



KRIEGEL/GRAY/SHAW & CO., P.C.

2452 Missouri Ave., P.O. Box 2707, Las Cruces, New Mexico 88004 • Phone: (575) 523-7444, Fax: (575) 527-0872

STATE OF NEW MEXICO

**DESERT AIRE MUTUAL DOMESTIC
WATER AND SEWER WORKS
ASSOCIATION**

AGREED UPON PROCEDURES

JUNE 30, 2010

**STATE OF NEW MEXICO
DESERT AIRE MUTUAL DOMESTIC WATER AND
SEWER WORKS ASSOCIATION**

**TABLE OF CONTENTS
JUNE 30, 2010**

	<u>Page</u>
OFFICIAL ROSTER	1
AGREED UPON PROCEDURES REPORT	2
INDIVIDUAL FUND STATEMENTS	
GENERAL OPERATING FUND:	
STATEMENT OF REVENUES – BUDGET AND ACTUAL (NON GAAP BUDGETARY BASIS)	5
SPECIAL DISTRICT FINANCIAL REPORT	6
SCHEDULE OF FINDINGS AND RESPONSE	14
EXIT CONFERENCE	18

STATE OF NEW MEXICO
DESERT AIRE MUTUAL DOMESTIC WATER AND
SEWER WORKSASSOCIATION

OFFICIAL ROSTER
JUNE 30, 2010

Board of Directors

<u>Name</u>	<u>Title</u>
<i>Evangelina Moreno</i>	<i>President</i>
<i>Perfecto Morales</i>	<i>Vice President</i>
<i>Yessenia Munoz</i>	<i>Secretary</i>
<i>Ruby Stafford</i>	<i>Treasurer</i>

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES**

Desert Aire Mutual Domestic Water and Sewer Works Association
and State of New Mexico
Office of the State Auditor

We have performed the procedures enumerated below, which were agreed to by Desert Aire Mutual Domestic Water and Sewer Works Association and the State of New Mexico Office of the State Auditor, solely to assist you with respect to the accounting records of Desert Aire Mutual Domestic Water and Sewer Works Association as of June 30, 2010. Desert Aire Mutual Domestic Water and Sewer Works Association's management is responsible for the company's accounting records. 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 those parties specified in the 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.

Our procedures and results are as follows:

1. Cash

- We reviewed 100% of the bank reconciliations of Desert Aire Mutual Domestic Water and Sewer Works Association and determined that all bank reconciliations are being performed in a timely manner and that all bank and investment statements for the fiscal year are complete and on-hand.
- We randomly selected seven bank reconciliations of Desert Aire Mutual Domestic Water and Sewer Works Association to determine that they were accurate and that they agreed to the general ledger, supporting documentation, and financial reports presented to the Board of Directors.
- We reviewed the supporting documentation provided by the financial institutions of Desert Aire Mutual Domestic Water and Sewer Works Association and determined that they have provided the Association with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, where applicable. All accounts were fully insured, no pledged collateral required.

2. Capital Assets. We could not review the annual inventory of Desert Aire Mutual Domestic Water and Sewer Works Association. There was no yearly inventory performed as required by Section 12-6-10 NMSU 1978.

Recommendation: Obtain the capital asset schedule from the accountant and perform the inventory annually.

3. Revenue. We identified the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

- We performed an analytical review; tested actual revenue compared to budgeted revenue for the year for each type of revenue. All revenues appeared reasonable based on the analytical performed in comparison to budgeted revenue.

We tested 54% of the total amount of revenues (on the cash basis) for the following attributes:

- Amount recorded in the general ledger agrees to the supporting documentation and the bank statement. No exceptions were noted.
- Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. No exceptions were noted.

4. Expenditures. We selected a sample of cash disbursements and tested 26 transactions (50% of the total amount of expenditures) for the following attributes:

- Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verified that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and canceled check, as appropriate. 5 exceptions noted.

1. 4 out of the 26 disbursements had no supporting invoice or documentation.
2. 2 out of the 26 disbursements were disbursements for meals which had no itemized receipt. So determination could be made as to whether alcohol was purchased.

Recommendation: Support documentation should be maintained for each transaction.

- Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures. 26 exceptions noted.

1. There was no approval/authorization process for disbursements. The board president writes the checks and signs the checks. All disbursements (after they have been disbursed) are presented to the board during the monthly meeting. Also there was no policy or procedures governing the use of their debit card. Per the board president the debit card will no longer be used after it expires (3/2012).

