

LA UNION MUTUAL DOMESTIC WATER  
& SEWER ASSOCIATION  
AGREED-UPON PROCEDURES  
JUNE 30, 2013

**LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION  
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JUNE 30, 2013**

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**LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION**  
**OFFICIAL ROSTER**  
**June 30, 2013**

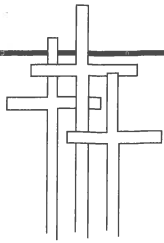
JOSE VILLALOBOS, PRESIDENT

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 through the Office of the New Mexico State Auditor, 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, 2013. 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 29, 2013

*Never Underestimate the Value of a CPA*

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**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)	<b>REVENUE</b>																		
		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.																	
		<b>Procedure:</b>																	
		Obtained 5 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 2012-2013 and compared it to actual.																	
		<b>Finding:</b>																	
		Prepared a budget, approved by the board, however not turned into DFA																	
		See Page 18 for Finding 2013-02																	
		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.																	
		<b>Procedure:</b>																	
		Reviewed 5 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.																	
		<b>Finding:</b>																	
		No discrepancies were noted.																	
4)	<b>EXPENDITURES</b>																		
		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 (2.4.2 NMAC).																	
		Note: The sample must be representative of the population.																	
		<b>Procedure:</b>																	
		Tested 47 cash disbursements from the operating account and 100% (9 transactions) from the construction 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)	<b>EXPENDITURES (continued)</b>								
	<b>Finding:</b>								
	No discrepancies were noted.								
5)	<b>JOURNAL ENTRIES</b>								
	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.							
	<b>Procedure:</b>	A copy of journal entries for the year was obtained and reviewed for reasonableness.							
	<b>Finding:</b>	The journal entries are prepared by the outside CPA, they were presented to the board but no evidence of their approval was noted.							
		There is only 1 journal entry per month for gross receipts tax and there was only one for the year end to capitalize expenses for construction. See Page 17, Finding 2013-01.							
6)	<b>BUDGET</b>								
	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.							
	<b>Procedure:</b>	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. Overall budget available was for the 2012-2013 year ended June 30th.							
	<b>Finding:</b>	Budget was prepared and approved by the Board of Directors. Budget was not sent to DFA-LGD. See Page 18 for Finding 2013-02.							

**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)	<b>CAPITAL OUTLAY APPROPRIATIONS</b>
	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.
	<b>Procedures:</b>
	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 the general ledger and reviewed for proper approval from the board, management and DFA.
	<b>Findings:</b>
	Only have 5 reimbursement requests, all for engineering and professional fees.
	One of those was for the prior year. All were deposited into a separate bank account just for construction.
	One project was bid during the year to move water lines. Reviewed bid procedures.
	Reviewed final reports on projects completed.
	No discrepancies were noted.
	<b>OTHER</b>
	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.
	<b>Finding:</b>
	No information came to our attention regarding fraud, illegal acts or noncompliance.
	See Page 20, Finding 2013-4 for Late submission of IPA contract.



LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION  
 EXHIBIT B - SCHEDULE OF CAPITAL OUTLAY PROJECTS  
 JUNE 30, 2013

	Award Amount	Prior Years Expenditures	Current Year Expenditures	Total Received	Remaining Balance
<b>For the Year ended 2013</b>					
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	\$ 165,267.17	\$ 176,518.25	\$ -
<b>Special Appropriations Projects</b>					
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	\$ 196,250.18	\$ 210,000.00	\$ -

