

LA JARA WATER USERS ASSOCIATION
AGREED UPON PROCEDURES REPORT
DECEMBER 31, 2016

LA JARA WATER USERS ASSOCIATION

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LA JARA WATER USERS ASSOCIATION

December 31, 2016

Official Roster

Board of Directors

Jill Mumford, President
Eileen Duran, Treasurer
Keith Stickford, Director
Andrew Vigil, Director

Principal Employees

Jennifer Johnson, Office Manager
Jared Maestas, System Operator



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87110

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

To Management
La Jara Water Users Association
La Jara, New Mexico
and
To Mr. Tim Keller, 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, 2016. 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 we performed and the associated findings are included in a supplemental attachment.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Tier 4 agreed upon procedures. Accordingly, we do not express such an opinion or conclusion. 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 26, 2017

**LA JARA WATER USERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2016**

PROCEDURES PERFORMED AND RELATED RESULTS

1. Verify the local public body's revenue calculation and tier determination documented on the form provided at www.osanm.org under "Tiered System Reporting Main Page."

The Association had total revenues on a cash basis of \$110,158 with no capital outlay award. This requires a Tier 4 agreed upon procedures engagement.

2. 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 Association has one checking account and two savings accounts held at the same financial institution. In addition the Association has two accounts held by New Mexico Finance Authority (NMFA) in connection with a USDA loan. Bank reconciliations are completed manually by the Office Manager, and bank balances are reviewed by the Board of Directors as part of the financial presentation at monthly board meetings. We determined that all bank reconciliations are performed on a timely basis and all were complete and on-hand for the fiscal year.

- 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 tested reconciliations for seven months: January, February, March, June, August, September, and December 2016. Reconciliations are accurate and tie to supporting detail, general ledger and the financial reports submitted to DFA – Local Government Division with two exceptions noted.

The January 2016 financial report presented to the Board reported a balance in the operating checking account of \$5,468, however the balance per the reconciliation was \$3,672. It was determined that three checks totaling \$1,796 dated January 31, 2016 were not recorded at the time the January 2016 financial report was presented to the Board. The transactions were subsequently recorded and the bank reconciliation was corrected, however the financial reports were not reprinted. Amounts were deemed to be properly recorded and reflected in the subsequent month's accumulative reports to the Board.

**LA JARA WATER USERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2016**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

2. CASH (CONTINUED)

The March 2016 financial report presented to the Board reported a balance in the operating checking account of \$5,413, however the balance per the reconciliation was \$7,126. The discrepancy consisted of a combination of a calculation error related to outstanding checks totaling \$1,700 (the calculation on the reconciliation subtracted \$190 in outstanding checks but should have been \$1,890) and a check that was originally recorded for \$43 but should have been \$30. It was determined that the balance presented in the financial report was correct with the exception of the \$13 related to the check that was corrected subsequent to presentation of the financial report to the Board. Amounts were deemed to be properly recorded and reflected in the subsequent month's accumulative reports to the Board.

- 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 upon review of the monthly bank statements and bank reconciliations that the Association maintained a cumulative account balance below the \$250,000 Federal Deposit Insurance Corporation coverage limit; therefore, additional procedures were not performed.

3. CAPITAL ASSETS

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

The Association maintains a capital asset inventory listing in Microsoft Excel and performed a yearly inventory. Section 12-6-10 NMSA 1978 requires that a physical inventory is conducted for movable chattels and equipment costing more than \$5,000. We noted no assets from the inventory listing with a cost of \$5,000 or greater.

4. 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.

**LA JARA WATER USERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2016**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

4. REVENUES (CONTINUED)

We performed an analytical review of the change in current year revenue from prior year and compared current year actual revenues with budgeted. We noted no unusual or unexplained variances.

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 selected six months of billing activity for members' water accounts, February, March, May, August, September, and November 2016, and compared with the month's collections, using the monthly master activity reports, Money program transaction detail, supporting documentation for bank deposits, and bank statements. We analytically determined whether the collections were reasonable in relation to the activity reports obtained from the client. No exceptions were noted testing the attributes above.

