

LA UNION MUTUAL DOMESTIC SEWER
& WATER ASSOCIATION
AGREED-UPON PROCEDURES
JUNE 30, 2014

**LA UNION MUTUAL DOMESTIC SEWER & WATER ASSOCIATION
TABLE OF CONTENTS
JUNE 30, 2014**

Table of Contents.....	1
Official Roster.....	2
Agreed-Upon Procedures Report.....	3
Exhibit A-Scope of Work.....	4-7
Exhibit B - Schedule of Capital Outlay Projects.....	8
Exhibit C - Copy of year-end financial reports.....	
2014 Financial Statements (internally generated).....	9-12
Exhibit D - Statement of Revenues and Expenditures - Budget and Actual- Cash Basis.....	13
Exhibit E - 2014 Operating Budget (generated internally).....	14-15
Exhibit F-1 - Statement of Revenues and Expenditures - Budget and Actual Capital Projects Fund - PA-06-NM-4152-PW-00009.....	16
Exhibit F-2 - Statement of Revenues and Expenditures - Budget and Actual Capital Projects Fund - USDA/RD Water Project.....	17
Exhibit F-2 - Statement of Revenues and Expenditures - Budget and Actual Capital Projects Fund - CIP-2996-CIF.....	18
Schedule of Findings and Responses.....	19-21
Schedule of Prior Year Findings and Responses.....	22
Exit Conference	23

**LA UNION MUTUAL DOMESTIC SEWER & WATER ASSOCIATION
OFFICIAL ROSTER
June 30, 2014**

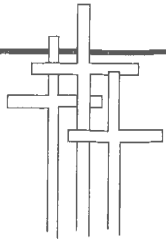
JOSE VILLALOBOS, PRESIDENT

REYNALDO MEDINA, 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 Sewer & Water 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 Sewer & Water 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 Sewer & Water Association as of June 30, 2014. La Union Mutual Domestic Sewer & Water 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 Sewer & Water 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 25, 2014

Never Underestimate the Value of a CPA

SERVING LAS CRUCES & EL PASO SINCE 1976

1155 COMMERCE, SUITE E • LAS CRUCES, NEW MEXICO 88011 • PH. (575) 524-1040 • (800) 524-1007 • FAX (575) 647-1136
1790 LEE TREVINO, STE. 205 • EL PASO, TEXAS 79936 • PH (915) 593-3330

LA UNION MUTUAL DOMESTIC SEWER & WATER 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 the year. 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. The bank reconciliations are reviewed by the Treasurer, initialed and verified and the reconciliations are approved by the board each month</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: Six 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 17, for Finding 2014-01.</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, 2014 were reviewed for balances, to determine if pledged collateral would be required by the financial institutions.</p> <p>Finding: Bank balances did exceed the \$250,000 FDIC limits; therefore, pledged collateral was required. See Page 21 for Finding 2014-03 (2013-3).</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 an annual physical inventory was performed as required by Section 12-6-10 NMSA - 1978.</p> <p>Finding: Inventory is performed annually and the board approves the asset and depreciation schedule in a Board meeting.</p>

LA UNION MUTUAL DOMESTIC SEWER & WATER 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 six 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 2013-2014 and compared it to actual.
		Finding:
		The Association prepared a budget, which was approved by the board, however was not turned into DFA See Page 20 for Finding 2014-02 (2012-02).
		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.
		Procedure:
		Reviewed and traced six months of revenues to the general ledger, 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 were 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 70 cash disbursements from the operating account and 100% (4 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 SEWER & WATER 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:																		
		Disbursements tested agreed to adequate supporting documentation, were properly authorized and approved however, no reports were sent to DFA-LGD. See Page 19 for Finding 2014-1.																	
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 year was obtained and reviewed for reasonableness.																	
		Finding:																	
		The journal entries are prepared by the outside CPA, they were presented to the board, the treasurer initials and dates the review.																	
		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.																	
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.																	
		Overall budget available was for the 2013-2014 year ended June 30th.																	
		Finding:																	
		Budget was prepared and approved by the Board of Directors.																	
		Actual expenses exceeded the budget and the legal level of budgetary control.																	
		Budget was not sent to DFA-LGD. See Page 20 for Finding 2014-02 (2012-02).																	

