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, 2014, 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.

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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 performed a complete capital asset inventory for the fiscal year ending June 30, 2014.

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 57% 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 cash disbursements were tested which amounted to 81% 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 exceed 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.

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:

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- 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 post reclassifications to the general ledger for reimbursements. The journal entries were accurate according to the supporting documentation. No other non-routine journal entries were noted during the agreed-upon procedures.

- 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 subsequent budget adjustments were approved by the governing body. Also, the original budget, budget amendments and final budget were 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.

- 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.

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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 (1)(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 10, 2014

**El Valle Water Alliance
Schedule of Findings and Responses
Fiscal Year Ending June 30, 2014**

Status of Prior Year Findings

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

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

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, 2014

Exhibit 1

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Contractual services	\$ 17,016	\$ 23,930	\$ 23,802	\$ (128)
Water services	153,912	135,868	133,590	(2,278)
Miscellaneous income	130	20	369	239
Total revenues	171,058	159,818	157,762	(2,056)
Transfer in	-	151,398	151,398	-
Total revenues and transfers	<u>\$ 171,058</u>	<u>\$ 311,216</u>	<u>\$ 309,160</u>	<u>\$ (2,056)</u>
Expenses:				
Salaries and benefits - Admin.	\$ 64,623	\$ 63,723	\$ 63,359	\$ 364
Salaries and benefits - Operator	25,300	27,400	27,078	322
Office expenses	30,365	31,508	27,698	3,810
Association expenses	17,300	18,700	20,520	(1,820)
Debt service payments	27,958	168,657	168,379	278
Total expenses	<u>\$ 165,546</u>	<u>\$ 309,988</u>	<u>\$ 307,035</u>	<u>\$ 2,953</u>

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07/29/14
Accrual Basis

El Valle Water Alliance
Balance Sheet
As of June 30, 2014

	Jun 30, 14
ASSETS	
Current Assets	
Checking/Savings	
Bank of Las Vegas	1.31
LANB 1st Checking Acc	8,185.47
LANB 2nd Checking Acc	24,271.38
Savings- O&M and Emerg reserve	4,655.50
Total Checking/Savings	37,113.66
Accounts Receivable	
Accounts Receivable	
Villanueva Project	39,666.61
Accounts Receivable - Other	3,262.14
Total Accounts Receivable	42,928.75
Total Accounts Receivable	42,928.75
Total Current Assets	80,042.41
Fixed Assets	
Office Software&Equipm	11,512.91
Well, W.H. ,Water Lines, & Tank	2,745,009.00
Total Fixed Assets	2,756,521.91
TOTAL ASSETS	2,836,564.32
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	-0.30
Total Accounts Payable	-0.30
Other Current Liabilities	
Payroll Liabilities	2,352.34
Total Other Current Liabilities	2,352.34
Total Current Liabilities	2,352.04
Long Term Liabilities	
El Valle 3	38,510.00
El Valle 4	8,532.08
Villanueva Loan	527,627.78
Total Long Term Liabilities	574,669.86
Total Liabilities	577,021.90
Equity	
Opening Balance Equity	-607,995.02
Retained Earnings	2,868,257.88
Net Income	-720.44
Total Equity	2,259,542.42
TOTAL LIABILITIES & EQUITY	2,836,564.32

