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Certified Public Accountants



**LA JARA WATER USERS
ASSOCIATION**

**AGREED UPON PROCEDURES
REPORT**

December 31, 2012



LA JARA WATER USERS ASSOCIATION

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LA JARA WATER USERS ASSOCIATION

December 31, 2012

Official Roster

Board of Directors

John Lucero, President
Nathan Duran, Vice President
Tony Duran, Treasurer
Manuel Garcia, Member

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, 2012. 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, Porch & Company LLC

Albuquerque, New Mexico
May 20, 2013

**LA JARA WATER USERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2012**

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 months of January, April, July, and December were performed no later than 8 days after the close of the statement period. Reconciliations are completed timely.

The Association has four banking accounts, one checking, two savings, and one investment. 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 January 2012, April 2012, July 2012, and December 2012. Reconciliations are accurate and tie to supporting detail, general ledger and the financial reports submitted to DFA – Local Government Division.

- 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 at no time during the year was the cumulative balance for all accounts \$250,000 or more. All these accounts are in an FDIC insured financial institution; 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 that contains the date it was physically observed and who observed it, which is considered adequate for documenting that a physical inventory was completed at or near year-end.

**LA JARA WATER USERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2012**

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 variances:

- The variance in "Water Sales" is due to changing demand in Water usage, which is difficult to accurately predict.
- The variance in "Other Charges" is attributed to various charges for members that do not have water usage fees. These members pay annually for things like permits, disconnections and reconnections.
- The variances in "Miscellaneous" and "Allowances and deductions" are related to how leak allowances and payments made on those accounts are made. They are directly related to each other and can be offset against each other for analysis purposes.

We analytically tested revenues by comparing the actual bank receipts to the billed amounts for the months of January, March, April, July, August, September, and December 2012. No material exceptions were noted.

- b) Based on judgment, select a sample of revenues and test 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.

We judgmentally selected seven months of activity, including January 2012, March 2012, April 2012, July 2012, August 2012, September 2012 and December 2012. These seven months yielded a coverage rate of 68% of total revenues. No exceptions were noted testing the attributes above.

**LA JARA WATER USERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2012**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

4. EXPENDITURES

- a) Select a sample of cash disbursements based on judgment for the following attributes:
- 1) Determine that the 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 test the attributes above, using a random number generator, we tested 12 transactions selected from the total check range of the Association for the fiscal year, less the payroll disbursements. We then tested 100% of the Association's payroll. No exceptions were noted testing the attributes above.

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.

Adjusting journal entries were made during the current year for customer account billings. We reviewed the support for all of the adjustments and all appear reasonable. We noted that when a journal entry is made, it is included with the financial information provided to the Boards of Directors monthly meetings. The entry is approved by the Board as part of approving the respective monthly financial information.

**LA JARA WATER USERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2012**

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.

Per review of the December 2011 minutes, we verified the Board of Directors approved the original budget for 2012. We also verified by comparing the initial to the final approved budget submitted to DFA-LGD, that there were no budget adjustments.

- 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 (fund/entity level).

- 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 (Cash Basis).

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 (CASH BASIS)
Year Ended December 31, 2012**

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenues				
Water user fees	\$ 86,100	86,100	80,753	(5,347)
Other charges	12,070	12,070	13,253	1,183
Late charges	2,850	2,850	2,887	37
Miscellaneous	590	590	2,821	2,231
Less: Allowances and deductions	-	-	(2,436)	(2,436)
Total revenues	101,610	101,610	97,278	(4,332)
Expenditures				
Current:				
Personnel	46,753	46,753	46,701	52
Operating costs	7,635	7,635	8,624	(989)
Administrative costs	7,475	7,475	7,600	(125)
Travel and training	1,135	1,135	1,808	(673)
Professional services	6,215	6,215	3,745	2,470
Insurance	2,775	2,775	2,584	191
Depreciation	18,100	18,100	17,970	130
Debt Service	20,090	20,090	16,004	4,086
Capital Outlay	28,369	28,369	26,010	2,359
Total expenditures	138,547	138,547	131,046	7,501
Deficiency of revenues over expenditures	(36,937)	(36,937)	(33,768)	3,169
Other Financing Sources (Uses)				
Construction Loan	22,461	22,461	22,461	-
Donation income	-	-	1,500	1,500
Interest/dividends	10	10	43	33
Total other financing sources	22,471	22,471	24,004	1,533
Deficiency of revenues over expenditures and other financing sources	\$ (14,466)	(14,466)	(9,764)	4,702
Non-cash expenditures				
Depreciation Expense	\$ 18,100	18,100	17,970	
Excess of revenues over non-cash expenditures and other financing sources	\$ 3,634	3,634	8,206	

LA JARA MDWCA 2012 4TH Quarter DFA Report

Jan 1, 2012 - Dec 31, 2012

BEGINNING CASH BALANCES

Revenue account	Wells Fargo	Checking	799.57
RIP & Ops reserve account	Wells Fargo	Savings	11,902.97
Capital reserve account	Wells Fargo	Savings	39,169.04
RUS reserve	Wells Fargo	CD	11,688.00
Petty Cash		Cash	73.03
Total			63,632.61

	<u>2012 Budget</u>			<u>2012 Actual</u>		
	<u>Operating</u>	<u>Other</u>	<u>Total</u>	<u>Operating</u>	<u>Other</u>	<u>Total</u>
INCOME						
Water Sales	86,100	-		80,753.22	-	
Other Charges	12,070	-		13,253.20	-	
Installment plan charges	590	-		2,821.06	-	
Late Charges	2,850	-		2,886.46	-	
Adjustments	-	-		(2,435.85)	-	
Interest	-	10		-	43.45	
Membership fees	-	-		-	-	
Grant disbursements	-	-		-	-	
Loan disbursements	-	22,461		-	22,460.54	
Total cash income	101,610	22,471	124,081	97,278.09	22,503.99	119,782.08

EXPENDITURES						
Personnel costs	46,753	-		46,700.80	-	
Operating costs	7,635	-		8,086.43	-	
Administrative costs	7,475	-		7,599.52	-	
Travel & Training	1,135	-		1,807.94	-	
Professional services	6,215	-		3,745.00	-	
Loan interest	11,514	-		11,465.61	-	
Insurance	2,775	-		2,584.40	-	
Depreciation	18,100	(18,100)		17,970.21	(17,970.21)	
Loan principal payments	-	8,576		-	4,537.76	
Capital expenditures	-	28,369		-	24,509.69	
Increase in inventory	-	-		-	537.58	
Total cash expenditures	101,602	18,845	120,447	99,959.91	11,614.82	111,574.73

Decrease in accounts receivable (787.11)

Increase in accounts payable (1,816.60)

ENDING CASH BALANCES

Revenue account	Wells Fargo	Checking	4,693.84
RIP & Ops reserve account	Wells Fargo	Savings	10,837.66
Capital reserve account	Wells Fargo	Savings	41,888.93
RUS reserve	Wells Fargo	CD	11,712.92
Petty Cash		Cash	102.90
Total			69,236.25

**LA JARA WATER USERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2012**

CURRENT YEAR FINDINGS

None

STATUS of PRIOR YEAR FINDINGS

None

**LA JARA WATER USERS ASSOCIATION
EXIT CONFERENCE
December 31, 2012**

An exit conference was held on April 9, 2013 to discuss the agreed upon procedures. Attending were the following:

Representing the La Jara Water Users Association:

Board of Directors
Tony Duran, Treasurer

Management
Jennifer Johnson, Office Manager

Representing the Independent Accountant:

Herman Chavez, CPA, Manager
Jenifer Getz, Staff