



Certified Public Accountants

ricci&company llc

**LA JARA WATER USERS  
ASSOCIATION**

**AGREED UPON PROCEDURES  
REPORT**

**December 31, 2010**



## LA JARA WATER USERS ASSOCIATION

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# LA JARA WATER USERS ASSOCIATION

December 31, 2010

## Official Roster

### Board of Directors

Rod Herrera, President  
Steve Schaefer, VP  
John Lucero, Secretary/Treasurer  
Nathan Duran  
Ubaldo Maestas

### Principal Employees

Jared Maestas, Operations Manager  
Jennifer Johnson, Office Manager

**Independent Accountant's Report on  
Applying Agreed-Upon Procedures**

To Management  
La Jara Water Users Association  
La Jara, New Mexico  
and  
To Mr. Hector H. Balderas, State Auditor

We have performed the procedures enumerated below, which were agreed to by the La Jara Water Users Association (Association) and the New Mexico State Auditor's Office, solely to assist in determining if the Association is in compliance with New Mexico State Audit Rule, Tier 4, as of December 31, 2010. The Association is the responsible party and the subject matter is the responsibility of the Association. 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.

The procedures and the associated findings are included in a supplemental attachment.

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 within the Association, the 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.

***Ricci & Company LLC***

Albuquerque, New Mexico  
May 13, 2011

**LA JARA WATER USERS ASSOCIATION  
AGREED UPON PROCEDURES  
December 31, 2010**

**PROCEDURES PERFORMED AND RELATED RESULTS**

**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.

Bank reconciliations are included as part of the monthly board meetings. We reviewed to ensure they were included in the directors' packets. No exceptions were noted. The reconciliations for the January 21 - December 31, 2010 bank reconciliations were performed no later than 12 days after the close of the statement period. Reconciliations are completed timely.

The Association has four banking accounts, one checking, one savings, and two investments. All reconciliations 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.

We selected four months to test including June 2010, July 2010, September 2010 and November 2010. Reconciliations are accurate and tie to supporting detail. However, it was noted that there are no financial reports submitted to DFA - Local Government Division. See Finding 10-01.

- 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.

We determined that the average running balance is below \$250,000 in all accounts; therefore, additional procedures were not performed.

**2. CAPITAL ASSETS**

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

An annual physical inventory of capital assets was completed. The Association utilizes Microsoft Excel software to maintain its inventory listing.

**LA JARA WATER USERS ASSOCIATION  
AGREED UPON PROCEDURES  
December 31, 2010**

**PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)**

**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.

We compared actual to budget for each type of revenue. Please see the Budget-Actual Schedule (page 7) for amounts. We inquired on the following variance:

The variance in "Water Sales" is due to slightly lower than normal water usage combined with an increase in the budget from the prior year. All other revenues tested are considered reasonable.

- b) Test 50% of the total amount of revenues for the following attributes:

- 1) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
- 2) 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.

To obtain the 50% coverage, we selected six months of activity, including January 2010, March 2010, April 2010, July 2010, September 2010, and December 2010. These six months yielded a coverage rate of 54% of total revenues. No exceptions were noted testing the attributes above.

**LA JARA WATER USERS ASSOCIATION  
AGREED UPON PROCEDURES  
December 31, 2010**

**PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)**

**4. EXPENDITURES**

- a) Select a sample of cash disbursements and test at least 25 transactions that are representative of the whole and 50% of the total amount of expenditures for the following attributes:
- 1) 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 canceled check, as appropriate.
  - 2) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
  - 3) 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) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

To meet the requirements, using a random number generator, we tested 25 transactions selected from the total check range of the Association for the fiscal year. We then tested 100% of the Association's payroll. The above attributes were tested without exception for all of the transactions.

**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:
- 1) Journal entries appear reasonable and have supporting documentation.
  - 2) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

We noted that the Association did not make any adjusting journal entries in the current year.

**LA JARA WATER USERS ASSOCIATION  
AGREED UPON PROCEDURES  
December 31, 2010**

**PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)**

**6. BUDGETS**

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

- 1) 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.

We verified the Board of Directors approved the original budget. We also verified that there were no budget adjustments during the fiscal year. However, we did not note approval from DFA-LGD. See Finding 2010-01.

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

It was determined that the Association did not exceed the final budget at the legal level of budgetary control.

- 3) 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 attached Statement of Revenues and Expenditures - Budget and Actual - General Fund.

**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.

During fieldwork there were no instances that came to our attention which indicated any instances of fraud, illegal acts, noncompliance, or internal control deficiencies.



