

LA UNION MUTUAL DOMESTIC WATER
& SEWER ASSOCIATION
AGREED-UPON PROCEDURES
JUNE 30, 2012, 2011 AND 2010

**LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION
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JUNE 30, 2012, 2011 and 2010**

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LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION
OFFICIAL ROSTER
June 30, 2012, 2011 and 2010

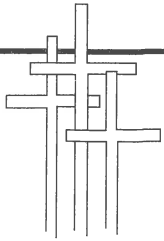
JOSE VILLALOBOS, PRESIDENT

ISAAC VILLALOBOS, VICE-PRESIDENT

EVANGELINA G. MARTINEZ, SECRETARY

GEORGINIA GALVAN, TREASURER

GUILLERMO GARCIA, BOARD MEMBER



Clifford, Ross & Cooper, LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors and State Auditor
La Union Mutual Domestic Water & Sewer Association
P.O. Box 1634
Anthony, NM 88021

We have performed the procedures shown in Exhibit A, attached to this report, which were agreed to by La Union Mutual Domestic Water & Sewer Association, solely to assist you with respect to the compliance of the Tier 5 of the Audit Act – Section 12-6-3 B (5) NMSA 1978 and Section 2.2.2.16 NMAC of La Union Mutual Domestic Water & Sewer Association as of June 30, 2012, 2011 and 2010. La Union Mutual Domestic Water & Sewer 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 findings can be found on Exhibit A, attached to this report.

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 La Union Mutual Domestic Water & Sewer Association and New Mexico Office of the State Auditor and is not intended to be and should not be used by anyone other than those specified parties.

Clifford, Ross & Cooper, LLC

Las Cruces, New Mexico

November 30, 2012

LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION

EXHIBIT A- SCOPE OF WORK

AGREED UPON PROCEDURES

Tier 5 of the Audit Act - Section 12-6-3 B (5) NMSA 1978 and Section 2.2.2.16 NMAC

1)	CASH											
	a)	<p>The Contractor shall 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</p> <p>Procedure: Obtained copies of all bank reconciliations and bank statements for all three years Verified that the banks were reconciled each month, reviewed the bank reconciliations.</p> <p>Finding: All bank reconciliations were done in a timely manner by the Office Manager However, there was no evidence that the bank reconciliations were reviewed by management. See Page 26 for Finding 2012-01.</p>										
	b)	<p>The Contractor shall 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</p> <p>Procedure: Fourteen months of bank reconciliations were recomputed to determine accuracy. Books are kept on QuickBooks and reconciled through QuickBooks. We compared the cash balances per bank reconciliation to the respective general ledger account balances and supporting documentation.</p> <p>Finding: Banks were reconciled accurately and tied to the general ledger accounts and supporting documentation. No reports were sent to DFA-Local Government Division. See Page 31, for Finding 2012-06.</p>										
	c)	<p>The Contractor shall 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</p> <p>Procedure: The bank statements for the entire fiscal year ending June 30, 2012, 2011 and 2010 were reviewed for balances, to determine if pledged collateral would be required by the financial institutions.</p> <p>Finding: Bank balances did not exceed the \$250,000 FDIC limits; therefore, pledged collateral was not required. However, the Organization's main operating account has stated they will have pledged collateral should the balances require it.</p>										
2)	CAPITAL ASSETS											
		<p>The Contractor shall verify the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978</p> <p>Procedure: Obtained depreciation listing for assets for each year under review. Noted no physical inventory has been performed as required by Section 12-6-10.</p> <p>Finding: No inventory performed and certified by management. See Page 27 for Finding 2012-02</p>										

**LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION
EXHIBIT A- SCOPE OF WORK
AGREED UPON PROCEDURES**

Tier 5 of the Audit Act - Section 12-6-3 B (5) NMSA 1978 and Section 2.2.2.16 NMAC

3) REVENUE

The Contractor shall 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

Procedure:

Obtained 14 months of revenues listing by sources, tied the revenues to the underlying documentation, i.e. deposit slips, entry in to QuickBooks (general ledger), and monthly billing software (Quikwater).

Compared each month to previous months and previous years.

Reviewed current budget for 2011-2012 and compared it to actual.

Finding:

Only recently started creating a budget for USDA. Have not prepared or turned in any budgets to DFA,

No budgets to compare to except for the year ended June 30, 2012

See Page 28 for Finding 2012-03

The Contractor shall test based on auditor judgment revenues for 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.

Procedure:

Reviewed 14 months of revenues to the general ledger and to the supporting documentation and tied to bank statements. Reviewed proper classifications, amount and period recorded. Performed on a cash basis.