EXHIBIT C

**La Union Mutual Domestic Sewer & Water Association**  
**Balance Sheet**  
As of June 30, 2013

	<u>Jun 30, 13</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
Wells Fargo Short-Lived Assets	18,939.63
Wells Fargo Checking - 9251	13,539.69
Wells Fargo Capital Improvement	105,437.77
Wells Fargo O&M - 6130	120,408.88
Wells Fargo Construction - 9244	244.78
Wells Fargo Emergency - 9216	91,256.93
Wells Fargo Debt Reserve-3873	6,002.07
<b>Total Checking/Savings</b>	<u>355,829.75</u>
<b>Other Current Assets</b>	
Federal Tax W/H Receivable	10.48
<b>Total Other Current Assets</b>	<u>10.48</u>
<b>Total Current Assets</b>	355,840.23
<b>Fixed Assets</b>	
<b>Water Well #1</b>	
Water System	3,374,981.59
Engineering Costs	179,415.00
Water Rights	50,150.00
<b>Total Water Well #1</b>	<u>3,604,546.59</u>
<b>Office Site</b>	
Computers & Office Equipment	8,772.88
Building & Improvements	453,494.52
Land	34,581.91
<b>Total Office Site</b>	<u>496,849.31</u>
<b>Water Well #2</b>	
Construction	407,086.48
Engineering Costs	51,043.58
<b>Total Water Well #2</b>	<u>458,130.06</u>
<b>Accumulated Depreciation</b>	<u>-535,927.70</u>
<b>Total Fixed Assets</b>	<u>4,023,598.26</u>
<b>TOTAL ASSETS</b>	<u><u>4,379,438.49</u></u>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Other Current Liabilities</b>	
<b>Payroll Liabilities</b>	
FICA and Federal Withholding	1,029.62
State Withholding	15.09
Federal Unemployment (FUTA)	64.48
NM Unemployment (SUTA)	112.24
Workers Comp Fee	8.60
<b>Total Payroll Liabilities</b>	<u>1,230.03</u>
<b>Total Other Current Liabilities</b>	<u>1,230.03</u>
<b>Total Current Liabilities</b>	1,230.03
<b>Long Term Liabilities</b>	
Residential Deposits Payable	425.00
<b>Total Long Term Liabilities</b>	<u>425.00</u>
<b>Total Liabilities</b>	1,655.03

EXHIBIT C  
**La Union Mutual Domestic Sewer & Water Association**  
**Balance Sheet**  
**As of June 30, 2013**

	<u>Jun 30, 13</u>
<b>Equity</b>	
Unrestricted Net Assets	4,044,535.29
Net Income	333,248.17
<b>Total Equity</b>	<u>4,377,783.46</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>4,379,438.49</u></u>

EXHIBIT C  
**La Union Mutual Domestic Sewer & Water Association**  
**Profit & Loss**  
 July 2012 through June 2013

	Jul '12 - Jun 13
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
<b>Hook-up</b>	
Residential	7,314.50
<b>Total Hook-up</b>	7,314.50
<b>Water</b>	
Commercial Regular	16,539.56
Residential Regular	139,365.65
GRTaxes	-7,261.78
<b>Total Water</b>	148,643.43
<b>Membership</b>	
Commercial	300.00
Residential	1,800.00
<b>Total Membership</b>	2,100.00
<b>Other Income</b>	
Activation Fee	75.00
Deactivation Fee	225.00
Hydrant & Meter Rental	200.00
Membership Transfer	200.00
Membership Termination	300.00
NSF Fees Collected	30.00
Reconnection Fee	1,500.00
<b>Total Other Income</b>	2,530.00
<b>Grant Revenue</b>	296,160.63
<b>Interest Income</b>	
Short-Live Asset	2.96
Debt Reserve	4.22
Wells Fargo Infrastructure	90.12
CD	68.34
Savings	124.79
<b>Total Interest Income</b>	290.43
<b>Total Income</b>	457,038.99
<b>Expense</b>	
<b>Bank Charges</b>	
Returned Item Fee	379.96
Bank Charges - Other	20.50
<b>Total Bank Charges</b>	400.46
<b>Contract Labor</b>	148.84
<b>Dues &amp; Subscriptions</b>	858.41
<b>Insurance</b>	5,664.00
<b>Meetings &amp; Training</b>	750.00
<b>Mileage Reimbursement</b>	1,708.38
<b>Office Expense</b>	
Building	639.33
Grounds Keeper	302.72
<b>Total Office Expense</b>	942.05
<b>Operations &amp; Maintenance</b>	
Mileage -LRG	1,320.00
Sodium Hypochlorite - LRG	1,019.26
Monthly Reports -LRG	480.00
Management Services - LRG	800.00
Monthly O&M Services	11,511.00
Work Order	5,841.99
Operations & Maintenance - Other	2,044.00
<b>Total Operations &amp; Maintenance</b>	23,016.25

EXHIBIT C  
**La Union Mutual Domestic Sewer & Water Association**  
**Profit & Loss**  
 July 2012 through June 2013

