

STATE OF NEW MEXICO

**SANTA CRUZ WATER
ASSOCIATION**

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

YEAR ENDED December 31, 2013

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STATE OF NEW MEXICO
SANTA CRUZ WATER ASSOCIATION
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STATE OF NEW MEXICO
SANTA CRUZ WATER ASSOCIATION

Official Roster
December 31, 2013

Name

Title

Board of Directors

Johnny I. Marquez	President
Ernest N. Lujan	Vice-President
Margaret Trujillo	Secretary
Paul Apodaca	Treasurer
Eloy Jacquez	Member at Large

Staff

Dennis Trujillo	Contract Administrator/Operator
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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED UPON PROCEDURES**

Johnny Marquez, President
Santa Cruz Water Association
and
Honorable Hector H. Balderas
New Mexico State Auditor

We have performed the procedures enumerated below for the Santa Cruz Water Association (Association) for the year ended December 31, 2013. The Association was determined to be a Tier 5 entity under the Audit Act Section 12-6-3 (B) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by the Association through the Office of the New Mexico State Auditor. The Santa Cruz Water Association management is responsible for the organization's accounting records. 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. Our procedures and findings are as follows:

Our procedures and findings are as follows:

1. 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) Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reporting submitted to DFA-Local Government Division.

- c) Determine whether the local public body's financial institution have provided it with 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA1978, NM Public Money Act. if applicable.

Findings

- a) The Association has two checking accounts and utilizes (Quick Books) software to record cash transaction. The two accounts were reconciled on a monthly basis. All bank statements and reconciliations were complete and on hand for the entire fiscal year.
- b) We test the months of June 2013 and December of 2012 and traced to the financial records. No exceptions noted. No reports were filed with the DFA Local government Division. The Association did not prepare and submit a proposed budget for approval to DFA local government division. No other reports were filed with the DFA local government division. (See finding 2013-1)
- c) The two accounts had FDIC coverage of \$250,000. Bank accounts never exceeded uninsured limits and, therefore, pledged collateral was not required on any of the bank accounts at any time during the year.

2. Capital Assets

Procedures

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

Findings

The Association did not perform a yearly inventory as required by State Statute. The Association did not have a complete listing of its capital assets as of June 30, 2013. (See finding 2013-4)

3. Revenues

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 revenues based on auditor judgment and test using the following attributes:

- b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
- c) Proper recording of classification, amounts, 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.

Findings:

- a) We were provided a profit and loss statement for the year ended December 31, 2013 showing six categories of revenues for the fiscal year. The Association did not prepare a budget for the year than ended December 31, 2013. We were unable to perform an analytical review and test actual revenues compared to budgeted revenues for the year. (See finding 2013-1)
- b) Amounts recorded in QuickBooks general ledger agreed to the supporting documentation (deposit slip and detail of receipts) and the bank statements. No exceptions noted.
- c) Amounts were recorded on a cash basis to the revenue account on a monthly basis. We tested approximately six months of deposit slip amount by totaling the amounts per deposit slips to the total posted on the bank statements which exceeded 50% of the total revenues. No exceptions noted.

4. Expenditures

Procedures

Select a sample of cash disbursements based on auditor judgment and test using 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 order, 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).

Findings

- a) Our test of transactions revealed that amounts recorded as disbursed agreed to the supporting documentation. The documentation agrees as to amount, payee, date and description agreed with the vendor's invoice. No exceptions noted.
- b) Association disbursements were disbursements necessary for the operations of the association and approved in compliance with legal requirements and established policies and procedures. We could not test compliance with the budget since one was not established. (See finding 2013-1)
- c) Association did not maintain documentation to demonstrate compliance with the bid process (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 purchase regulations.(See finding 2013-2)

5. Journal Entries

Procedures

If non-routine journal entries, such as adjustment or reclassification, are posted to the general ledger, test significant items for the following attribute:

- 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.

Findings

The Association utilizes QuickBooks to record cash transactions only and did not prepare formal journal entries for the year ended June 30, 2013.

6. 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 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, actual or modified accrual basis) for each individual fund.

Findings

- a) The Association did not prepare and submitted an approved budget by the Association for approval to DFA-LGD for the year ended June 30, 2013. (See finding 2013-1)
- b) Unable to determine that total actual expenditures did not exceed the final budget at the legal level of budgetary control since a budget was not prepared and submitted for approval.
- c) A schedule of revenues and expenses was prepared from the Association's records on a cash budgetary basis. This schedule is included herein as Exhibit A. The Association did not submit a budget report for approval and no quarterly reports for the year ended June 30, 2013 to DFA-LGD.

7. Capital Outlay Appropriations

Procedures

Request and review all state-funded capital outlay awards, joint power agreements, correspondence and other relevant documentation for any capital outlay award funds expended by recipient during the fiscal year.

Test all capital outlay expenditures during the fiscal year to:

- 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 invoice and cancelled 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 proposals 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 1.4.4 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 per terms of agreement and amounts in 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 state 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 reimbursements 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.