Deposit slips were obtained and traced to bank statement, general ledger and financial statements.

Finding:

No discrepancies was noted

4) EXPENDITURES

The Contractor shall select a sample of cash disbursements and test based on auditor judgment for 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).

Note: The sample must be representative of the population.

Procedure:

Tested 120 cash disbursements from the operating account and 5 cash disbursements from the project account.

Each cash disbursement was tested for adequate supporting documentation, verified amount, payee, date, and description agreed to vendor's invoice and cancelled check. Traced authorization to established policies and procedures and was approved and authorized by the Board of Directors and management.

Reviewed the bids for the current project and reviewed that the various contracts were in compliance with the New Mexico Procurement Code. Traced all disbursements to the requests for reimbursement sent to the State of New Mexico DFA on capital outlay projects and reviewed for proper approval.

LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION

EXHIBIT A- SCOPE OF WORK

AGREED UPON PROCEDURES

Tier 5 of the Audit Act - Section 12-6-3 B (5) NMSA 1978 and Section 2.2.2.16 NMAC

4)	EXPENDITURES (continued)								
	Finding:								
	All disbursements tested were found, however disbursements for 2009 did not have appropriate approvals, there did not appear to have adequate procurement procedures.								
	Disbursements for 2011 and 2012 have the treasurer initials and date on each back up.								
	See Page 26 for Finding 2012-01								
5)	JOURNAL ENTRIES								
	If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, the Contractor shall 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							
	Procedure:	A copy of journal entries for the 3 years was obtained from the outside CPA; reviewed for reasonableness.							
	Finding:	The journal entries are prepared by the outside CPA, however, there was no evidence of review by the Local public body. See Page 26 for Finding 2012-01							
6)	BUDGET								
	The Contractor shall 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.							
	Procedure:	Obtained a copy of overall budget for the local public body and budget for each capital project. Obtained Minutes of the board and reviewed for approval of budget and budget adjustments. Only overall budget available was for the 2011-2012 year ended June 30th.							
	Finding:	Only have an overall budget for 2012. They didn't have budgets for 2010 or 2011 because they didn't know they were required.. Noted many line items were over budget Budgets for the capital outlay projects were reviewed and no discrepancies were found.							
	See Page 28 for Finding 2012-03								

LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION

EXHIBIT A- SCOPE OF WORK

AGREED UPON PROCEDURES

Tier 5 of the Audit Act - Section 12-6-3 B (5) NMSA 1978 and Section 2.2.2.16 NMAC

7) CAPITAL OUTLAY APPROPRIATIONS

The Contractor shall 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.

The Contractor shall 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'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 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.

Procedures:

- 1) Obtained documentation and bid (if applicable) for each capital project, Obtained all disbursements for each project and reconciled each disbursement to the request for reimbursement, verified the above attributes.
- 2) Obtained copy of status reports and reviewed submission to the state agencies and timeliness of submissions.
- 3) Observed the existence of the Water System and Well by driving to its location and noting it does exist.
- 4) Determined the cash received for construction projects is deposited into a separate bank account.
- 5) Obtained copies of all reimbursement requests, reviewed all backup documentation, reconciled each capital project to the general ledger. Traced all revenues received from grants to bank deposits and general ledger and reviewed for proper approval from the board, management and DFA.

Findings:

Only have 5 reimbursement requests, all for engineering and professional fees.
 There were only 2 project bids during this period, 1 for engineering services and 1 to build a well.
 No discrepancies were noted.

OTHER

If information comes to the Contractor'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.

Finding:

No information came to our attention regarding fraud, illegal acts or noncompliance. A finding regarding segregation of duties can be found attached. A finding for missing minutes for 2009 and 2010 is attached. See Page 30, Finding 2012-04. Also, see Page 30, for Finding 2012-05 for Segregation of Duties.

LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION
EXHIBIT B - SCHEDULE OF CAPITAL OUTLAY PROJECTS
JUNE 30, 2012, 2011 and 2010