	Jul '12 - Jun 13
<b>Payroll</b>	
Wages	25,171.84
Payroll Taxes	2,543.61
<b>Total Payroll</b>	27,715.45
<b>Permits</b>	1,306.30
<b>Postage &amp; Delivery</b>	2,347.86
<b>Printing</b>	43.46
<b>Professional Services</b>	
Accounting	1,605.48
Audit	6,991.56
Engineering	6,858.39
Legal	8,106.06
<b>Total Professional Services</b>	23,561.49
<b>Deposit Refunds</b>	86.47
<b>Repairs</b>	
Office building	331.46
Business Equipment	131.55
General System	549.93
Well	2,561.58
<b>Total Repairs</b>	3,574.52
<b>Supplies</b>	
Office	8,385.61
Water System	2,464.29
<b>Total Supplies</b>	10,849.90
<b>Taxes</b>	
Personal Property	22.22
Water	1,073.07
<b>Total Taxes</b>	1,095.29
<b>Travel</b>	
Meals	104.78
<b>Total Travel</b>	104.78
<b>Utilities</b>	
Alarm - Office	567.28
Cell Phone	1,665.37
Electric-Office	1,349.41
Electric-Well	13,700.46
Internet	893.40
Phone line	814.02
Fax line	626.97
<b>Total Utilities</b>	19,616.91
<b>Total Expense</b>	123,790.82
<b>Net Ordinary Income</b>	333,248.17
<b>Net Income</b>	333,248.17

**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 Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive/(Negative)
<b>REVENUES</b>				
Water Service	\$ 152,604	\$ 152,604	\$ 148,643	\$ (3,961)
Residential/Commerical Hook up	10,045	10,045	7,315	(2,730)
Residential/Commercial Membership	-	-	2,100	2,100
Reconnection fee	-	-	-	-
Interest/Rebates	-	-	290	290
Other Income	13,668	13,668	2,530	(11,138)
Grant Proceeds	-	-	296,161	296,161
	<u>176,317</u>	<u>176,317</u>	<u>457,039</u>	<u>280,722</u>
<b>EXPENDITURES</b>				
Salaries/Contractors	56,000	56,000	44,284	11,716
Accounting/Legal	7,000	7,000	6,992	8
Insurance	5,675	5,675	5,664	11
Utilities	20,000	20,000	19,617	383
System Supplies/Maintenance	43,196	43,196	30,003	13,193
Office/Miscellaneous	11,900	11,900	11,884	16
Property Taxes/Payroll Taxes	4,179	4,179	3,639	540
Miscellaneous	1,800	1,800	1,708	92
	<u>149,750</u>	<u>149,750</u>	<u>123,791</u>	<u>25,959</u>
Excess (deficiency) of revenues over expenditures	<u>26,567</u>	<u>26,567</u>	<u>333,248</u>	<u>306,681</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources</b>	<u>26,567</u>	<u>26,567</u>	<u>\$ 333,248</u>	<u>\$ 306,681</u>
Budgeted cash carryover	<u>(26,567)</u>	<u>(26,567)</u>		
	<u>\$ -</u>	<u>\$ -</u>		

LA UNION MUTUAL DOMESTIC SEWER & WATER ASSOCIATION

EXHIBIT E

OPERATING BUDGET (GENERATED INTERNALLY)