5. EXPENDITURES

Select a sample of cash disbursements based on judgment and test the following attributes:

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

**LA JARA WATER USERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2016**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

5. EXPENDITURES (CONTINUED)

We randomly selected 25 disbursements for review from the total disbursement population; this population excluded payroll disbursements which were tested separately. In the performance of our review, we selected one additional high dollar disbursement for testwork. We noted only one exception when testing the attributes above. A mileage reimbursement totaling \$30 was underpaid by \$6 as a result of a miscalculation in the total number of miles driven by 11 miles.

We then tested 100% of the Association's wage expenditures. No exceptions were noted when testing the attributes above.

6. JOURNAL ENTRIES

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

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

The Association does not have a formal general ledger accounting system. The Association utilizes water utility billing software to maintain customer accounts and the Money program to record accounting transaction details. Reports from the billing software and the Money program are used to produce monthly financial statements using Microsoft Excel. As a result, journal entries are not prepared.

However, adjustments are made as necessary to customer account balances in the water billing software and are generally related to the set up or termination of payment plans and lien filings. We noted that adjustments are authorized under established policies and procedures approved by the Board of Directors and that adjustments are reported to the Board as part of the financial presentation at monthly meetings. We reviewed support for two of the seven customer accounts adjusted in the year. No exceptions were noted in testing the attributes above.

**LA JARA WATER USERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2016**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

7. BUDGETS

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

- a) 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.

From a review of board resolution and correspondence, we determined that the fiscal year 2016 original proposed and final budget was approved by the Association's Board through resolution in January 2016. Correspondence from the DFA-LGD indicated submission and approval. We also noted that there was one subsequent budget adjustment which only reallocated expenditures by line item, was approved by the Association's Board through board resolution in October 2016. Because the adjustment did not increase or decrease revenue or expenditures, approval by DFA-LGD is not required.

- b) 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's total actual expenditures did not exceed the final budget at the total fund level, which is the legal level of budgetary control.

- c) 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 Schedule of Revenues and Expenditures - Budget and Actual - General Fund which is prepared on the accrual basis of accounting.

8. 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.

See schedule of findings and responses below.

**LA JARA WATER USERS ASSOCIATION
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND - ACCRUAL BASIS
Year Ended December 31, 2016**

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenues				
Operations				
Water User Fees	\$ 91,484	91,484	96,623	5,139
Other Charges	15,376	15,376	12,689	(2,687)
Installment Plan Charges	-	-	-	-
Late Charges	2,604	2,604	1,961	(643)
Other				
Membership Fees	4,200	4,200	(1,260)	(5,460)
Loan Disbursements	-	-	-	-
Interest	95	95	145	50
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Total Revenues	113,759	113,759	110,158	(3,601)
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Expenditures				
Current:				
Personnel	52,713	52,713	53,544	(831)
Operating Costs	12,540	19,540	19,274	266
Administrative Costs	8,348	8,348	8,340	8
Travel and Training	1,700	1,700	2,697	(997)
Professional Services	3,852	3,852	2,877	975
Insurance	2,850	2,850	3,756	(906)
Debt Service:				
Principal Payments	9,143	9,143	9,143	-
Interest	7,477	7,477	7,477	-
Capital Expenditures	13,200	6,200	2,524	3,676
Increase in Inventory	350	350	(683)	1,033
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Total Expenditures	112,173	112,173	108,949	3,224
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Excess (Deficiency) of Revenues Over Expenditures	\$ 1,586	1,586	1,209	(377)
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LA JARA MDWCA 2016 Q4 DFA REPORT

Jan 1, 2016 – Dec 31, 2016

BEGINNING CASH BALANCES

Revenue account	Wells Fargo	Checking	2,008.17
RIP & Ops reserve account	Wells Fargo	Savings	10,826.92
Capital reserve account	Wells Fargo	Savings	41,923.95
NMFA reserve account	NMFA	Savings	12,544.17
Petty cash		Cash	71.63
Total			67,374.84