	Award Amount	Prior Years Expenditures	Current Year Expenditures	Total Received	Remaining Balance
For the year ended 2010					
Special Appropriation Project- New Mexico Environment Department Water Systems Improvement Law 2007, Chapter 42, Section 59 Contract dated Project expiration date 6/30/10 SAP 2007-3721-STB	\$ 803,285.00	\$ 605,226.63	\$ 7,302.66	\$ 612,529.29	\$ 190,755.71
For the year ended 2011					
Special Appropriation Project-New Mexico Environment Department Severance Tax Bond Law 2007, Chapter 42, Section 59 Project expiration date 6/30/13 SAP 2007-3721-STB	\$ 184,750.74	\$ -	\$ 8,232.49	\$ 8,232.49	\$ 176,518.25
For the year ended 2012					
Special Appropriations Projects Severance Tax Bond Reauthorization Law 2011, Chapter 183, Section 44 Continuation of SAP 2007-3721-STB Project expiration date 6/30/2013 SAP 11-1144-STB	\$ 176,518.25	\$ -	\$ 11,251.08	\$ 11,251.08	\$ 165,267.17
Special Appropriations Projects Title I of the Housing and Community Development Act and 1974 (Public Law 93-383), HUD 24 CFR Part 570 Project expiration date 6/30/12 Colonias Initiative Project 10-1283	\$ 210,000.00	\$ -	\$ 13,749.82	\$ 13,749.82	\$ 196,250.18

EXHIBIT C

La Union Mutual Domestic Sewer & Water Association
Balance Sheet
As of June 30, 2012

	Jun 30, 12
ASSETS	
Current Assets	
Checking/Savings	
Wells Fargo Debt Reserve	5,000.84
Wells Fargo Infrastructure	51,176.72
Wells Fargo Maintenance	118,077.62
Wells Fargo Checking	13,667.93
Wells Fargo Construction	-95,508.92
Wells Fargo Savings	100,112.90
CD Washington Federal	31,851.24
Total Checking/Savings	<u>224,378.33</u>
Total Current Assets	224,378.33
Fixed Assets	
Water Well #1	
Water System	3,374,981.59
Engineering Costs	179,415.00
Water Rights	50,150.00
Total Water Well #1	<u>3,604,546.59</u>
Office Site	
Computers & Office Equipment	8,772.88
Building & Improvements	453,494.52
Land	34,581.91
Total Office Site	<u>496,849.31</u>
Water Well #2	
Construction	222,664.15
Engineering Costs	35,058.98
Total Water Well #2	<u>257,723.13</u>
Accumulated Depreciation	<u>-649,530.60</u>
Total Fixed Assets	<u>3,709,588.43</u>
TOTAL ASSETS	<u>3,933,966.76</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Commercial Deposits Payable	750.00
GR Tax Payable	691.09
Payroll Liabilities	
Workers Comp Fee	12.90
Federal Unemployment (FUTA)	63.76
NM Unemployment (SUTA)	135.98
FICA and Federal Withholding	1,227.36
State Withholding	13.28
Total Payroll Liabilities	<u>1,453.28</u>
Total Other Current Liabilities	<u>2,894.37</u>
Total Current Liabilities	2,894.37
Long Term Liabilities	
Residential Deposits Payable	150.00
Total Long Term Liabilities	<u>150.00</u>
Total Liabilities	3,044.37

EXHIBIT C

La Union Mutual Domestic Sewer & Water Association
Balance Sheet
As of June 30, 2012

	<u>Jun 30, 12</u>
Equity	
Unrestricted Net Assets	3,827,642.00
Net Income	103,280.39
Total Equity	<u>3,930,922.39</u>
TOTAL LIABILITIES & EQUITY	<u><u>3,933,966.76</u></u>

EXHIBIT C

La Union Mutual Domestic Sewer & Water Association
Profit & Loss
 July 2011 through June 2012

	Jul '11 - Jun 12
Ordinary Income/Expense	
Income	
Hook-up	
Commercial	2,700.00
Residential	7,655.78
	<hr/>
Total Hook-up	10,355.78
Water	
Commercial Regular	14,567.40
Residential Regular	139,979.47
GRTaxes	-6,387.57
	<hr/>
Total Water	148,159.30
Membership	
Commercial	100.00
Residential	1,483.34
	<hr/>
Total Membership	1,583.34
Grant Revenue	25,001.06
Other Income	
Hydrant & Meter Rental	100.00
Membership Termination	500.00
Deactivate	150.00
NSF Fees Collected	90.00
Meter Reading/Service-CDHA	435.68
Reconnect	2,019.98
	<hr/>
Total Other Income	3,295.66
Interest Income	
Debt Reserve	0.84
Cielo Dorado Maintenance	2.69
Wells Fargo Infrastructure	146.31
CD	2,212.64
Savings	246.14
	<hr/>
Total Interest Income	2,608.62
Total Income	191,003.76
Expense	
Depreciation	113,602.90
Bank Charges	
Returned Item Fee	395.63
Bank Charges - Other	29.37
	<hr/>
Total Bank Charges	425.00
Dues & Subscriptions	134.64
Insurance	
Building	4,214.00
	<hr/>
Total Insurance	4,214.00
Meetings & Training	224.93
Mileage Reimbursement	1,662.66
Office Expense	
Building	503.14
Grounds Keeper	275.00
	<hr/>
Total Office Expense	778.14

