

**STATE OF NEW MEXICO**

**LA JARA WATER USERS ASSOCIATION**

**INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED UPON PROCEDURES**

**FOR THE YEAR-ENDED DECEMBER 31, 2018**



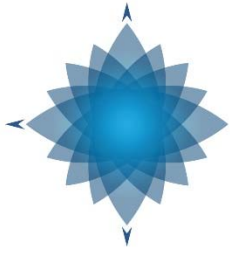
**STATE OF NEW MEXICO  
LA JARA WATER USERS ASSOCIATION  
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FOR THE YEAR ENDED DECEMBER 31, 2018**

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**LA JARA WATER USERS ASSOCIATION  
OFFICIAL ROSTER  
FOR THE YEAR ENDED DECEMBER 31, 2018**

<b>Board of Directors</b>	<b>Title</b>
Jill Mumford	President
Andrew Vigil	Vice President
Terry Johnson	Treasurer
Keith Stickford	Member

<b>Principal Employees</b>	
Yvette Cordova	Office Manager
Jared Maestas	System Operator



**INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED UPON PROCEDURES**

To Management  
La Jara Water Users Association  
La Jara, New Mexico  
and  
To Mr. Brian S. Colon, 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 5, as of December 31, 2018. 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 America Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purposes for which this report has been requested or for any other purpose.

The procedures we performed, and the associated findings are included in this report.

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 5 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.

*Integrity Accounting + Consulting, LLC*

Integrity Accounting & Consulting, LLC  
Albuquerque, NM

March 14, 2019

**STATE OF NEW MEXICO  
LA JARA WATER USERS ASSOCIATION  
AGREED-UPON PROCEDURES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

Our procedures and findings are as follows:

**1. Verify Tier**

Procedures

- a. Verify the local public body's revenue calculation and tier determination documented on the form provided at [www.osanm.org](http://www.osanm.org) under "Tiered System Reporting Main Page"

Results of Procedures Performed

- a. Based on a review of the Association's general ledger, the total revenues were between \$50,000 and \$250,000 and the Association had expenditures related to capital outlay appropriations, the Association is classified as Tier 5 entity for the year ended December 31, 2018.

**2. Cash**

Procedures

- 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.
- b. Test at least 30% of the bank reconciliations for accuracy. Also trace ending balances to the general ledger, supporting documentation, 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.

Results of Procedures Performed

- a. 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). We obtained the bank statements and corresponding bank reconciliations for the Association's bank accounts. Bank reconciliations are completed 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 bank reconciliations are performed on a timely basis and all were on-hand for the fiscal year.
- b. We tested reconciliations for five months: February, May, July, October and December 2018. Reconciliations were accurate, and the ending balances on the bank reconciliations agreed with the District's general ledger, supporting documentation and the financial reports submitted to DFA-LGD.

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FOR THE YEAR ENDED DECEMBER 31, 2018**

- c. We determined that none of the District's cash accounts exceeded FDIC coverage during the year; therefore, additional procedures were not performed.

**3. Capital Assets**

Procedures

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

Results of Procedures Performed

- a. The Association maintains a capital asset inventory listing in Microsoft Excel and performed a yearly inventory for the fiscal year ending December 31, 2018.

**4. Revenue**

Procedures

Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

- a. Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

Select a sample of revenue equal to at least 30% of the total dollar amount and test the following attributes:

- b. Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
- c. 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.

Results of Procedures Performed

- a. An analytical review of actual revenue compared to budgeted revenue revealed no unexplained or unusual variations.
- b. We requested supporting documentation for thirty (30) deposits (36% of total revenue) from a total of 116 deposits for the year. For the sample selected, the amount recorded in the general ledger agreed with the supporting documentation and the bank statement.

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FOR THE YEAR ENDED DECEMBER 31, 2018**

- c. Per review of supporting documentation for the transactions tested, amounts were properly recorded on an accrual basis as to classification, amount and period.

**5. Expenditures**

Procedures

Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test the following attributes:

- a. 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.
- 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).

Results of Procedures Performed

- a) We requested supporting documentation for twenty-five (25) disbursements (54% of total expenses) out of a total of 257 disbursements for the year. 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 District does not use purchase order forms.
- b) For the sample selected, disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c) 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 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

**6. Journal Entries**

Procedures

Test all non-routine journal entries, adjustments, and reclassifications posted to the general ledger for the following attributes:

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FOR THE YEAR ENDED DECEMBER 31, 2018**

- 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.

Results of Procedures Performed

The Association utilizes water utility billing software to maintain customer accounts and the Quick Books software to record accounting transaction details. 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. General journal entries are prepared by the Office Manager and are reported to the Board as part of the financial presentation at monthly meetings. All journal entries appear reasonable and have supporting documentation.