Findings

- a) We determined that amounts recorded as disbursed agreed to adequate supporting documentation and we verified that amounts, payees, dates and descriptions agreed to the vendors invoice. No exceptions noted.
- b) We determined that disbursement were properly authorized and approved in accordance with, legal requirements and established policies and procedures. We could not test compliance with the budget since one was not established. (See finding 2013-1)
- c) Association did not maintain documentation to demonstrate compliance with the bid process (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 purchase regulations. (See finding 2013-2)
- d) We determined that physical observation was not feasible since the work is for plan and design work.
- e) According to the Association management no status reports were submitted to the Environment Department required per the terms of the agreement. Also, no status reports were noted during our review of the grant file supporting documentation.
- f) The project was not intended to be funded in advance but on a cost reimbursement basis.
- g) The project for the appropriation amount of \$37,000 is complete and determined that there is no unexpended balance. The project was on a cost reimbursement basis therefore no monies need to revert.
- h) Since the project was approved on a cost reimbursement basis, no separate fund or bank account was required.
- i) We determine that reimbursements requests were properly supported by costs incurred by the Association. We determine that the costs were incurred by the Association prior to the request for reimbursement.

Other

Procedures

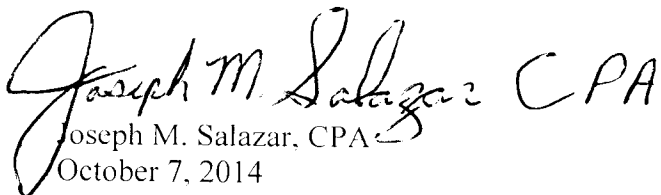
If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The finding must include the required contents per Section 2.2.2.1-1 (3) (C) NMAC.

Findings

No exceptions or information were noted as a result of applying the procedures described above (regardless of materiality) indicating fraud or illegal acts. However, see the Schedule of Findings and Responses related to budget, procurement code compliance, segregation of duties, cash reconciliation, financial statements, physical inventory of capital assets, adequate supporting documentation, late agreed upon procedures report, and late submission of IPA recommendation form.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. 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 Santa Cruz Water Users Association, the New Mexico State Auditor's Office, and the DFA-Local Government Division and New Mexico Legislature and is not intended to be and should not be used by anyone other than those specified parties.

 CPA
Joseph M. Salazar, CPA
October 7, 2014

**STATE OF NEW MEXICO
SANTA CRUZ WATER ASSOCIATION
AGREED UPON PROCEDURES
SCHEDULE OF CAPITAL OUTLAY AWARD
DECEMBER 31, 2013**

Capital Appropriations Project No.	Award Amount	Amount Requested/ Recieved in Prior Fiscal Years	Amount Requested/ Recieved in Current Fiscal Year	Total Amount Expended
12-1357 STB	<u>\$37,500</u>	<u>-</u>	<u>\$ 37,500</u>	<u>\$37,500</u>

Note:

1. The Santa Cruz Water Association through the New Mexico Department of Environment was appropriated \$37,500 in the Laws of 2012, Chapter 64, Section 11, paragraph 28 to plan, design and construct and equip improvements to the Santa Cruz water association regional water system in Santa Fe and Rio Arriba counties.

2. The award was on a cost reimbursement basis from the Environment Department. Any unexpended funds shall revert as of June 30, 2016.

STATE OF NEW MEXICO Exhibit A
SANTA CRUZ WATER ASSOCIATION
SCHEDULE REVENUE AND EXPENSES- BUDGET AND ACTUAL (CASH BASIS)
FOR YEAR ENDED DECEMBER 31,2013

	Budget Amounts		Actual Amounts	Variance with Final Budget
	<u>Orginal</u>	<u>Final</u>		
REVENUES				
Direct public grants	-	-	\$ 37,500	-
Direct public loan	-	-	\$ 20,499	-
Membership dues	-	-	1,442	-
Program service fees	-	-	380	-
Program income	-	-	54,595	-
Total revenues	<u>-</u>	<u>-</u>	<u>\$ 114,416</u>	<u>-</u>
 Expenses				
Business registration fees	-	-	\$ 10	-
Accounting fees	-	-	135	-
Outside contract services	-	-	33,614	-
Contract services-other	-	-	57,999	-
Equipment rental and maintenance	-	-	3,175	-
Rent, parking, utilities	-	-	5,119	-
Facilities and equipment	-	-	374	-
Postage	-	-	345	-
Printing and copying	-	-	19	-
Supplies	-	-	229	-
Operations	-	-	1,998	-
Insurance	-	-	126	-
Membership and dues	-	-	1,176	-
Other types of expenses	-	-	2,688	-
Total expenses	<u>-</u>	<u>-</u>	<u>\$ 107,007</u>	<u>-</u>
Revenue over (under) expenses	<u>-</u>	<u>-</u>	<u>\$ 7,409</u>	<u>-</u>