EXHIBIT C

La Union Mutual Domestic Sewer & Water Association
Profit & Loss
July 2011 through June 2012

	<u>Jul '11 - Jun 12</u>
Operations & Maintenance	
Mileage -LRG	2,839.27
Sodium Hypochlorite - LRG	1,956.15
Monthly Reports -LRG	870.00
Management Services - LRG	1,400.00
O&M LRG Authority	9,450.00
CDHA-Work Order	218.54
Work Order	7,340.08
	<hr/>
Total Operations & Maintenance	24,074.04
Payroll	
Payroll Taxes	2,506.40
Wages	23,991.71
	<hr/>
Total Payroll	26,498.11
Permits	35.00
Postage & Delivery	1,004.55
Professional Services	
Accounting	1,936.13
Engineering	4,252.24
Legal	4,350.75
	<hr/>
Total Professional Services	10,539.12
Deposit Refunds	1,500.00
Repairs	
Office building	1,306.72
Business Equipment	1,920.86
General System	17.46
Well	6,496.07
	<hr/>
Total Repairs	9,741.11
Supplies	
Office	5,758.50
Water System	6,362.35
	<hr/>
Total Supplies	12,120.85
Taxes	
Personal Property	22.20
Water	1,103.28
	<hr/>
Total Taxes	1,125.48
Utilities	
Alarm - Office	567.28
Cell Phone	1,232.56
Electric-Office	1,539.95
Electric-Well	12,995.53
Internet	893.40
Phone line	285.83
Fax line	748.59
	<hr/>
Total Utilities	18,263.14
	<hr/>
Total Expense	225,943.67
Net Ordinary Income	-34,939.91
Other Income/Expense	
Other Income	
Prio-Period Adjustment	1,507.15
	<hr/>
Total Other Income	1,507.15

EXHIBIT C

La Union Mutual Domestic Sewer & Water Association
Profit & Loss
July 2011 through June 2012

	<u>Jul '11 - Jun 12</u>
Other Expense	
Capitalized Professional Fees	
Capitalized Engineering	0.00
Capitalized Contractor	<u>-136,713.15</u>
Total Capitalized Professional Fees	<u>-136,713.15</u>
Total Other Expense	<u>-136,713.15</u>
Net Other Income	<u>138,220.30</u>
Net Income	<u><u>103,280.39</u></u>

EXHIBIT C

La Union Mutual Domestic Sewer & Water Association
Balance Sheet
 As of June 30, 2011

	Jun 30, 11
ASSETS	
Current Assets	
Checking/Savings	
Wells Fargo Infrastructure	97,740.96
Wells Fargo Maintenance	26,151.93
Wells Fargo Checking	10,488.14
Wells Fargo Construction	14,957.59
Wells Fargo Savings	94,400.05
CD Washington Federal	29,638.60
Total Checking/Savings	<u>273,377.27</u>
Total Current Assets	273,377.27
Fixed Assets	
Water Well #1	
Water System	3,374,981.59
Engineering Costs	179,415.00
Water Rights	50,150.00
Total Water Well #1	<u>3,604,546.59</u>
Office Site	
Computers & Office Equipment	7,308.96
Building & Improvements	446,794.52
Land	34,581.91
Total Office Site	<u>488,685.39</u>
Accumulated Depreciation	<u>-535,927.70</u>
Total Fixed Assets	<u>3,557,304.28</u>
TOTAL ASSETS	<u><u>3,830,681.55</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
GR Tax Payable	688.13
Payroll Liabilities	1,250.50
Total Other Current Liabilities	<u>1,938.63</u>
Total Current Liabilities	<u>1,938.63</u>
Total Liabilities	1,938.63
Equity	
Unrestricted Net Assets	3,777,423.86
Net Income	51,319.06
Total Equity	<u>3,828,742.92</u>
TOTAL LIABILITIES & EQUITY	<u><u>3,830,681.55</u></u>

EXHIBIT C

La Union Mutual Domestic Sewer & Water Association
Profit & Loss
 July 2010 through June 2011