	2016 BUDGET (10/13/16)			2016 ACTUAL		
	Operating	Other	Total	Operating	Other	Total
INCOME						
Water sales	91,484			96,622.78		
Other charges	15,376			12,689.00		
Installment plan charges	0			0.00		
Late charges	2,604			1,961.46		
Adjustments	0			(949.77)	949.77	
Interest		95			145.21	
Membership fees		4,200			(1,260.26)	
Grant disbursements		0			0.00	
Loan disbursements		0			0.00	
Total cash income	109,464	4,295	113,759	110,323.47	(165.28)	110,158.19
EXPENDITURES						
Personnel costs	52,713			53,544.48		
Operating costs	19,540			19,273.52		
Administrative costs	8,348			8,340.35		
Travel & Training	1,700			2,697.40		
Professional services	3,852			2,877.27		
Loan interest	7,477			7,476.62		
Insurance	2,850			3,756.00		
Depreciation	18,250	(18,250)		18,219.50	(18,219.50)	
Loan principal payments		9,143			9,143.33	
Capital expenditures		6,200			2,524.03	
Increase in inventory		350			(683.16)	
Total cash expenditures	114,730	(2,557)	112,173	116,185.14	(7,235.30)	108,949.84

Decrease in accounts receivable	4,349.54
Increase in accounts payable	(825.02)

ENDING CASH BALANCES

Revenue account	Wells Fargo	Checking	3,180.04
RIP & Ops reserve account	Wells Fargo	Savings	11,397.75
Capital reserve account	Wells Fargo	Savings	42,336.80
NMFA reserve account	NMFA		15,125.44
Petty cash		Cash	67.68
Total			72,107.71

**LA JARA WATER USERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2016**

CURRENT YEAR FINDINGS

2016-001 – Bank Reconciliations

2016-002 – Mileage Reimbursement

STATUS OF PRIOR YEAR FINDINGS

None

**LA JARA WATER USERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2016**

CURRENT YEAR FINDINGS

2016-001 Bank Reconciliations – Findings that do not rise to the Level of a Significant Deficiency

CONDITION

Two of the seven bank reconciliations tested for accuracy contained errors. In one instance, three checks totaling \$1,796 were not recorded at the time the financial report was presented to the board. In the other instance, the reconciliation contained a math errors totaling \$1,700 and a check recorded incorrectly by \$13.

CRITERIA

Good internal controls require timely recording of all transactions in the proper accounting period and a review of financial reporting.

CAUSE

The mathematical error is believed to be caused by an inadequate review in which the amount shown on the bank reconciliation is tied to the balance in the financial report. Recording errors are believed to be caused by untimely recording.

EFFECT

Although recording errors were detected by the Association and corrected in the subsequent month financial reports, the reports presented to the board were incorrect in the months that contained errors. The mathematical error resulted in an incorrect bank reconciliation, however amounts presented in the financial reporting were correct.

RECOMMENDATION

The Association should ensure that transactions are recorded as they occur instead of as they clear the bank. Board members should perform a thorough review of financial reporting and certify that reconciliations support the amounts presented in the financial reports.

MANAGEMENT'S RESPONSE

In January 2017, the Office Manager began using a true accounting program, began doing the bank reconciliation through the accounting program instead of manually, and began including the reconciliation report generated by the accounting program in the monthly financial report to the Board. This eliminates mathematical errors and any possible inconsistencies between the reconciliation and the financial report.

**LA JARA WATER USERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2016**

CURRENT YEAR FINDINGS (CONTINUED)

2016-002 Mileage Disbursements – Findings that do not rise to the Level of a Significant Deficiency

CONDITION

One of twenty-six disbursements tested contained an error in the calculation of mileage in which a mileage reimbursement was underpaid by \$6.

CRITERIA

Good internal controls require procedures in place to verify the accuracy of cash disbursements.

CAUSE

One of the days travel was omitted when calculating total miles traveled.

EFFECT

The employee was underpaid by \$6.

RECOMMENDATION

The Association should make certain that supporting documentation matches amounts disbursed.

MANAGEMENT'S RESPONSE

Effective immediately, the Office Manager will calculate mileage reimbursements twice to avoid addition or multiplication errors.

**LA JARA WATER USERS ASSOCIATION
EXIT CONFERENCE
December 31, 2016**

An exit conference was held via teleconference on May 26, 2017 to discuss the agreed upon procedures. Attending were the following:

Representing the La Jara Water Users Association:

Board of Directors:

Jill Mumford, President

Andrew Vigil, Director

Management:

Yvette Cordova, Office Manager

Representing the Independent Accountant:

Colleen Gabaldon, Manager