Recommendation: A board member (other than the board member assigned to run the office) should come by the office once a week to approve/authorize and sign the disbursement checks.

2. While performing these agreed upon procedures, the following came to our attention: An employee had been suspended for changing the passwords to the bank account. While the employee was out sick the board president became aware of this situation. The employee was suspended. The problem was identified timely through board oversight, no further action necessary.

- 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). No exceptions noted.
5. Journal Entries. After review of the financial records of Desert Aire Mutual Domestic Water and Sewer Association we determined that there were 3 non-routine journal entries that were posted to the general ledger. We tested all three for the following attributes:
- Journal entries appear reasonable and have supporting documentation. No exceptions noted.
 - The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed. Exception Noted.

1. Journal entries are not being reviewed.

Recommendation: Obtain the list of journal entries posted each month from the accountant. Review the journal entries and sign off on them.

6. Budget

- Through a review of the minutes and correspondence, we verified that the original budget was approved by the Board of Directors and DFA-LGD.
- We determined that actual expenditures did not exceed the final budget at the legal level of budgetary control.

We have prepared a schedule of revenues and expenditures – budget and actual on the budgetary basis used by Desert Aire Mutual Domestic Water and Sewer Works Association for the general operating fund.

No other information came to our attention indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies.

We were not engaged to, and did not, conduct an audit, the objective of which would be these 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 Desert Aire Mutual Domestic Water and Sewer Works Association management, others within the association, the Board of Directors, the State Auditor, and the New Mexico Legislature and is not intended to be and should not be used by anyone other than those specified parties.

Kriegel/Gray/Shaw & Co., P.C.
Kriegel/Gray/Shaw & Co., P.C.
May 18, 2012

STATE OF NEW MEXICO
DESERT AIRE MUTUAL DOMESTIC WATER AND
SEWER WORKS ASSOCIATION
GENERAL OPERATING FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET ASSETS
BUDGETARY BASIS AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES:				
Meter Hook Ups	\$4,150	\$4,150	\$14,880	\$10,730
Water sales, tax, & fees	111,300	111,300	90,338	(20,962)
Reconnection fees & fines	0	0	5,347	5,347
Miscellaneous Income	0	0	49	49
<i>Total operating revenues</i>	115,450	115,450	110,613	(4,837)
OPERATING EXPENSES:				
Accounting Fees	3,600	3,600	3,166	434
Advertising	0	0	493	(493)
Audit	10,000	10,000		10,000
Auto Expenses			197	(197)
Bank Charges	100	100	162	(62)
Board Expenses-Cell Phone	2,400	2,400	1,339	1,061
Board Expenses-Lodging	950	950		950
Board Expenses-Meals & Entertainment	500	500	494	6
Board Expenses-Training	1,050	1,050		1,050
Board Expenses-Travel	2,400	2,400	1,261	1,139
Contract Labor	1,000	1,000	60	940
Dues, Fees, & Subscriptions	750	750	572	178
Insurance - Liability	4,500	4,500	3,309	1,191
Insurance - Worker's Comp	1,800	1,800	2,312	(512)
Legal Fees	3,000	3,000		3,000
Office Expense	5,800	5,800	3,720	2,080
Pest Control	125	125		125
Postage	1,150	1,150	1,133	17
Rent - Equipment	1,500	1,500		1,500
Repairs & Maintenance	1,700	1,700	4,883	(3,183)
Repairs & Maintenance (Well)	15,000	15,000	13,476	1,524
Supplies	2,400	2,400	1,835	565
Wages	24,000	24,000	23,198	802
Taxes - GRT	3,000	3,000	2,370	630
Taxes - Payroll	2,500	2,500	2,240	260
Taxes - Property	1,100	1,100	1,107	(7)
Taxes - WC1 Assessment Fee	0	0	9	(9)
Taxes - Water Conservation	675	675	723	(48)
Utilities - Disposal	200	200	203	(3)
Utilities - Electricity	2,000	2,000	613	1,387
Utilities - Electricity - Well	10,000	10,000	7,352	2,648
Utilities - Internet	650	650	701	(51)
Utilities - Telephone - Well	550	550	406	144
Utilities - Telephone -Office	3,750	3,750	2,175	1,575
<i>Total operating expenses</i>	108,150	108,150	79,509	28,641
NON-OPERATING REVENUES (EXPENSES):				
Interest income	0	0	37	37
Interest Expense	(6,000)	(6,000)	(5,867)	133
<i>Total non-operating revenues (expenses)</i>	(6,000)	(6,000)	(5,830)	170
Change in fund net assets	\$1,300	\$1,300	\$25,274	\$23,974

Desert Aire Mutual Domestic Water and Sewer Works Association

FINANCIAL STATEMENTS

For the One Month and Twelve Months Ended

June 30, 2010

Ebbs, Roberts, Head & Daw, Inc.