	<u>Jul '10 - Jun 11</u>
Ordinary Income/Expense	
Income	
Hook-up	
Commercial	1,500.00
Residential	91,477.37
	<hr/>
Total Hook-up	92,977.37
Water	
Commercial Regular	24,135.05
Residential Regular	86,881.23
GRTaxes	-5,562.80
	<hr/>
Total Water	105,453.48
Membership	
Commercial	200.00
Residential	11,200.00
	<hr/>
Total Membership	11,400.00
Deposit/Refund	2,283.90
Grant Revenue	8,232.49
Other Income	
Meter Reading/Service-CDHA	3,537.00
Reconnect	406.00
	<hr/>
Total Other Income	3,943.00
Interest Income	
Cielo Dorado Maintenance	26,160.00
CD	4,638.60
Savings	144.47
	<hr/>
Total Interest Income	30,943.07
Total Income	255,233.31
Expense	
Depreciation	118,182.70
Bank Charges	40.14
Contract Labor	
Teller	3,704.50
	<hr/>
Total Contract Labor	3,704.50
Dues & Subscriptions	163.00
Insurance	
Building	3,025.00
General Liability	1,400.00
	<hr/>
Total Insurance	4,425.00
Mileage Reimbursement	257.87
Office Expense	
Grounds Keeper	592.00
Office Expense - Other	66.35
	<hr/>
Total Office Expense	658.35
Operations & Maintenance	
Mileage -LRG	1,278.20
Sodium Hypochlorite - LRG	255.15
Monthly Reports -LRG	180.00
Management Services - LRG	300.00
O&M LRG Authority	2,025.00
CDHA- Meter Reading	3,855.00
CDHA-Work Order	60.00
Meter Reading	7,705.01
Work Order	2,326.56
Operations & Maintenance - Other	0.00
	<hr/>
Total Operations & Maintenance	17,984.92

EXHIBIT C

**La Union Mutual Domestic Sewer & Water Association
Profit & Loss**

July 2010 through June 2011

	<u>Jul '10 - Jun 11</u>
Payroll	
Payroll Taxes	
Federal/State	0.00
WFS	256.34
Total Payroll Taxes	/ 256.34
Payroll - Other	17,134.20
Total Payroll	17,390.54
Permits	10.00
Postage & Delivery	868.99
Printing	666.80
Professional Services	
Accounting	102.48
Engineering	0.00
Legal	16,730.79
Total Professional Services	16,833.27
Deposit Refunds	0.00
Repairs	
Business Equipment	1,438.55
General System	293.39
Well	925.01
Total Repairs	2,656.95
Supplies	
Office	3,254.81
Water System	2,349.06
Total Supplies	5,603.87
Taxes	
Personal Property	204.47
Water	674.99
Total Taxes	879.46
Utilities	
Alarm - Office	708.94
Cell Phone	1,174.38
Electric-Office	1,396.44
Electric-Well	8,486.79
Internet	823.32
Phone line	311.02
Fax line	687.00
Total Utilities	13,587.89
Total Expense	203,914.25
Net Ordinary Income	51,319.06
Net Income	<u>51,319.06</u>

EXHIBIT C

La Union Mutual Domestic Sewer & Water Association
Balance Sheet
 As of June 30, 2010

	Jun 30, 10
ASSETS	
Current Assets	
Checking/Savings	
Wells Fargo Checking	5,818.03
Wells Fargo Construction	16,771.37
Wells Fargo Savings	67,319.01
CD Washington Federal	25,000.00
Total Checking/Savings	114,908.41
Accounts Receivable	
Accounts Receivable	582.00
Total Accounts Receivable	582.00
Total Current Assets	115,490.41
Fixed Assets	
Water Well #1	
Water System	3,374,981.59
Engineering Costs	179,415.00
Water Rights	50,150.00
Total Water Well #1	3,604,546.59
Office Site	
Computers & Office Equipment	2,852.00
Building & Improvements	446,794.52
Land	34,581.91
Total Office Site	484,228.43
Accumulated Depreciation	-417,745.00
Total Fixed Assets	3,671,030.02
TOTAL ASSETS	3,786,520.43
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	8,307.48
Total Accounts Payable	8,307.48
Other Current Liabilities	
GR Tax Payable	73.77
Payroll Liabilities	715.32
Total Other Current Liabilities	789.09
Total Current Liabilities	9,096.57
Total Liabilities	9,096.57
Equity	
Unrestricted Net Assets	3,837,719.65
Net Income	-60,295.79
Total Equity	3,777,423.86
TOTAL LIABILITIES & EQUITY	3,786,520.43

EXHIBIT C

La Union Mutual Domestic Sewer & Water Association
Profit & Loss
July 2009 through June 2010