LA UNION MUTUAL DOMESTIC SEWER & WATER 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 the general ledger and reviewed for proper approval from the board, management and DFA.

Findings:

Only have 4 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.

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.

LA UNION MUTUAL DOMESTIC SEWER & WATER ASSOCIATION
EXHIBIT B - SCHEDULE OF CAPITAL OUTLAY PROJECTS
JUNE 30, 2014

	Award Amount	Prior Years Expenditures	Current Year Expenditures	Total Received	Remaining Balance
For the Year ended 2014					
New Mexico Department of Homeland Security and Emergency Management:					
Sub-grant award for emergency waterline repairs					
FEMA-4152-DR-NM					
PA-06-NM-4152-PW-00009					
Project expiration date 4/29/2015					
Total award was \$12,313.73, of which \$1,539.21 was Organizations total					
	\$ 10,774.52	\$ -	\$ 10,774.52	\$ 10,774.52	\$ -
USDA-Rural Development					
Water Treatment System					
Title 7 Code of Federal Regulation, Part 1780, (7 CFE 1780)					
RUS Bulletin 1780-12					
	\$ 1,092,274	\$ -	\$ -	\$ -	\$ 1,092,274
Rural Development Loan Funds, 2.75% interest rate					
Settlement date: May 29, 2014					
Expiration date: until all funds are used.					
	\$ 121,000	\$ -	\$ 43,755.00	\$ 43,755.00	\$ 77,245
Colonias Infrastructure Project Loan/Grant Agreement No. 2996-CIF					
Colonias Infrastructure Board and New Mexico Finance Authority					
Colonias Infrastructure Act, NMSA 1978 Ch 6-30-1 through 6-30-8, as amended					
NM Finance Authority, NMSA 1978 Ch 6-21-1 through 6-21-31					
Grant amount \$399,883, Loan amount \$44,432					
	\$ 444,315	\$ -	\$ -	\$ -	\$ 444,315

La Union Mutual Domestic Sewer & Water Association
Balance Sheet
As of June 30, 2014

	Jun 30, 14
ASSETS	
Current Assets	
Checking/Savings	
Wells Fargo Checking - 9251	9,931.18
Wells Fargo Construction - 9244	11,019.30
Wells Fargo Arsenic Prjct-7802	230.00
Wells Fargo Capital Imprv-6759	114,957.17
Wells Fargo O&M - 6130	82,984.56
Wells Fargo Water Rights-7810	42,380.00
Wells Fargo Short-Lived -4522	28,351.61
Wells Fargo Emergency - 9216	87,427.65
Wells Fargo Debt Reserve-3873	15,406.38
Total Checking/Savings	392,687.85
Other Current Assets	
USDA Reimbursement	1,116.13
Federal Tax W/H Receivable	15.32
Total Other Current Assets	1,131.45
Total Current Assets	393,819.30
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	8,772.88
Building & Improvements	453,494.52
Land	34,581.91
Total Office Site	496,849.31
Water Well #2	
Construction	407,086.48
Engineering Costs	116,400.14
Total Water Well #2	523,486.62
Arsenic Unit	43,754.79
Accumulated Depreciation	-939,028.82
Total Fixed Assets	3,729,608.49
TOTAL ASSETS	4,123,427.79
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Payroll Liabilities	
FICA and Federal Withholding	1,334.84
State Withholding	42.48
NM Unemployment (SUTA)	37.49
Total Payroll Liabilities	1,414.81
GR Tax Payable	955.64
Commercial Deposits Payable	4,500.00
Total Other Current Liabilities	6,870.45
Total Current Liabilities	6,870.45

EXHIBIT C
La Union Mutual Domestic Sewer & Water Association
Balance Sheet
As of June 30, 2014