Certified Public Accountants

Ebbs, Roberts, Head & Daw, Inc.

Certified Public Accountants

945 Franklin St.
Hatch, NM 87937
575-267-5161

Jimmy D. Ebbs, CPA
Charles J. Roberts, CPA
Barbara J. Head, CPA
Marshall W. Daw, CPA

715 E. Idaho St., Ste 1-A
Las Cruces, NM 88001
Telephone 575-525-8750
Fax 575-525-9166
JebbsCPA@AOL.com

To the Board of Directors
Desert Aire Mutual Domestic Water and Sewer Works Association
Chaparral, NM

We have compiled the accompanying statement of financial position of Desert Aire Mutual Domestic Water and Sewer Works Association (a non-profit association) as of June 30, 2010, and the related statement of activities and cash flows for the one month and twelve months then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures and the statement of changes in the fund balance, required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and changes in fund balance. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to Desert Aire Mutual Domestic Water and Sewer Works Association.



July 23, 2010

Desert Aire Mutual Domestic Water and Sewer Works Association

STATEMENT OF FINANCIAL POSITION

June 30, 2010

ASSETS

CURRENT ASSETS

Compass Bank	\$	10,483.29
Compass Bank - Capital Improv		12,790.73
Compass Bank - Construction		24,600.16
Compass Bank - Debt Res		971.06
Compass Bank - Emerg Res		4,982.00
Compass Bank - Oper & Maint		18,751.00
Accounts Receivable		2,530.37
SWH Receivable		551.77
TOTAL CURRENT ASSETS		<u>75,660.38</u>

PROPERTY AND EQUIPMENT

Building		1,283,647.00
Equipment		63,595.45
Improvements		1,350,243.21
Software		767.93
Vehicles		17,054.00
Accumulated Depreciation		(536,726.96)
TOTAL PROPERTY AND EQUIPMENT		<u>2,178,580.63</u>

OTHER ASSETS

TOTAL OTHER ASSETS		0.00
TOTAL ASSETS	\$	<u>2,254,241.01</u>

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES

Deposits	\$	850.00
FICA & FWH Payable		311.69
SUTA Payable		126.21
WC-1 Assessment Fee Payable		8.60
SWH Payable		17.05
TOTAL CURRENT LIABILITIES		<u>1,313.55</u>

LONG-TERM DEBT

N/P - USDA Loan 4		91,185.35
N/P - USDA Loan 6		40,693.95
TOTAL LONG-TERM DEBT		<u>131,879.30</u>

FUND BALANCE

Unrestricted Net Assets		2,241,310.49
Net Income		(120,262.33)
TOTAL FUND BALANCE		<u>2,121,048.16</u>
TOTAL LIABILITIES AND FUND BALANCE	\$	<u>2,254,241.01</u>