	<u>Jul '09 - Jun 10</u>
Ordinary Income/Expense	
Income	
Hook-up	
Commercial	750.00
Residential	9,416.68
Total Hook-up	<u>10,166.68</u>
Water	
Commercial Regular	16,356.33
Residential Regular	73,144.93
GRTaxes	-4,315.16
Total Water	<u>85,186.10</u>
Membership	
Commercial	100.00
Residential	700.00
Total Membership	<u>800.00</u>
Deposit/Refund	172.39
Grant Revenue	10,619.27
Other Income	
Meter Reading/Service-CDHA	8,864.64
Reconnect	825.00
Other Income - Other	11,861.89
Total Other Income	<u>21,551.53</u>
Interest Income	
Savings	116.38
Total Interest Income	<u>116.38</u>
Total Income	128,612.35
Expense	
Depreciation	99,374.00
Bank Charges	256.20
Contract Labor	
Bookkeeper/Operator	0.00
Teller	3,718.75
Total Contract Labor	<u>3,718.75</u>
Dues & Subscriptions	
ST ENG OFC-WELL	285.76
Dues & Subscriptions - Other	20.00
Total Dues & Subscriptions	<u>305.76</u>
Insurance	
Building	2,771.00
Total Insurance	<u>2,771.00</u>
Meetings & Training	58.60
Office Expense	
Grounds Keeper	808.00
Total Office Expense	<u>808.00</u>
Operations & Maintenance	
CDHA- Meter Reading	5,385.00
CDHA-Work Order	460.00
Meter Reading	10,290.00
Work Order	2,937.09
Total Operations & Maintenance	<u>19,072.09</u>
Payroll	
Payroll Taxes	
WFS	226.43
Total Payroll Taxes	<u>226.43</u>

EXHIBIT C

La Union Mutual Domestic Sewer & Water Association
Profit & Loss
July 2009 through June 2010

	<u>Jul '09 - Jun 10</u>
Payroll - Other	15,761.85
Total Payroll	15,988.28
Permits	128.85
Postage & Delivery	1,061.20
Professional Services	
Accounting	1,750.39
Engineering	0.00
Legal	16,232.85
Total Professional Services	17,983.24
Deposit Refunds	100.00
Repairs	
Business Equipment	38.68
General System	58.17
Well	900.47
Total Repairs	997.32
Supplies	
Office	2,574.42
Water System	9,441.80
Total Supplies	12,016.22
Taxes	
Personal Property	32.28
Water	514.54
Total Taxes	546.82
Utilities	
Alarm - Office	682.83
Cell Phone	980.40
Electric-Office	1,670.95
Electric-Well	7,256.13
Internet	892.28
Phone line	287.71
Fax line	1,951.51
Total Utilities	13,721.81
Total Expense	188,908.14
Net Ordinary Income	-60,295.79
Net Income	-60,295.79

STATE OF NEW MEXICO
LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION
EXHIBIT D
BUDGET AND ACTUAL - CASH BASIS

Statement of Revenues and Expenditures
Budget and Actual
For the Years Ended June 30, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive/(Negative)
	Original	Final		
REVENUES				
Water Service	\$ 116,792	\$ 116,792	\$ 148,159	\$ 31,367
Residential/Commerical Hook up	7,440	7,440	10,356	2,916
Residential/Commercial Membership	600	600	1,583	983
Reconnection fee	1,550	1,550	2,020	470
Interest/Rebates	-	-	2,609	2,609
Other income	-	-	1,276	1,276
Grant Proceeds	-	-	25,001	25,001
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	126,382	126,382	191,004	64,622
EXPENDITURES				
Salaries/Contractors	23,762	23,762	24,264	(502)
Accounting/Legal	22,000	22,000	10,539	11,461
Taxes/Insurance	9,470	9,470	7,845	1,625
Utilities	21,500	21,500	18,263	3,237
System Supplies/Maintenance	42,250	42,250	40,177	2,073
Office/Miscellaneous	5,200	5,200	7,577	(2,377)
Property Taxes	200	200	-	200
Miscellaneous	2,000	2,000	3,676	(1,676)
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	126,382	126,382	112,341	14,041
Excess (deficiency) of revenues over expenditures	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	78,663	78,663
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	<u>\$ 78,663</u>	<u>\$ 78,663</u>
Budgeted cash carryover	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ -	\$ -	-	-