**7. Budget**

Procedures

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

Results of Procedures Performed

- a) From a review of board resolution and correspondence, we determined that the fiscal year 2018 original proposed and final budget was approved by the Association's Board through resolution 2018-002 on January 18, 2018. Correspondence from the DFA-LGD indicated submission and approval. We did not note any subsequent budget adjustments.
- b) Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control.



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FOR THE YEAR ENDED DECEMBER 31, 2018**

- c) A schedule of revenues and expenditures – budget and actual (page 8) was prepared on the cash budgetary basis used by the Association for the general fund.

**8. Capital Outlay Appropriations**

Procedures

Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the fiscal year. Perform the following tests on all state-funded capital outlay expenditures:

- a. Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.
- b. Determine that the cash disbursements were properly authorized and approved in accordance 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 and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).
- d. Determine the physical existence (by observation) of the capital asset based on expenditures to date.
- e. Verify that status reports were submitted to the state agency charged with oversight per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.
- f. If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.
- g. If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.
- h. Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.
- i. Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.

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AGREED-UPON PROCEDURES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

Results of Procedures Performed

- a) Based on review of accounting records we determined that amount recorded as disbursed agrees to supporting documentation. The cash payments were properly authorized and approved by the board of directors.
- b) The cash disbursements were properly authorized and approved by the board of directors in accordance with the budget and established policies and procedures.
- c) The request for proposal process was processed in accordance with the New Mexico Procurement Code and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).
- d) Based on expenditures to date engineering and construction services have been provided.
- e) The status reports were submitted to the New Mexico Environment Department as required by the terms of agreement and amounts agree with general ledger and supporting documentation. Cash received for the award was accounted for in a separate account and reimbursement requests were properly supported by costs incurred by the recipient.
- f) The project was not funded in advance; this procedure is not applicable.
- g) The project has not been completed as of 12/31/2018. The procedure is not applicable.
- h) We determined that cash received for the award was accounted for in a separate account to assure separate budgeting and accounting of the funds.
- i) We reviewed disbursement requests that were submitted to New Mexico Environment Department. They were properly supported by the invoices from the vendors and we determined that the costs were incurred by the Associations prior to the request for reimbursement.

**9. Other**

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 21.2.2.10(I)(3)(C) NMAC.

Result of Procedures Performed

No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud, illegal acts, noncompliance or any internal control deficiencies.

**STATE OF NEW MEXICO**  
**LA JARA WATER USERS ASSOCIATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET (CASH BASIS BASIS) AND ACTUAL**  
**For the Year Ended December 31, 2018**

	<u>Budgeted Amounts</u>			<b>Variance Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Operations	\$			
Water User Fees	107,766	107,766	108,669	903
Other operating revenue	78,431	78,431	66,866	(11,565)
Tax and late fees	6,598	6,598	6,242	(356)
Connection fee	520	520	320	(200)
Other				
Membership fees	-	-	(2,472)	(2,472)
Interest	-	-	255	255
Total revenues	<u>193,315</u>	<u>193,315</u>	<u>179,880</u>	<u>(13,435)</u>
Expenditures:				
Current:				
Personnel	46,446	46,446	45,773	673
Professional services	18,133	18,133	10,288	7,845
System parts, supplies, repairs & maintenance	96,143	96,143	83,194	12,949
Utilities	5,981	5,981	5,997	(16)
Taxes, licenses and fees	9,508	9,508	8,955	553
Insurance	3,831	3,831	6,633	(2,802)
Vehicle expense	3,850	3,850	4,200	(350)
Other operating expenses	2,380	2,380	2,669	(289)
Debt service				
Principal	11,305	11,305	11,305	-
Interest	7,205	7,205	7,205	-
Total expenditures	<u>204,782</u>	<u>204,782</u>	<u>186,219</u>	<u>18,563</u>
Excess (Deficiency) of Revenues				
Over Expenditures	\$ <u>(11,467)</u>	<u>(11,467)</u>	<u>(6,339)</u>	<u>5,128</u>
Budgeted cash carryover	<u>11,467</u>	<u>11,467</u>		
Net change in fund balance	\$ <u>-</u>	<u>-</u>		

**MDWCA Name:**  
**Mailing Address:**  
**Email Address:**  
**Phone number:**

La Jara Mutual Domestic Water Consumers & MSWA  
 PO Box 107, La Jara, NM 87027  
 lajarawater@gmail.com  
 575-289-0175