	<u>Jun 30, 14</u>
Long Term Liabilities	
N/P Rural Community (RCAC)	43,754.79
Membership Deposit Payable	2,500.00
Residential Deposits Payable	550.00
Total Long Term Liabilities	<u>46,804.79</u>
Total Liabilities	53,675.24
Equity	
Unrestricted Net Assets	4,108,541.38
Net Income	-38,788.83
Total Equity	<u>4,069,752.55</u>
TOTAL LIABILITIES & EQUITY	<u><u>4,123,427.79</u></u>

La Union Mutual Domestic Sewer & Water Association
Profit & Loss
 July 2013 through June 2014

	Jul '13 - Jun 14
Ordinary Income/Expense	
Income	
Hook-up	
Commercial	949.05
Residential	16,077.84
Total Hook-up	17,026.89
Water	
Commercial Regular	23,063.11
Residential Regular	138,521.68
GRTaxes	-9,034.04
Total Water	152,550.75
Membership	
Commercial	600.00
Residential	2,300.00
Total Membership	2,900.00
Other Income	
Deactivation Fee	75.00
Hydrant & Meter Rental	600.00
Membership Transfer	300.00
Membership Termination	400.00
NSF Fees Collected	30.00
Reconnection Fee	3,000.00
Other Income - Other	10,806.32
Total Other Income	15,211.32
Grant Revenue	65,356.56
Interest Income	
Short-Live Asset	11.98
Debt Reserve	4.31
Wells Fargo Infrastructure	128.05
Savings	32.12
Interest Income - Other	1.76
Total Interest Income	178.22
Total Income	253,223.74
Expense	
Depreciation	134,545.87
Bank Charges	
Returned Item Fee	52.00
Bank Charges - Other	55.35
Total Bank Charges	107.35
Dues & Subscriptions	596.09
Insurance	
General Liability	285.00
Insurance - Other	4,940.00
Total Insurance	5,225.00
Interest Expense	6.35
Meetings & Training	3,989.61
Mileage Reimbursement	1,377.14
Office Expense	
Administration	2,027.50
Building	3,004.86
Grounds Keeper	1,028.52
Total Office Expense	6,060.88

EXHIBIT C
La Union Mutual Domestic Sewer & Water Association
Profit & Loss
July 2013 through June 2014

	Jul '13 - Jun 14
Operations & Maintenance	
Sodium Hypochlorite - LRG	1,328.08
Monthly O&M Services	24,436.00
Work Order	20,177.45
	45,941.53
Total Operations & Maintenance	45,941.53
Payroll	
Wages	24,953.50
Payroll Taxes	2,227.83
Payroll - Other	0.00
	27,181.33
Total Payroll	27,181.33
Permits	50.00
Postage & Delivery	1,833.19
Professional Development	417.00
Professional Services	
Accounting	2,443.01
Audit	3,764.69
Engineering	3,201.08
Legal	7,947.38
Professional Services - Other	699.16
	18,055.32
Total Professional Services	18,055.32
Repairs	
Office building	1,776.02
Business Equipment	188.10
General System	7,275.25
	9,239.37
Total Repairs	9,239.37
Supplies	
Office	3,434.28
Water System	10,476.52
	13,910.80
Total Supplies	13,910.80
Taxes	
Personal Property	22.22
Water	1,075.42
	1,097.64
Total Taxes	1,097.64
Travel	
Airfare	511.60
Lodging	1,558.65
Meals	250.67
	2,320.92
Total Travel	2,320.92
Utilities	
Alarm - Office	862.00
Cell Phone	1,531.17
Electric-Office	1,634.94
Electric-Well	13,564.39
Internet	899.00
Phone line	790.18
Fax line	775.50
	20,057.18
Total Utilities	20,057.18
Total Expense	292,012.57
Net Ordinary Income	-38,788.83
Net Income	-38,788.83