Desert Aire Mutual Domestic Water and Sewer Works Assoc
STATEMENT OF ACTIVITIES

	1 Month Ended Jun. 30, 2010	12 Months Ended Jun. 30, 2010
REVENUE		
Meter Hook Ups	\$ 2,176.80	\$ 14,879.81
Miscellaneous Income	19.51	48.71
Reconnection fees & fines	675.24	5,346.94
Water sales, tax, & fees	9,383.71	105,859.83
TOTAL REVENUE	\$ 12,255.26	\$ 126,135.29
EXPENSES		
Accounting Fees	\$ 712.31	\$ 3,166.19
Advertising	0.00	492.87
Auto Expense	26.28	196.96
Bank Charges	12.50	162.25
Board Expenses: Meals & Entertainment	20.45	493.57
Board Expenses: Travel	422.62	1,261.47
Board Expenses: Cell Phone	93.76	1,339.26
Contract Labor	0.00	60.00
Depreciation	13,200.33	158,403.96
Dues, Fees, & Subscriptions	31.55	571.70
Insurance - Liability	0.00	3,308.93
Insurance - Worker's Comp	0.00	2,311.77
Office Expense	259.94	4,312.38
Postage	146.30	1,132.93
Repairs & Maintenance	12.74	4,787.53
Repairs & Maintenance (Well)	3,177.36	14,548.04
Supplies	326.00	1,834.80
Taxes - GRT	0.00	2,369.72
Taxes - Payroll	176.03	2,125.84
Taxes - Property	0.00	1,106.53
Taxes - Water Conservation	0.00	722.68
Taxes - WC-1 Assessment Fee	0.00	9.20
Utilities: Electricity	0.00	726.59
Utilities: Electricity - Well	0.00	8,264.21
Utilities: Telephone - Well	0.00	406.34
Utilities: Telephone - Office	0.00	2,174.76
Utilities: Internet	58.44	701.28
Utilities: Disposal	0.00	203.00
Wages	1,823.90	23,364.88
TOTAL EXPENSES	20,500.51	240,559.64
INCOME/(LOSS) FROM OPERATIONS	(8,245.25)	(114,424.35)
OTHER INCOME/(EXPENSE)		
Interest Income	4.78	36.62
Interest Expense	(486.51)	(5,874.60)
TOTAL OTHER INCOME/(EXPENSE)	(481.73)	(5,837.98)
NET INCOME/(LOSS)	\$ (8,726.98)	\$ (120,262.33)

See Accountants' Compilation Report
RESTRICTED - MANAGEMENT USE ONLY

Desert Aire Mutual Domestic Water and Sewer Works Assoc
STATEMENT OF CASH FLOWS

	1 Month Ended Jun. 30, 2010	12 Months Ended Jun. 30, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$ (8,726.98)	\$ (120,262.33)
Adjustments to reconcile Net Income (Loss) to net Cash:		
Accumulated Depreciation	13,200.33	158,403.96
(Increase) Decrease In Accounts Receivable	86.73	3,250.25
(Increase) Decrease In Grant Receivable	0.00	29,719.60
Increase (Decrease) In Deposits	50.00	(9,800.40)
Increase (Decrease) In FICA & FWH Payable	(68.36)	(83.87)
Increase (Decrease) In Sales Tax Payable	(574.46)	(539.04)
Increase (Decrease) In SUTA Payable	36.48	(5.17)
Increase (Decrease) IN SWH Payable	(11.10)	2.40
Increase (Decrease) In WC-1 Assessment Fee Payable	0.00	8.60
Total Adjustments	12,719.62	180,956.33
Net Cash Provided By (Used In) Operating Activities	3,992.64	60,694.00
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment	0.00	(26,841.45)
Improvements	0.00	(4,472.34)
Software	0.00	(767.93)
Net Cash Provided By (Used In) Investing Activities	0.00	(32,081.72)
CASH FLOWS FROM FINANCING ACTIVITIES		
N/P - USDA Loan 4	(80.75)	(943.79)
N/P - USDA Loan 6	(38.74)	(453.61)
Net Cash Provided By (Used In) Financing Activities	(119.49)	(1,397.40)
NET INCREASE (DECREASE) IN CASH	3,873.15	27,214.88
CASH AT BEGINNING OF PERIOD	68,705.09	45,363.36
CASH AT END OF PERIOD	\$ 72,578.24	\$ 72,578.24

Desert Aire Mutual Domestic Water and Sewer Works Association
STATEMENT OF ACTIVITIES - Budget vs Actual
 June 30, 2010