EXHIBIT E

La Union MDW&SA

Operating Budget for the year 2011 - 2012

Income/Expense item

Line item	Income	
1	Residential/Commercial Hook up	\$7,440.00
2	Residential/Commercial Membership	\$600.00
3	Reconnection fee	\$1,550.00
4	Water sales/taxes	\$116,792.00
5	Total Income	\$126,382.00
Expenses		
1	Payroll (Clerk \$6,792 Office Manager \$16,369)	\$23,162.00
2	Grounds Keeper	\$600.00
3	Building & General Liability Insurance	\$4,220.00
4	Office Supplies	\$4,000.00
5	Operations & Maintenance	\$27,900.00
6	Payroll Taxes	\$3,700.00
7	Postage & Delivery	\$1,200.00
8	Professional Services (\$7,000 for Auditing Services)	\$22,000.00
9	Business & Water System Repairs	\$14,350.00
10	Water Taxes	\$1,550.00
11	Property Taxes	\$200.00
12	Utilities	\$21,500.00
13	Misc./Bank/Permits/Yearly Membership/Training	\$2,000.00
14	Total Expenses	\$126,382.00

STATE OF NEW MEXICO
LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION
EXHIBIT F-1
CAPITAL PROJECTS FUND - SAP-07-3721-STB
WATER SYSTEMS PROJECT

Statement of Revenues and Expenditures
Budget and Actual
For the Year Ended June 30, 2012, 2011 and 2010

	Budgeted Amounts		Prior Year Actual Amounts	Current Year Actual Amounts	Variance with Final Budget Positive/(Negative)
	Original	Final	Budgetary Basis	Budgetary Basis	
REVENUES					
Grants	\$ 803,285	\$ 803,285	\$ 605,227	\$ 7,303	\$ 190,755
Total revenues	803,285	803,285	605,227	7,303	190,755
EXPENDITURES					
Capital outlay	803,285	803,285	605,227	7,303	190,755
Total expenditures	803,285	803,285	605,227	7,303	190,755
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
OTHER FINANCING SOURCES (USES)					
Operating transfers in (out)	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources	-	-	\$ -	\$ -	\$ -
Budgeted cash carryover	-	-			
	\$ -	\$ -			

**STATE OF NEW MEXICO
LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION
EXHIBIT F-2
CAPITAL PROJECTS FUND - SAP-07-3721-STB REAPPORPRIATION
WATER SYSTEMS PROJECT**

**Statement of Revenues and Expenditures
Budget and Actual
For the Year Ended June 30, 2012, 2011 and 2010**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive/(Negative)
REVENUES				
Grants	\$ 184,751	\$ 184,751	\$ 8,232	\$ (176,519)
Total revenues	184,751	184,751	8,232	(176,519)
EXPENDITURES				
Capital outlay	184,751	184,751	8,232	176,519
Total expenditures	184,751	184,751	8,232	176,519
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources	-	-	<u>\$ -</u>	<u>\$ -</u>
Budgeted cash carryover	-	-		
	<u>\$ -</u>	<u>\$ -</u>		

STATE OF NEW MEXICO
LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION
EXHIBIT F-3
CAPITAL PROJECTS FUND - SAP 11-1144-STB

Statement of Revenues and Expenditures
Budget and Actual
For the Year Ended June 30, 2012, 2011 and 2010

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive/(Negative)
REVENUES				
Grants	\$ 21,997	\$ 21,997	\$ 11,251	\$ (10,746)
Total revenues	21,997	21,997	11,251	(10,746)
EXPENDITURES				
Capital outlay	21,997	21,997	11,251	10,746
Total expenditures	21,997	21,997	11,251	10,746
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources	-	-	<u>\$ -</u>	<u>\$ -</u>
Budgeted cash carryover	-	-		
	<u>\$ -</u>	<u>\$ -</u>		

STATE OF NEW MEXICO
LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION
EXHIBIT F-4
CAPITAL PROJECTS FUND - CIP-10-1283

Statement of Revenues and Expenditures
Budget and Actual
For the Year Ended June 30, 2012, 2011 and 2010

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive/(Negative)
REVENUES				
Grants	\$ 210,000	\$ 210,000	\$ 13,750	\$ (196,250)
Total revenues	210,000	210,000	13,750	(196,250)
EXPENDITURES				
Capital outlay	210,000	210,000	13,750	196,250
Total expenditures	210,000	210,000	13,750	196,250
Excess (deficiency) of revenues over expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources	-	-	<u>\$ -</u>	<u>\$ -</u>
Budgeted cash carryover	-	-		
	<u>\$ -</u>	<u>\$ -</u>		

LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012, 2011 and 2010

Item 2012-01 Lack of documenting review procedures

Statement of Condition:

It was noted during testing that there were no procedures in place to show that bank reconciliations, supporting documentation and adjusting entries were reviewed by management.