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

**Statement of Revenues and Expenditures
Budget and Actual
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive/(Negative)
	Original	Final		
REVENUES				
Water Service	\$ 153,732	\$ 153,732	\$ 152,551	\$ (1,181)
Residential/Commercial Hook up	6,795	6,795	17,027	10,232
Residential/Commercial Membership	-	-	2,900	2,900
Reconnection fee	-	-	3,000	3,000
Interest/Rebates	-	-	178	178
Other Income	13,811	13,811	1,436	(12,375)
Grant Proceeds	-	-	76,132	76,132
	<u>174,338</u>	<u>174,338</u>	<u>253,224</u>	<u>78,886</u>
Total revenues				
EXPENDITURES				
Salaries/Contractors	28,500	28,500	24,954	3,546
Accounting/Legal	3,800	3,800	18,055	(14,255)
Insurance	5,777	5,777	5,225	552
Utilities	20,900	20,900	20,057	843
System Supplies/Maintenance	40,500	40,500	56,419	(15,919)
Office/Miscellaneous	11,035	11,035	29,430	(18,395)
Property Taxes/Payroll Taxes	4,500	4,500	3,326	1,174
Miscellaneous	-	-	-	-
	<u>115,012</u>	<u>115,012</u>	<u>157,466</u>	<u>(42,454)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>59,326</u>	<u>59,326</u>	<u>95,758</u>	<u>36,432</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	-	-	-	-
Operating transfers in (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources	<u>59,326</u>	<u>59,326</u>	<u>\$ 95,758</u>	<u>\$ 36,432</u>
Budgeted cash carryover	<u>-</u>	<u>-</u>		
	<u>\$ 59,326</u>	<u>\$ 59,326</u>		

EXHIBIT E

LA UNION MUTUAL DOMESTIC
WATER & SEWER ASSOCIATION
P.O BOX 1634 ANTHONY, NM 88021
(575) 589-4676 Fax: (575) 589-0992

Resolution # 2013-02 for Fiscal Year 2014

Whereas, in order to comply with Sections 6-6-1 and 6-6-2 NMSA 1978 and to apply for CDBG funding, the Board of Directors wishes to adopt and pass a resolution to approve the final budget that the Board of Directors officially approved on November 14, 2013.

Therefore, be it resolved, the Board of Directors adopts and passes a resolution to approve the final budget that the Board of Directors officially approved on November 14, 2013

PASSED, APPROVED, AND ADOPTED: November 14, 2013

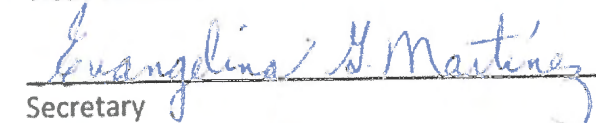
Seal:



President



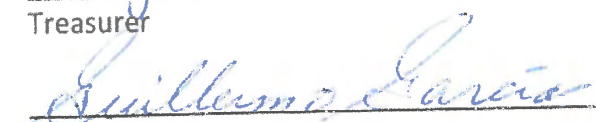
Vice President



Secretary



Treasurer



Director

LA UNION MUTUAL DOMESTIC WATER & SEWER ASSOCIATION

	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Projected
OPERATING INCOME:					
1 Water Sales	\$ 106,131.19	\$105,453.48	\$148,159.30	\$148,643.43	\$153,732.00
2 FY Ending Balance	\$ 11,194.33	\$5,818.03	\$13,667.93	\$13,539.69	\$13,811.00
3 Total Operating Income:	\$ 117,325.52	\$111,271.51	\$161,827.23	\$162,183.12	\$167,543.00
4 Hookup Commercial & Residential	\$ 9,416.68	\$92,227.37	\$10,355.78	\$7,314.50	\$6,795.00
5 Total Non-Operating Income:	\$ 9,416.68	\$92,227.37	\$10,355.78	\$7,314.50	\$6,795.00
6 Subtotal (O+N Operating) Income	\$ 126,742.20	\$203,498.88	\$172,183.01	\$169,497.62	\$174,338.00
7 Grant (Restricted account)		\$8,232.49	\$11,251.24	\$99,910.45	\$0.00
8 Colonias Initiative Project(s) 10-1283 #6 (Restricted account)			\$13,749.82	\$196,250.18	\$0.00
FIXED OPERATING EXPENSES:					
9 General Liability/Building Insurance	\$2,771.00	\$4,425.00	\$4,214.00	\$5,664.00	\$5,777.00
10 Salaries and Wages	\$19,480.60	\$20,838.70	\$23,991.71	\$26,880.22	\$28,500.00
11 Grounds Keeper	\$808.00	\$592.00	\$275.00	\$302.72	\$500.00
12 Office Support Supplies	\$1,608.90	\$6,218.40	\$5,758.50	\$8,385.61	\$8,805.00
13 Operations & Maintenance	\$19,072.09	\$17,984.92	\$24,074.04	\$23,016.25	\$40,500.00
14 Taxes & Fees	\$2,562.80	\$1,135.80	\$4,056.88	\$4,023.86	\$4,500.00
15 Audit	\$0.00	\$0.00	\$0.00	\$6,991.56	\$3,800.00
16 Dues/Subscriptions/ Permits	\$434.61	\$173.00	\$169.64	\$2,164.71	\$2,230.00
17 Total Fixed Expenses:	\$46,738.00	\$51,367.82	\$62,539.77	\$77,428.93	\$94,612.00
VARIABLE OPERATING EXPENSES:					
18 Training	\$58.60	\$0.00	\$224.93	\$750.00	\$6,500.00
19 Office Supplies & Postage	\$2,026.72	\$4,790.60	\$1,004.55	\$2,347.86	\$2,980.00
20 Professional Services(Legal/Accounting/Eng.)	\$17,983.24	\$16,833.27	\$10,539.12	\$16,569.93	\$16,900.00
21 Repairs & Maintenance	\$997.32	\$2,656.95	\$10,244.25	\$4,213.85	\$4,300.00
22 Operating Supplies	\$6,075.19	\$2,349.06	\$6,362.35	\$2,464.29	\$2,514.00
23 Utilities	\$13,721.81	\$13,587.89	\$18,263.14	\$19,616.91	\$20,900.00
24 Total Variable Expenses:	\$40,862.88	\$40,217.77	\$46,638.34	\$45,962.84	\$54,094.00
25 Total Operating Expenses (f+v)	\$87,600.88	\$91,585.59	\$109,178.11	\$123,391.77	\$148,706.00
26 Grant (Restricted account)		\$8,232.49	\$11,251.24	\$99,910.45	\$0.00
27 Colonias Initiative Project(s) 10-1283 #6 (Restricted account)			\$13,749.82	\$196,250.18	\$0.00
RESERVES:					
28 Emergency Reserve	\$13,047.11	\$43,906.31	\$15,751.23	\$1,197.98	\$6,971.30
29 Operating Reserve	\$19,570.67	\$48,576.42	\$26,502.46	\$2,336.26	\$9,729.00
30 Capital Improvement Reserve	\$6,523.55	\$19,430.56	\$15,751.21	\$22,637.93	\$6,971.30
31 Debt Reserve	\$0.00	\$0.00	\$5,000.00	\$997.01	\$500.40
32 Short-Lived Assets	\$0.00	\$0.00	\$0.00	\$18,936.67	\$1,460.00
33 Total Reserve	\$39,141.33	\$111,913.29	\$63,004.90	\$46,105.85	\$25,632.00
34 Sub total	\$126,742.20	\$203,498.88	\$172,183.01	\$169,497.62	\$174,338.00

STATE OF NEW MEXICO
LA UNION MUTUAL DOMESTIC SEWER & WATER ASSOCIATION
EXHIBIT F-1
CAPITAL PROJECTS FUND - PA-06-NM-4152-PW-00009

Statement of Revenues and Expenditures
Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive/(Negative)
REVENUES				
Grants	\$ 10,775	\$ 10,775	\$ 10,775	\$ -
Total revenues	10,775	10,775	10,775	-
EXPENDITURES				
Capital outlay	10,775	10,775	10,775	-
Total expenditures	10,775	10,775	10,775	-
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 SEWER & WATER ASSOCIATION
EXHIBIT F-2
CAPITAL PROJECTS FUND - USDA/RD Water Project**