**LA JARA WATER USERS ASSOCIATION  
STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGET AND ACTUAL - GENERAL FUND  
Year Ended December 31, 2010**

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Water user fees	\$ 86,000	86,000	77,335	(8,665)
Other charges	8,000	8,000	8,489	489
Late charges	1,600	1,600	3,100	1,500
Refunds	2,500	2,500	2,524	24
Miscellaneous	1,200	1,200	2,086	886
Less: Allowances and deductions	(7,000)	(7,000)	(2,456)	4,544
<b>Total revenues</b>	<b>92,300</b>	<b>92,300</b>	<b>91,078</b>	<b>(1,222)</b>
<b>Expenditures</b>				
Current:				
Personnel	47,943	47,943	49,110	(1,167)
Operating costs	6,600	16,600	7,160	9,440
Administrative costs	8,065	8,065	7,455	610
Travel and training	3,100	3,100	1,380	1,720
Professional services	200	200	1,987	(1,787)
Insurance	3,500	3,500	3,097	403
Interest	8,100	8,100	8,668	(568)
Depreciation	14,800	14,800	12,420	2,380
<b>Total expenditures</b>	<b>92,308</b>	<b>102,308</b>	<b>91,277</b>	<b>11,031</b>
<b>Excess of revenues over expenditures</b>	<b>(8)</b>	<b>(10,008)</b>	<b>(199)</b>	<b>9,809</b>
<b>Other Financing Sources (Uses):</b>				
Grants	-	-	2,184	2,184
Membership fees	-	-	2,000	2,000
Interest/dividends	400	400	631	231
<b>Total other financing sources</b>	<b>400</b>	<b>400</b>	<b>4,815</b>	<b>4,415</b>
<b>Excess of revenues over expenditures and other financing sources</b>	<b>\$ 392</b>	<b>(9,608)</b>	<b>4,616</b>	<b>14,224</b>
Use of Replacement Reserves	\$ -	10,000		
	\$ -	392		

**LA JARA WATER USERS ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
December 31, 2010**

**2010-01 Submission of Reports to the Department of Finance and Administration  
(DFA)**

**CONDITION**

It was noted that the La Jara Water Users Association does not file any financial and budgetary reports with DFA- LGD.

**CRITERIA**

NMSA 6-6-2 requires local public bodies to submit quarterly financial reports and annual budgets to DFA- LGD.

**CAUSE**

Since the Association was unclear as to what was required, management determined it was in the Association's best interest to maintain all records and wait to be contacted by DFA instead of submitting erroneous reports.

**EFFECT**

The Association is not in compliance with NMSA 6-6-2.

**RECOMMENDATION**

The Association should establish a working relationship with its DFA analyst to help the Association file all required reports accurately and in a timely manner.

**MANAGEMENT RESPONSE**

The Association was unclear as to what reporting requirements DFA had. However, on May 16, 2011, we contacted DFA and on May 17, 2011, we submitted all requested reports. In the future, we will be submitting all DFA required reports.

**LA JARA WATER USERS ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
December 31, 2010**

**2010-02 Uninsured Deposits**

**CONDITION**

Upon review of the investment statements, it was determined that the funds within the Dreyfus Liquid Asset Accounts totaling \$46,763 are not insured by the FDIC nor is there any pledged collateral.

**CRITERIA**

Under Section 6-10-17 NMSA 1978, NM Public Money Act, the association is required to obtain pledged collateral from depository institutions for at least 50% of the uninsured balance of the accounts.

**CAUSE**

Although the Dreyfus Liquid Assets investments are primarily money market funds, the institution in which the investments are held is not a member of the FDIC.

**EFFECT**

The Association is at risk for a loss of funds and in violation of Section 6-10-17 NMSA 1978, NM Public Monies Act.

**RECOMMENDATION**

The Association should evaluate their investment account consider transferring the funds to an institution which is insured by the FDIC, or have the institution provide a surety bond in accordance with Section 6-10-15 NMSA 1978 on behalf of the Association.

**MANAGEMENT RESPONSE**

The Association was unaware of the requirements related uninsured deposits and therefore elected to deposit our funds in accounts which we felt had the best earning potential and lowest risk to us. To become compliant with State Statutes, we will be transferring our deposits into accounts that are either covered by FDIC insurance or obtain pledged collateral on the deposits.

**LA JARA WATER USERS ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
December 31, 2010**

**2010-03 Late Submission of Report**

**CONDITION**

The agreed upon procedures report for the fiscal year ended December 31, 2010 was not filed timely by May 31, 2011 as required.

**CRITERIA**

The due date of May 31, 2011 is established in Section 2.2.2.9 NMAC of the 2010 State Auditor Rule.

**CAUSE**

The originally submitted report was rejected by the New Mexico State Auditor and the report containing required corrections was submitted after May 31, 2011.

**EFFECT**

The report was not made available on a timely basis for use by the Legislature, the administration, or by other users.

**RECOMMENDATION**

Future required reports should be filed as timely as possible.

**MANAGEMENT RESPONSE**

The Association has no responsibility over the Independent Accountant's Report on Applying Agreed-Upon Procedures; however, we will work with our accountants in the future to ensure all required reports are submitted in a timely manner.

**LA JARA WATER USERS ASSOCIATION  
EXIT CONFERENCE  
December 31, 2010**

An exit conference was held on May 13, 2011 to discuss the agreed upon procedures. Attending were the following:

Representing the La Jara Water Users Association:

Board of Directors

Paul Johnson, Member/ Past President

(attended the meeting at the request and in lieu of Rod Herrera, President)

Management

Jennifer Johnson, Business Manager

Representing the Independent Accountant:

Herman Chavez, CPA, Manager