	Year to Date Actual	Fiscal Year Budget	\$ over/(under) Budget	% of Budget
REVENUE				
Meter Hook Ups	\$ 14,879.81	\$ 4,150.00	\$ 10,729.81	358.55
Miscellaneous Income	48.71	0.00	48.71	0.00
Reconnection fees & fines	5,346.94	0.00	5,346.94	0.00
Water sales, tax, & fees	105,859.83	111,300.00	(5,440.17)	95.11
TOTAL REVENUE	\$ 126,135.29	\$ 115,450.00	\$ 10,685.29	109.26
EXPENSES				
Accounting Fees	\$ 3,166.19	\$ 3,600.00	\$ (433.81)	87.95
Advertising	492.87	0.00	492.87	0.00
Audit	0.00	10,000.00	(10,000.00)	0.00
Auto Expense	196.96	0.00	196.96	0.00
Bank Charges	162.25	100.00	62.25	162.25
Board Expenses: Meals & Entertainment	493.57	500.00	(6.43)	98.71
Board Expenses: Travel	1,261.47	2,400.00	(1,138.53)	52.56
Board Expenses: Cell Phone	1,339.26	2,400.00	(1,060.74)	55.80
Board Expenses: Training	0.00	1,050.00	(1,050.00)	0.00
Board Expenses: Lodging	0.00	950.00	(950.00)	0.00
Contract Labor	60.00	1,000.00	(940.00)	6.00
Depreciation	158,403.96	0.00	158,403.96	0.00
Dues, Fees, & Subscriptions	571.70	750.00	(178.30)	76.23
Insurance - Liability	3,308.93	4,500.00	(1,191.07)	73.53
Insurance - Worker's Comp	2,311.77	1,800.00	511.77	128.43
Legal Fees	0.00	3,000.00	(3,000.00)	0.00
Office Expense	4,312.38	5,800.00	(1,487.62)	74.35
Pest Control	0.00	125.00	(125.00)	0.00
Postage	1,132.93	1,150.00	(17.07)	98.52
Rent - equipment	0.00	1,500.00	(1,500.00)	0.00
Repairs & Maintenance	4,787.53	1,700.00	3,087.53	281.62
Repairs & Maintenance (Well)	14,548.04	15,000.00	(451.96)	96.99
Supplies	1,834.80	2,400.00	(565.20)	76.45
Taxes - GRT	2,369.72	3,000.00	(630.28)	78.99
Taxes - Payroll	2,125.84	2,500.00	(374.16)	85.03
Taxes - Property	1,106.53	1,100.00	6.53	100.59
Taxes - Water Conservation	722.68	675.00	47.68	107.06
Taxes - WC-1 Assessment Fee	9.20	0.00	9.20	0.00
Utilities: Electricity	726.59	2,000.00	(1,273.41)	36.33
Utilities: Electricity - Well	8,264.21	10,000.00	(1,735.79)	82.64
Utilities: Telephone- Well	406.34	550.00	(143.66)	73.88
Utilities: Telephone-Office	2,174.76	3,750.00	(1,575.24)	57.99
Utilities: Internet	701.28	650.00	51.28	107.89
Utilities: Disposal	203.00	200.00	3.00	101.50
Wages	23,364.88	24,000.00	(635.12)	97.35
TOTAL OPERATING EXPENSES	240,559.64	108,150.00	132,409.64	222.43
INCOME (LOSS) FROM OPERATIONS	\$ (114,424.35)	\$ 7,300.00	\$ (121,724.35)	(1,567.46)

Desert Aire Mutual Domestic Water and Sewer Works Association
STATEMENT OF ACTIVITIES - Budget vs Actual
 June 30, 2010

	Year to Date Actual	Fiscal Year Budget	\$ over/(under) Budget	% of Budget
OTHER INCOME (EXPENSE)				
Interest Income	\$ 36.62	\$ 0.00	\$ 36.62	0.00
Interest Expense	(5,874.60)	(6,000.00)	125.40	97.91
TOTAL OTHER INCOME (EXPENSE)	<u>(5,837.98)</u>	<u>(6,000.00)</u>	<u>6,036.62</u>	<u>97.30</u>
NET INCOME (LOSS)	<u>\$ (120,262.33)</u>	<u>\$ 1,300.00</u>	<u>\$ (115,687.73)</u>	<u>(9,250.95)</u>
Less Debt Principal Payments	(1,397.40)	(1,300.00)	(97.40)	107.49
NET REVENUES - EXPENSES	<u>\$ (121,659.73)</u>	<u>\$ 0.00</u>	<u>\$ (115,785.13)</u>	<u>0.00</u>

Desert Aire Mutual Domestic Water and Sewer Works Association
NOTES TO FINANCIALS
June 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Desert Aire Mutual Domestic Water and Sewer Works AssocDesert Aire Mutual Domestic Water and Sewer Works Association uses the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred.

Estimates

The preparation of financial statement in conformity with generally accepted accounting principles require the use of management's estimates.

Income Taxes

Desert Aire Mutual Domestic Water and Sewer Works Association is exempt from federal income taxes under section 501(c)12 of the Internal Revenue Code and, therefore, has made no provision for federal income taxes in the accompanying financial statements.