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Accrual Basis

El Valle Water Alliance
Profit & Loss
July 2013 through June 2014

	<u>Jul '13 - Jun 14</u>
Ordinary Income/Expense	
Income	
Contracting Services	
Administrative Services	14,691.82
Contracting Services - Other	9,110.00
Total Contracting Services	<u>23,801.82</u>
Non Profit Income	
Capital Credit Income	
ENMR Capital Credits	109.05
Total Capital Credit Income	109.05
El Ancon Water Revenue	1,260.98
El Coruco MDWCA Water Revenue	
Returned checks	-393.28
El Coruco MDWCA Water Revenue - Other	20,024.78
Total El Coruco MDWCA Water Revenue	<u>19,631.50</u>
Ifield MDWCA water Revenue	
New Membership	2,000.00
Returned Checks	-35.86
Ifield MDWCA water Revenue - Other	38,651.27
Total Ifield MDWCA water Revenue	<u>40,615.41</u>
La Sacatosa Water Revenue	
Returned Check Fee	25.00
La Sacatosa Water Revenue - Other	3,477.90
Total La Sacatosa Water Revenue	<u>3,502.90</u>
Lower Colonias MDWCA water rev	3,295.98
San Juan MDWCA Water Revenue	
Returned Check Fee	25.00
SJ Returned checks	-46.36
San Juan MDWCA Water Revenue - Other	15,816.74
Total San Juan MDWCA Water Revenue	<u>15,795.38</u>
San Miguel Del Bado Water Reven	10,525.51
South San Ysidro Water Revenue	
Returned Checks	-71.72
South San Ysidro Water Revenue - Other	7,860.32
Total South San Ysidro Water Revenue	<u>7,788.60</u>
SSY Community Center Rental	125.00
Villanueva MDWCA Water Revenue	
Returned checks	-10.50
Villanueva MDWCA Water Revenue - Other	37,754.57
Total Villanueva MDWCA Water Revenue	<u>37,744.07</u>
Non Profit Income - Other	<u>62.00</u>
Total Non Profit Income	<u>140,456.38</u>
Reimbursements	<u>37.71</u>
Total Income	<u>164,295.91</u>
Gross Profit	164,295.91
Expense	
Business Expense	
Administrative fee EVWA 3	101.82
Administrative Fee EVWA 4	22.58
Advertising	149.29

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Accrual Basis

El Valle Water Alliance
Profit & Loss
July 2013 through June 2014

	<u>Jul '13 - Jun 14</u>
Association NPCR's	
La Cueva NPCR	0.00
Rowe NPCR	0.00
Tecalotito NPCR	0.00
Total Association NPCR's	<u>0.00</u>
Association Supplies	
Chlorox	30.94
Equipment	66.97
Keys	23.02
Locks	65.30
Test Tablets (Residuals)	21.99
Total Association Supplies	<u>208.22</u>
Continuing Education	170.00
Contracting Expense	
Travel	4,406.22
Contracting Expense - Other	490.00
Total Contracting Expense	<u>4,896.22</u>
Contracting Services for Assoc	
San Juan	2,603.00
South San Ysidro	324.00
Total Contracting Services for Assoc	<u>2,927.00</u>
Dues & Subscriptions	548.00
Insurance	2,651.00
Legal & Professional Fees	12,137.56
Membership Dues	
NPCR	10.36
Total Membership Dues	<u>10.36</u>
Reconciliation Discrepancies	-0.11
Reimbursements	
Association Equipment Rental	72.94
Association Materials	488.55
Association Supplies	160.38
Chlorox/Chemicals for wells	184.53
Total Reimbursements	<u>906.40</u>
Water Distribution Maintenance	
San Juan	30.34
Total Water Distribution Maintenance	<u>30.34</u>
Total Business Expense	<u>24,758.68</u>
El Ancon MDWCA	
EA NM GRT	107.24
EA Water Testing	
Repeat Samples	224.49
Special testing	89.80
Total EA Water Testing	<u>314.29</u>
EA WCF	24.71
EA Well House Elec Bill	240.28
NPCR	0.00
El Ancon MDWCA - Other	-475.78
Total El Ancon MDWCA	<u>210.74</u>
El Corruco MDWCA	
EC GRT	938.03
EC Membership Dues	83.78
EC WCF	52.62
EC Well House Electric bill	1,412.76
Total El Corruco MDWCA	<u>2,487.19</u>