JUNE 30, 2013

LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION

	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Projected
<b>OPERATING INCOME:</b>					
1 Water Sales	\$ 90,172.21	\$ 106,131.19	\$ 105,453.48	\$ 148,159.30	\$ 152,604.00
2 FY Ending Balance	\$ 12,084.59	\$ 11,194.33	\$ 5,818.03	\$ 13,667.93	\$ 13,668.00
3 Total Operating Income:	\$ 102,256.80	\$ 117,325.52	\$ 111,271.51	\$ 161,827.23	\$ 166,272.00
4 Hookup Commercial & Residential	\$ 20,539.25	\$ 9,416.68	\$ 92,227.37	\$ 10,355.78	\$ 10,045.00
5 Total Non-Operating Income:	\$ 20,539.25	\$ 9,416.68	\$ 92,227.37	\$ 10,355.78	\$ 10,045.00
6 Subtotal (O+N Operating) Income	\$ 122,796.05	\$ 126,742.20	\$ 203,498.88	\$ 172,183.01	\$ 176,317.00
7 Grant (Restricted account)	\$ 2,168,427.39		\$ 8,232.49	\$ 11,251.24	
8 Colonias Initiative Project(s) 10-1283 #6 (Restricted account)				\$ 13,749.82	\$ 0.00
<b>FIXED OPERATING EXPENSES:</b>					
9 General Liability/Building Insurance	\$ 2,730.00	\$ 2,771.00	\$ 4,425.00	\$ 4,214.00	\$ 5,675.00
10 Salaries and Wages	\$ 15,323.83	\$ 19,480.60	\$ 20,838.70	\$ 23,991.71	\$ 25,500.00
11 Grounds Keeper	\$ 280.00	\$ 808.00	\$ 592.00	\$ 275.00	\$ 500.00
12 Office Support Supplies	\$ 0.00	\$ 1,608.90	\$ 6,218.40	\$ 5,758.50	\$ 7,200.00
13 Operations & Maintenance	\$ 20,611.98	\$ 19,072.09	\$ 17,984.92	\$ 24,074.04	\$ 24,796.00
14 Taxes & Fees	\$ 623.26	\$ 2,562.80	\$ 1,135.80	\$ 4,056.88	\$ 4,179.00
15 Audit	\$ 4,000.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 7,000.00
16 Dues/Subscriptions/Permits	\$ 1,279.50	\$ 434.61	\$ 173.00	\$ 169.64	\$ 2,200.00
17 Total Fixed Expenses:	\$ 44,848.57	\$ 46,738.00	\$ 51,367.82	\$ 62,539.77	\$ 77,050.00
<b>VARIABLE OPERATING EXPENSES:</b>					
18 Training	\$ 0.00	\$ 58.60	\$ 0.00	\$ 224.93	\$ 1,800.00
19 Office Supplies & Postage	\$ 5,984.46	\$ 2,026.72	\$ 4,790.60	\$ 1,004.55	\$ 2,500.00
20 Professional Services(Legal/Accounting/Eng.)	\$ 11,374.79	\$ 17,983.24	\$ 16,833.27	\$ 10,539.12	\$ 30,000.00
21 Repairs & Maintenance	\$ 4,076.29	\$ 997.32	\$ 2,656.95	\$ 10,244.25	\$ 10,400.00
22 Operating Supplies	\$ 1,712.16	\$ 6,075.19	\$ 2,349.06	\$ 6,362.35	\$ 8,000.00
23 Utilities	\$ 11,401.43	\$ 13,721.81	\$ 13,587.89	\$ 18,263.14	\$ 20,000.00
24 Total Variable Expenses:	\$ 34,549.13	\$ 40,862.88	\$ 40,217.77	\$ 46,638.34	\$ 72,700.00
25 Total Operating Expenses (f+v)	\$ 79,397.70	\$ 87,600.88	\$ 91,585.59	\$ 109,178.11	\$ 149,750.00
26 Grant (Restricted account)			\$ 8,232.49	\$ 11,251.24	
27 Colonias Initiative Project(s) 10-1283 #6 (Restricted account)				\$ 13,749.82	\$ 0.00
<b>RESERVES:</b>					
28 Emergency Reserve	\$ 14,466.13	\$ 13,047.11	\$ 43,906.31	\$ 15,751.23	\$ 2,862.20
29 Operating Reserve	\$ 21,699.15	\$ 19,570.67	\$ 48,576.42	\$ 26,502.46	\$ 2,862.20
30 Capital Improvement Reserve	\$ 7,233.07	\$ 6,523.55	\$ 19,430.56	\$ 15,751.21	\$ 2,862.20
31 Debt Reserve	\$ 0.00	\$ 0.00	\$ 0.00	\$ 5,000.00	\$ 500.40
32 Short-Lived Assets	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 17,480.00
33 Total Reserve	\$ 43,398.35	\$ 39,141.33	\$ 111,913.29	\$ 63,004.90	\$ 26,567.00
34 Sub total	\$ 122,796.05	\$ 126,742.20	\$ 203,498.88	\$ 172,183.01	\$ 176,317.00

**STATE OF NEW MEXICO**  
**LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION**  
**EXHIBIT F-1**  
**CAPITAL PROJECTS FUND - SAP 11-1144-STB**