Criteria:

Good internal controls require that management review work performed by others. Reviews can be documented through signatures, initialing and dating.

Effect:

Adjusting entries may be made without management's knowledge and unauthorized expenditures may be made without management review.

Cause:

The financial statements are approved at monthly board meetings and reviewed by each board member, however, not documented on the documents.

Recommendation:

Treasurer of the Board should review the bank reconciliation monthly and initial and date that it has been reviewed. Adjusting journal entries and all supporting documentation should be reviewed by management and initialed and dated.

Management Response:

Management concurs and will implement procedures to comply with the above recommendation.

**LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012, 2011 and 2010**

Item 2012-02 Fixed Asset Inventory

Statement of Condition:

It was noted during our review that a yearly fixed asset inventory was not performed in accordance with Section 12-6-10 NMSA 1978

Criteria:

Good internal controls require that management perform a yearly fixed asset inventory

Effect:

Assets may disappear without management being aware of it.

Cause:

Not aware that an yearly inventory was required

Recommendation:

A yearly inventory be performed and certified by management

Management Response:

Management concurs and will implement procedures to comply with the above recommendation.

**LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012, 2011 AND 2010**

Item 2012-03 Budget

Statement of Condition:

There was no approved budget for 2010 and 2011. The 2012 budget has never been sent to DFA

Criteria:

Good internal controls require management to review the budget on a monthly basis and prepare budget adjustment requests to reflect changes in expenditures.

Effect:

Without the board approved Budget and procedures in place to review the budget to actual on a monthly basis, the board will not know if expenditures exceed the budgets

Cause:

Budgets were not required until recently and the Organization has never turned in a budget to DFA

Recommendation:

The Board needs to analyze the budget on a monthly basis and prepare budget adjustments approved by DFA.

Management Response:

The USDA requires the Organization to prepare a budget and get it approved. The Organization will prepare a budget on a yearly basis and review it monthly with the Board. The budget will be submitted to DFA yearly after the Board has approved it.

**LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012, 2011 and 2010**

Item 2012-04 Missing Minutes

Statement of Condition:

Minutes for Board meetings were missing for 2009 and for the first half of 2010.

Criteria:

Board minutes are required per the New Mexico Corporation Commission

Effect:

There is no public record of the organization for the missing board minutes

Cause:

Secretary did not type up the minutes and failed to give the minutes to the Office Manager for safe keeping

Recommendation:

An attempt needs to be made to get the missing board minutes

Management Response:

Many of the board meetings were cancelled during that year and were not properly documented in the board minutes book.

LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012, 2011 and 2010

Item 2012-05 Segregation of Duties

Statement of Condition:

The Office Manager is responsible for billing, disbursements and bank reconciliations

Criteria:

Duties should be separated in order to prevent fraud.

Effect:

No segregation of duties could leave the Office Manager vulnerable

Cause:

It is a very small Organization which does not have the funding to hire more employees

Recommendation:

Since the Organization is so small, the board should step in to help segregate some of the duties with more oversight and more review.

Management Response:

Concur, will work on establishing procedures for more review and oversight.

**LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012, 2011 and 2010**

Item 2012-06 Financial Statements

Statement of Condition:

Financial statements have not been sent to DFA as required.

Criteria:

DFA requires that the organization remit its annual financial statement to them.

Effect:

DFA would not be able to keep track of the Organization.

Cause:

Organization was not aware of this requirement until recently.

Recommendation:

The Organization submit their annual financials to DFA

Management Response:

Concur, will send financials to DFA as required.

**LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012, 2011 and 2010**

Item 2012-07 Late report

Statement of Condition:

The report for the years 2012, 2011 and 2010 were not filed by their appropriate deadlines of December 1, 2012, 2011 and 2010.

Criteria:

The State Auditor requires the report to be filed by December 31st. of each years.

Effect:

The reports were filed late.

Cause:

The Organization is new to reporting to the state auditor and was not aware of the requirements and the reporting deadlines. It also took time to get signed contracts.

Recommendation:

The report be filed in a timely manner with all information needed.

Management Response:

The report will be filed timely from now on.

**LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION
EXIT CONFERENCE
JUNE 30, 2012, 2011 and 2010**

Exit Conference:

The exit conferences were held on December 1, 2012 with the following persons:

Jose Villalobos, President
Georgina Galvan, Treasurer
Veronica Menchaca, Office Manager

Denise S. Cooper, Partner, Clifford Ross & Cooper, LLC

These agreed-upon procedures were prepared by Clifford, Ross & Cooper, LLC from the books and records of La Union Mutual Domestic Water & Sewer Association with the assistance of management.