**Calendar Year**  
**2018**

	APPROVED BUDGET	1st QR: Jan - Mar	2nd QR: Apr - Jun	3rd QR: Jul - Sept	4th QR: Oct -Dec	Year to Date(YTD) Totals	YTD (over)/under BUDGET	% of Budget
<b>Beginning balances:</b>								
Cash	3,808							
Savings	76,428							
CDs	-							
Investments	-							
<b>Beginning Balance TOTAL</b>	<b>\$ 80,237</b>							
<b>REVENUES</b>								
Water Sales (Water Use Fees)	107,766	25,126	28,290	28,009	27,244	108,669	(903)	101%
Connection/Reconnection Charges	520	0	160	120	40	320	200	62%
Membership and Meter Sales (Utility Service Fees)	0	(1,606)	(866)	0	0	(2,472)	2,472	-
Late Fees and Penalties (Other Fines and Forfeits)	1,539	268	290	311	308	1,177	362	76%
Gross Receipts Tax (Other State shared taxes)	5,059	1,162	1,323	1,307	1,273	5,065	(7)	100%
Other Operating Revenue (miscellaneous - other)	78,431	70,931	(2,992)	701	(1,520)	67,120	11,311	86%
<b>TOTAL</b>	<b>\$ 193,315</b>	<b>95,882</b>	<b>26,205</b>	<b>30,448</b>	<b>27,345</b>	<b>179,880</b>	<b>13,435</b>	<b>93%</b>
<b>EXPENDITURES</b>								
Salaries - Operator, Bookkeeper, etc.	46,446	11,581	11,255	11,706	11,666	46,208	238	99%
Employee Benefits and Expenses	-	-	-	-	-	0	0	-
Electricity	3,961	1,243	995	643	1,090	3,972	(11)	100%
Other Utilities - Gas, Water, Sewer, Telephone	2,020	502	505	506	511	2,025	(5)	100%
System Parts and Supplies	90,143	71,508	415	3,056	1,405	76,484	13,659	85%
System Repairs and Maintenance	6,000	1,957	1,824	540	2,273	6,593	(593)	110%
Vehicle Expenses	3,850	1,034	683	727	1,755	4,200	(350)	109%
Office and Administrative Expenses	1,690	162	240	446	558	1,405	285	83%
Professional Services - Accounting, Engineering, Legal	18,133	7,364	2,924	0	0	10,288	7,845	57%
Insurance	3,831	4,584	621	726	702	6,633	(2,802)	173%
Dues, Fees, Permits and Licenses	600	199	0	98	333	629	(29)	105%
Taxes - Gross Receipts Tax, Water Conservation Fee	8,908	2,137	2,282	2,295	2,241	8,955	(47)	101%
Training	690	225	410	0	0	635	55	92%
Miscellaneous	-	(120)	764	(214)	(748)	(318)	318	-
Loans								
Annual debt service - Loan 1	10,265	0	7,377	0	2,888	10,265	0	100%
Annual debt service - Loan 2	8,245	5,484	0	0	2,761	8,245	(0)	100%
<b>TOTAL</b>	<b>\$ 204,782</b>	<b>107,960</b>	<b>30,296</b>	<b>20,528</b>	<b>27,434</b>	<b>186,219</b>	<b>18,563</b>	<b>91%</b>
<b>Ending Balance</b>	<b>68,770</b>					<b>73,897</b>		
<b>LESS: Operating Reserve</b>	<b>10,000</b>					<b>10,000</b>		
<b>Emergency Reserve</b>	<b>10,000</b>					<b>10,000</b>		
<b>Capital Improvement Reserve</b>	<b>16,352</b>					<b>24,800</b>		
<b>Debt Reserve</b>	<b>23,713</b>					<b>19,788</b>		
<b>Ending Available Cash Balance</b>	<b>\$ 8,704</b>					<b>\$ 9,309</b>		

I HEREBY CERTIFY THE CONTENTS IN THIS REPORT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND THAT THIS REPORT DEPICTS ALL FUNDS.

/s/ Jill Mumford  
 President/Chairperson

1/17/2019  
 Date

**STATE OF NEW MEXICO  
LA JARA WATER USERS ASSOCIATION  
CAPITAL OUTLAY APPROPRIATIONS**

<u>Description</u>	<u>Resolution number</u>	<u>Legislation</u>	<u>Appropriation</u>	<u>Amount awarded</u>	<u>Amount expended</u>	<u>Amount received</u>	<u>Remaining balance</u>	<u>Effective Dates</u>
La Jara MDWC&MSWA - Water system	2016-006	Laws of 2016, Chapter 81 Sec.18, Paragraph 67	16-A2297-STB	\$100,000	\$91,737	\$91,737	\$8,263	07/01/2015 - 06/30/2020

**STATE OF NEW MEXICO  
LA JARA WATER USERS ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Status of Prior Year Findings**

**PRIOR YEAR FINDINGS**

No unresolved prior year findings.

**CURRENT YEAR FINDINGS**

No current year findings.

**STATE OF NEW MEXICO  
LA JARA WATER USERS ASSOCIATION  
OTHER DISCLOSURES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**B. EXIT CONFERENCE**

The contents of the report for the La Jara Water Users Association were discussed on March 14, 2019. The following individuals were in attendance.

La Jara Water Users Association Officials

Andrew Vigil, Vice-President

Terry Johnson, Treasurer

Yvette Cordova, Office Manager

Integrity Accounting & Consulting Personnel

Erick Robinson, CPA, CFE Partner