**STATE OF NEW MEXICO
SANTA CRUZ WATER ASSOCIATION
Schedule of Findings and Reponses
YEAR ENDED DECEMBER 31, 2013**

Current Year Findings

2013-1 Budget Submissions/Approved and Quarterly Financial Reports to DFA-LGD

Criteria

Section 6-6-2 (A) NMSA 1978 requires each local public body to furnish and file with the DFA-LGD on or before May 1, of each year, a proposed budget for the next fiscal year. Upon receipt of budget approval by DFA-LGD, the local public body shall cause such budget to be made part of the minutes of the such body to submit periodic financial reports, at least quarterly, to the DFA-LGD. Section 6-6-2 NMSA, 1978 states that every local public body shall make all reports as may be required by the Department of Finance and Administration-Local Government Division (DFA-LGD) and conform to the rules and regulations adopted by the DFA-LGD.

Condition

Santa Cruz Water Association (Association) did not prepare or submit a budget for the DFA-LGD approval nor did they submit required quarterly financial and budget reports to the DFA-LGD at any time during the year or at year end.

Cause

The Association was not aware of the DFA-LGD requirements.

Effect

The Association has not complied with Section 6-6-2 and Section 6-6-3 NMSA 1978.

Recommendation

We recommend that the Association submit their proposed budget to DFA-LGD for approval and quarterly financial reports as required to DFA-LGD.

Entity Response

The Management of the Association was not aware of the requirement of budget submission to DFA-LGD for approval and periodic financial reports. The Association will comply in the future.

**STATE OF NEW MEXICO
SANTA CRUZ WATER ASSOCIATION
Schedule of Findings and Reponses
YEAR ENDED DECEMBER 31, 2013**

2013-2 Procurement Code Compliance

Criteria

All local public bodies in the State of New Mexico are required to comply with the New Mexico Procurement Code.

Condition

The Association did not maintain documentation to demonstrate compliance with the bid process (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.

Cause

The Association was not aware of the requirements of complying with the procurement code.

Effect

The Association did not comply with the procurement code.

Recommendation

We recommend that the Association comply with the New Mexico procurement code.

Entity Response

The Management of the Association was not aware of the requirement of the procurement code. The Association will comply with the procurement code in the future.

**STATE OF NEW MEXICO
SANTA CRUZ WATER ASSOCIATION
Schedule of Findings and Responses
YEAR ENDED DECEMBER 31, 2013**

2013-3 Late Agreed Upon Procedures Report

Criteria

New Mexico State Auditor Rule Section 2.2.2.9 A (g) requires that agencies with a fiscal year other than June 30 must submit the agreed upon procedures report to the to the State Auditor's Office no later than five months after the fiscal year ended..

Condition

The agreed upon procedures report for the fiscal year 2013 was not submitted to the State Auditor's office by the deadline. The report was submitted and received by the State Auditor's Office on October 9, 2014.

Cause

Santa Cruz Water Users Association was not aware of the requirement.

Effect

The lateness of the agreed upon procedures report creates noncompliance with the State Auditor Rule requirements of completing and submitting the agreed upon procedures report by the due date.

Recommendation

Recommend that the Santa Cruz Water Users Association comply with the State Auditor Rule requirement of completing and submitting the audit report by the due date.

Entity Response

The Management of the Association was not aware of the requirement of the due dates in the submission of the agreed upon procedures report. The Association will comply with the requirement in the future.

**STATE OF NEW MEXICO
SANTA CRUZ WATER ASSOCIATION
Schedule of Findings and Responses
YEAR ENDED DECEMBER 31, 2013**

2013-4 Physical Inventory of Capital Assets

Criteria

Good accounting practice requires that the Association maintain a complete and accurate listing of its capital assets. Also, New Mexico State Statute Section 12-6-10 NMSA 1978 requires that a local public body perform a yearly physical inventory of its capital assets.

Condition

Association did not prepare and maintain a complete and accurate list of its capital assets. Therefore, a yearly physical inventory was not conducted as required by State Statute

Cause

Association was unaware of the requirement to conduct a yearly inventory of its capital assets as required by State Statute.

Effect

Association is not complying with State Statute and good accounting practice of maintaining a complete, accurate and detail list of its capital assets.

Recommendation

Recommend that the Association prepare and maintain a complete detail listing of its capital assets and conduct a physical inventory as required by State Statutes.

Entity Response

The Management of the Association was not aware of the requirement of conducting an annual physical inventory. The Association will comply with the requirement in the future.

STATE OF NEW MEXICO
SANTA CRUZ WATER ASSOCIATION
Exit Conference
YEAR ENDED DECEMBER 31, 2013

Exit Conference

The report contents were discussed at an exit conference held October 7, 2014 with the following in attendance:

Santa Cruz Water Association

Johnny Marquez, President

Margaret Trujillo, Secretary

Dennis Trujillo, Contract Administrator/Operator

Accounting Firm

Joseph M. Salazar, CPA