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Accrual Basis

**El Valle Water Alliance
Profit & Loss
July 2013 through June 2014**

	<u>Jul '13 - Jun 14</u>
Ilfeld MDWCA	
IF Contracting Services	150.00
IF Loan Interest	840.73
IF Maintance software/equi	1,982.71
IF Membership dues	59.88
IF NM GRT	1,860.78
IF Nonprofit corp Report	10.36
IF Storage Rental	540.00
IF WCF	
WCF penalties	0.45
IF WCF - Other	98.97
Total IF WCF	<u>99.42</u>
IF Well House Elec Bill14170001	1,900.81
IF Well House Elec Bill18877001	970.43
Website	120.00
Well house maintance	
Well #2	77.28
Total Well house maintance	<u>77.28</u>
Total Ilfeld MDWCA	8,612.40
La Sacatosa MDWCA	
LS GRT	173.57
LS Well House Electric bill	1,530.88
NM One Call	42.20
Returned Check fee	0.00
Total La Sacatosa MDWCA	<u>1,746.65</u>
Lower Colonias MDWCA	
LC GRT	154.34
LC Membership dues	79.08
LC WCF	4.99
LC Well house elect bill	633.63
Total Lower Colonias MDWCA	<u>872.04</u>
Office Expenses	
Payroll Expenses	86,031.39
Rent or Lease	
Hosting page for Website	83.88
Postal box	106.00
Webpage Domain name	15.17
Total Rent or Lease	<u>205.05</u>
shipping and billing	
Association shipping and billin	50.12
shipping and billing - Other	3,056.52
Total shipping and billing	<u>3,106.64</u>
Stationery & Printing	2,337.50
Supplies	749.38
Tech support	
Software updates	1,042.59
Tech support - Other	958.50
Total Tech support	<u>2,001.09</u>
Utilities	
EVWA Light bill	774.91
EVWA Propane Bill	1,098.76
office ENMR bill	1,403.45
Total Utilities	<u>3,277.12</u>
Website	230.65
Total Office Expenses	<u>97,938.82</u>

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Accrual Basis

**EI Valle Water Alliance
Profit & Loss
July 2013 through June 2014**

	<u>Jul '13 - Jun 14</u>
San Juan MDWCA	
OSE	
Extension of Time Fees	175.00
Total OSE	175.00
Returned Check Fee	0.00
SJ GRT	736.71
SJ Membership dues	60.19
SJ WCF	150.92
SJ Well house electric bill	1,469.57
Total San Juan MDWCA	2,592.39
SM MDWCA	
Construction	
Easements	50.00
Total Construction	50.00
NM One Call	44.55
OSE	
Extension of Time Fee	75.00
Total OSE	75.00
SM GRT	503.63
SM NPCR	20.00
SM WCF	35.08
SM Well house electric	632.70
Total SM MDWCA	1,360.96
South San Ysidro MDWCA	
Satisfaction of Lein Loan 1 & 5	50.00
SSY Gross receipts tax	369.94
SSY Loan Interest 01	174.32
SSY Loan Interest 05	252.71
SSY Membership Dues	50.00
SSY NPCR	10.36
SSY San Miguel County Taxes	10.00
SSY Water Testing	
Repeat Samples	224.49
Total SSY Water Testing	224.49
SSY WCF	34.63
SSY Well house Electric bill	782.26
Term of Secured Party Loan 1	20.00
Total South San Ysidro MDWCA	1,978.71
Villanueva MDWCA	
NMSOS	25.00
NPCR	20.00
Villanueva Project	0.00
VN Membership dues	93.67
VN NM GRT	1,785.42
VN USDA loan interest	18,556.03
VN Water Testing	
Repeat Samples	64.91
Special testing	162.28
Total VN Water Testing	227.19
VN WCF	152.39

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Accrual Basis

**EI Valle Water Alliance
Profit & Loss
July 2013 through June 2014**

	<u>Jul '13 - Jun 14</u>
VN Well house electric bill	
14200-001	1,374.73
39665-001	258.84
Total VN Well house electric bill	<u>1,633.57</u>
Total Villanueva MDWCA	<u>22,493.27</u>
Total Expense	<u>165,051.85</u>
Net Ordinary Income	-755.94
Other Income/Expense	
Other Income	
Interest Earned	35.50
Total Other Income	<u>35.50</u>
Other Expense	
Miscellaneous	0.00
Total Other Expense	<u>0.00</u>
Net Other Income	<u>35.50</u>
Net Income	<u><u>-720.44</u></u>

**El Valle Water Alliance
Exit Conference
Fiscal Year Ended June 30, 2014**

On September 10, 2014, 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, Engagement Manager