**Statement of Revenues and Expenditures**  
**Budget and Actual**  
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive/(Negative)
	Original	Final		
<b>REVENUES</b>				
Grants	\$ 165,267	\$ 165,267	\$ 165,267	\$ -
Total revenues	165,267	165,267	165,267	-
<b>EXPENDITURES</b>				
Capital outlay	165,267	165,267	165,267	-
Total expenditures	165,267	165,267	165,267	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)	-	-	-	-
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources</b>	-	-	<u>\$ -</u>	<u>\$ -</u>
Budgeted cash carryover	-	-		
	<u>\$ -</u>	<u>\$ -</u>		



**STATE OF NEW MEXICO**  
**LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION**  
**EXHIBIT F-2**  
**CAPITAL PROJECTS FUND - CIP-10-1283**

**Statement of Revenues and Expenditures**  
**Budget and Actual**  
For the Year Ended June 30, 2013

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

**LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2013**

**Item 2012-01 Documenting review procedures and submission to DFA-LGD**

**Statement of Condition:**

It was noted during our review of journal entries, that there were no procedures in place for approving adjusting entries made by the outside CPA or management. Also, no financial reports have been submitted to DFA-Local Government Division.

**Criteria:**

Good internal controls require that management review work performed by others including outside CPAs. Reviews can be documented through signatures, initialing and dating. DFA-Local Government Division required reports be submitted by the appropriate deadline.

**Effect:**

Adjusting entries may be made without management's knowledge and unauthorized expenditures may be made without management review. Reporting is not in compliance with DFA requirements

**Cause:**

The financial statements are reviewed by the finance committee and then approved at monthly board meetings, however, the minutes do not reflect the detail of the approval. There was no submission made to DFA-Local Government Division.

**Recommendation:**

Treasurer of the Board should review all work performed internally and externally by the outside accountant, initial and date when reviewed, the board minutes should reflect the review and financial reports submitted to the board for review should be submitted to DFA.

**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, 201'**

**Item 2012-02 Budget**

**Statement of Condition:**

The 2013 budget has never been sent to DFA-Local Government Division.

**Criteria:**

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

**Effect:**

DFA requires the budget and budget adjustments be sent to them and approved by them.

**Cause:**

Submitting a budget to DFA has been required for years, however the Organization has never submitted their budget. There has been many board and management changes in recent years, they did not understand the requirement.

**Recommendation:**

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

**Management Response:**

The Organization will prepare a budget and submit it to DFA-LGD for approval.

**LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2013**

**Item 2013-03 Pledged Collateral**

**Statement of Condition:**

The balances in the Organization's bank account totals are in excess of the FDIC limits of \$250,000.

**Criteria:**

Section 6-10-17 NMSA 1978, NM Public Money Act requires the Organization to get pledged collateral of 50% of the balances in excess of the FDIC limit.

**Effect:**

The Organization could lose monies in excess of the \$250,000.

**Cause:**

Organization was not aware of this requirement until recently.

**Recommendation:**

Request the Bank to provide pledged collateral on all funds in excess of the FDIC limit of \$250,000.

**Management Response:**

Concur, will inform the Bank immediately.

**LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2013**

**Item 2013-04 Late submission of contract**

**Statement of Condition:**

The IPA contract for the year ended June 30, 2013 was submitted September 28, 2013. It was required to be submitted by May 31, 2013.

**Criteria:**

The State Auditor requires the contract be submitted 30 days prior to the year end.

**Effect:**

The contract was submitted late.

**Cause:**

The Organization is new to reporting to the state auditor and was not aware of the requirements and the reporting deadlines.

**Recommendation:**

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

**Management Response:**

The contract will be filed timely from now on.

**LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**  
**JUNE 30, 2013**

**Item 2012-01 Lack of documenting review procedures:**

Repeated in current year, See Finding 2012-01.

**Item 2012-02 Fixed Asset Inventory**

Closed not repeated in current year.

**Item 2012-03 Budget**

Repeated in current year, See Finding 2012-02.

**Item 2012-04 Missing Minutes**

Closed not repeated in current year.

**Item 2012-05 Segregation of duties**

Closed not repeated in current year.

**Item 2012-06 Financial Statement**

Repeated in current year, See Finding 2012-01.

**Item 2012-07 Late report**

Closed not repeated in current year.

**LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION  
EXIT CONFERENCE  
June 30, 2013**

**Exit Conference:**

The exit conferences were held on December 2, 2013 with the following persons:

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.