**Statement of Revenues and Expenditures
Budget and Actual
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive/(Negative)
	Original	Final		
REVENUES				
Grant / Loan	\$ 1,267,000	\$ 1,267,000	\$ 43,755	\$ (1,223,245)
Total revenues	1,267,000	1,267,000	43,755	(1,223,245)
EXPENDITURES				
Capital outlay	1,267,000	1,267,000	43,755	1,223,245
Total expenditures	1,267,000	1,267,000	43,755	1,223,245
Excess (deficiency) of revenues over expenditures	-	-	(0)	(0)
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources	-	-	<u>\$ (0)</u>	<u>\$ (0)</u>
Budgeted cash carryover	-	-		
	<u>\$ -</u>	<u>\$ -</u>		

**STATE OF NEW MEXICO
LA UNION MUTUAL DOMESTIC SEWER & WATER ASSOCIATION
EXHIBIT F-3
CAPITAL PROJECTS FUND - CIP-2996-CIF**

**Statement of Revenues and Expenditures
Budget and Actual
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive/(Negative)
	Original	Final		
REVENUES				
Loan/Grant	\$ 444,315	\$ 444,315	\$ -	\$ (444,315)
Total revenues	444,315	444,315	-	(444,315)
EXPENDITURES				
Capital outlay	444,315	444,315	-	444,315
Total expenditures	444,315	444,315	-	444,315
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 SEWER & WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

Item 2014-01 Submission of reports to DFA-LGD

Statement of Condition:

No financial reports for fiscal year ending 2014 had been submitted to DFA-Local Government Division.

Criteria:

DFA-Local Government Division requires reports be submitted by the appropriate deadline.

Effect:

Reporting is not in compliance with DFA requirements

Cause:

There was no submission made to DFA-Local Government Division.

Recommendation:

Financial reports submitted to the board for review should be submitted to DFA.

Management Response:

Management concurs and implemented procedures to comply with the above recommendation and started with the 2014-15 fiscal year.
Noted acceptance by DFA.

**LA UNION MUTUAL DOMESTIC SEWER & WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

Item 2014-02 (2012-02) Budget

Statement of Condition:

Expenditures exceeded budget at the budgetary legal level by \$42,454.
The 2014 budget had 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 did not submit the 2014 budget, but did submit the 2015 budget and it was approved. When the quarterly reports are due, the budget to actual will be reviewed and adjustments will be made.

**LA UNION MUTUAL DOMESTIC SEWER & WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014**

Item 2014-03 (2013-03) Pledged Collateral

Statement of Condition:

The balances at one bank exceed the FDIC limit of \$250,000 by \$149,530. The bank did not provide pledged collateral.

Criteria:

Section 6-10-17 NMSA 1978, NM Public Money Act requires that the Association obtain pledged collateral for all accounts in excess of the FDIC limit of \$250,000.

Effect:

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

Cause:

The Association relied on the bank to provide the pledged collateral. They had been assured by the bank that they did have pledged collateral, however there was no evidence of it.

Recommendation:

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

Management Response:

The Association has been assured by the bank that it has pledged collateral, however has not provided an evidence of it. The Association will contact the bank and ask for the letter of pledged collateral.

**LA UNION MUTUAL DOMESTIC SEWER & WATER ASSOCIATION
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
JUNE 30, 2014**

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

Closed not repeated in current year.

Item 2012-02 Budget

Repeated in current year, See Finding 2014-02.

Item 2013-03 Pledged Collateral

Repeated in current year, See Finding 2014-03.

Item 2013-04 Late submission of contract

Closed not repeated in current year.

**LA UNION MUTUAL DOMESTIC SEWER & WATER ASSOCIATION
EXIT CONFERENCE
June 30, 2014**

Exit Conference:

The exit conferences were held on November 25, 2014 with the following persons:

Jose Villalobos, President
Reynaldo Medina, Vice-President
Georginia 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.