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment are recorded at historical costs. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Building	39 years
Equipment	7 years
Improvements	15 years
Vehicles	5 years

STATE OF NEW MEXICO
DESERT AIRE MUTUAL DOMESTIC WATER AND
SEWER WORKS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

2010-01 Disbursement Policy and Procedures Inadequate

Statement of Condition – We selected a sample of 26 disbursements and noted the following:

- There was no approval/authorization process for disbursements. All disbursements checks were written and signed by the same person. Disbursements were not presented to the board till after they were disbursed. Also there was no policy or procedures governing the use of their debit card.
- 4 disbursements had no supporting invoice or documentation.
- 2 disbursements were for meals and had no itemized receipt to determine that no alcohol was purchased.

Criteria – Good internal controls require effective policies and procedures in place and supporting documentation for each transaction.

Cause – Oversight.

Effect – Increased opportunity for theft or errors.

Recommendation – A board member (other than the board member assigned to run the office) should come by the office once a week to approve/authorize and sign the disbursement checks. All support documentation should be maintained for each transaction.

Management's Response – Management is currently implementing an approval in which a board member (besides the check signer) will pre-approve invoices for payment on a weekly basis and sign and date a schedule of payments to be made noting their approval. All supporting documentation will be carefully maintained.

STATE OF NEW MEXICO
DESERT AIRE MUTUAL DOMESTIC WATER AND
SEWER WORKS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

2010-02 Failure to Perform Yearly Inventory of Capital Assets

Statement of Condition – Desert Aire Mutual Domestic Water and Sewer Works Association did not perform a yearly inventory of capital Assets.

Criteria – Section 12-6-10 NMSA 1978 requires a local body to conduct an annual physical inventory of all its capital assets.

Cause – The association contracted an external CPA in the prior year and they maintain and update the association's capital asset. The association was unaware of the annual inventory requirement.

Effect – Non compliance with Section 12-6-10 NMSA 1978.

Recommendation – Obtain the capital asset schedule from the external accountant and perform inventory observation annually.

Management's Response – Management concurs and is currently planning the inventory observation for the current year.

STATE OF NEW MEXICO
DESERT AIRE MUTUAL DOMESTIC WATER AND
SEWER WORKS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

2010-03 Journal Entries not Being Reviewed

Statement of Condition – Journal entries are not being reviewed.

Criteria – Good internal controls require that journal entries are reviewed monthly to minimize the opportunity for fraud or errors to occur.

Cause – Lack of review and oversight over external accounting.

Effect – Increased opportunity for fraud or errors.

Recommendation – Obtain the list of journal entries posted each month from the accountant. Review the journal entries and sign off on them.

Management's Response – Management concurs and will request a list of journal entries from the accountant monthly for review by the Board.

STATE OF NEW MEXICO
DESERT AIRE MUTUAL DOMESTIC WATER AND
SEWER WORKS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

2010-04 Reports Not Submitted Timely to New Mexico State Auditor's Office

Statement of Condition – The report for the Agreed Upon Procedures engagement was not submitted to the State Auditor's office by the December 1, 2010 due date.

Criteria – Agreed Upon Procedures engagements are due to the State Auditor's Office by December 1, 2010 for June 30, 2010 fiscal year ends per 2.2.2.16 NMAC.

Cause – Association was unaware of the new agreed upon procedures engagement requirements.

Effect – Noncompliance with engagement due date requirements.

Recommendation – The Association should contract on a timely basis for all services necessary under the New Mexico State Auditor Rule.

Management's Response – Future years will be contracted on a timely basis.

STATE OF NEW MEXICO
DESERT AIRE MUTUAL DOMESTIC WATER AND
SEWER WORKS ASSOCIATION
EXIT CONFERENCE
JUNE 30, 2010

EXIT CONFERENCE:

The exit conference was held May 22, 2012 and was attended by the following:

From Desert Aire Mutual Domestic Water and Sewer Works Association:

Evangelina Moreno, President

Miztly Estrada, Billing Clerk

From Kriegel/Gray/Shaw & Co., P.C.:

Debbie Gray, CPA/Shareholder

Vanessa Williams, Staff Accountant

FINANCIAL STATEMENT PREPARATION

The financial statements of Desert Aire Mutual Domestic Water and Sewer Works Association were prepared from original books and records provided by and with assistance from the management of the Association and Kriegel/Gray/Shaw & Co., P.C. as of and for the year ended June 30, 2010.