

**Leasburg Mutual Domestic
Water Association**

**Independent Accountant's Report
On Applying Agreed-Upon Procedures
for the Year Ended December 31, 2011**

STATE OF NEW MEXICO
LEASBURG MUTUAL DOMESTIC WATER ASSOCIATION

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STATE OF NEW MEXICO
LEASBURG MUTUAL DOMESTIC WATER ASSOCIATION

OFFICIAL ROSTER
DECEMBER 31, 2011

Board of Directors

Tom Austin	President
James Zabriskie	Vice President
Mary Anne Owen	Secretary/Treasurer
John McGaw	Director
Ian Leslie	Director



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INDEPENDENT AUDITORS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Hector H. Balderas, State Auditor
and the Board of Directors of the
Leasburg Mutual Domestic Water Association
Organ, New Mexico

We have performed the procedures enumerated below, which were agreed to by Leasburg Mutual Domestic Water Association, (the Association), for the year ended December 31, 2011. The Association was determined to be a Tier 4 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by the Association through the Office of the New Mexico State Auditor. The Leasburg Mutual Domestic Water Association's management is responsible for the Association'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 are as follows:

I. Cash

Procedures

- a) Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand.
- b) Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division (DFA-LGD).
- c) 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.

Observation

- a) All bank and investment reconciliations are performed on a timely basis and all were complete and on-hand.
- b) All bank reconciliations tested did not reveal any exceptions.
- c) Bank account balances did not exceed the uninsured limits during the year ended December 31, 2011 and therefore, pledged collateral was not required for any bank account.

2. Capital Assets

Procedures

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

Finding

Leasburg Mutual Domestic Water Association has a detail of capital assets, however did not perform an inventory of capital assets for the year ended December 31, 2011. See Finding 2011-01.

3. Revenue

Procedures

Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

- a) Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

Select a sample of revenues based on auditor judgment and test using the following attributes:

- a) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
- b) 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.

Observation

- a) Analytical review and test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed an under budget of total revenues at the end of the year as the result of higher water usage.
- b) Amounts recorded in the general ledger agreed with supporting documentation and the bank statements.
- c) Amounts were properly recorded on a cash basis as to classification, amount and period per review of supporting documentation.

4. Expenditures

Procedures

Select a sample of cash disbursements based on auditor judgment and test using the following attributes:

- a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and cancelled 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 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Observation

- a) The amounts recorded as disbursed agreed to supporting documentation: amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and cancelled check, as appropriate.
- b) 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 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

5. Journal Entries

Procedures

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, 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.

Observation

- a) Journal entries appear reasonable and have supporting documentation.
- b) Leasburg Mutual Domestic Water Association has a review process for journal entries and the journal entries tested have evidence of review.

6. Budget

Procedures

Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

- a) Verify, through a review of 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.

Findings

- a) A review of Board minutes indicated that the budget was approved by the Board, however, the budget was not submitted to DFA-LGD for approval. See Finding 2011-02.
- b) Total actual expenditures exceeded the final budget approved for the Association. See Finding 2011-02.
- c) A schedule of revenues and expenses – budget and actual was prepared from the Association records on the cash budgetary basis.

7. Other

Procedures

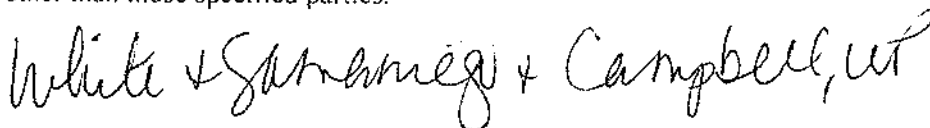
If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, disclose in the report as required by Section, 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10 (I) (3) (C) NMAC.

Observation

No indication of any fraud, illegal acts, noncompliance, or any internal control deficiencies were noted during the agreed-upon procedures testwork.

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 Leasburg Mutual Domestic Water Association, the New Mexico State Auditor's Office and the DFA-LGD and is not intended to be and should not be used by anyone other than those specified parties.



El Paso, Texas
January 14, 2013

STATE OF NEW MEXICO
LEASBURG MUTUAL DOMESTIC WATER ASSOCIATION

SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Operating Income				
Water revenue	\$ 115,000	\$ 115,000	\$ 129,724	\$ 14,724
Other income	5,500	5,500	4,071	(1,429)
Total operating income	120,500	120,500	133,795	13,295
Operating Expenses				
Accounting/Legal	33,000	33,000	32,575	425
Interest expense	16,000	16,000	16,005	(5)
Depreciation	100,000	100,000	95,562	4,438
Office expenses	5,000	5,000	4,276	(724)
System supplies and maintenance	10,000	10,000	12,520	(2,520)
Salaries/contractors	25,000	25,000	27,386	(2,386)
Taxes and insurance	8,000	8,000	9,332	(1,332)
Utilities	13,000	13,000	14,958	1,958
Total operating expenses	210,000	210,000	212,614	(2,614)
Excess (deficiency) of revenues over expenditures	(89,500)	(89,500)	(78,819)	10,681
Nonoperating revenues				
Grants	455,756	455,756	82,652	(373,104)
Interest	300	300	230	(70)
Total nonoperating revenues	456,056	456,056	82,882	(373,174)
Revenues over (under) expenses	\$ 366,556	\$ 366,556	\$ 4,063	\$ (362,493)

STATE OF NEW MEXICO
LEASBURG MUTUAL DOMESTIC WATER ASSOCIATION

SCHEDULE OF AUDIT FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011

2011-01 Capital Assets (Compliance Finding)

CONDITION	The Association did not perform a physical inventory of capital assets.
CRITERIA	Section 12-6-10 NMSA 1978
EFFECT	The Association does not have procedures in place to determine if all capital assets are located at their appropriate location and in existence.
CAUSE	The Association was not aware of the requirement to perform a physical inventory of capital assets.
RECOMMENDATION	The Association must conduct an annual inventory of capital assets.
RESPONSE	The Association will perform an annual inventory as required by Section 12-6-10 NMSA 1978.

2011-02 Submission of Reports to the Department of Finance and Administration (Compliance Finding)

CONDITION	It was noted that the Leasburg MDWCA does not file any financial and budgetary reports with DFA-LGD. In addition, the Association has exceeded its internal budgeted expenditures by \$2,614.
CRITERIA	NMSA 6-6-2 requires local public bodies to submit quarterly financial reports and annual budgets to DFA-LGD. NMSA 6-6-6 requires that the budgeted expenditures be updated and approved by DFA-LGD.
EFFECT	Since the Association was unclear as to what was required, management determined it was in the Association's best interest to maintain all records and wait to be contacted by DFA instead of submitting erroneous reports. The Leasburg MDWCA has not complied with Section 6-6-6 NMSA 1978.
CAUSE	The Association is not in compliance with NMSA 6-6-2.
RECOMMENDATION	The Association should establish a working relationship with its DFA analyst to help the Association file all required reports accurately and in a timely manner. In addition, we recommend that Leasburg MDWCA make appropriate budget adjustments to insure that total actual expenditures do not exceed total budgeted expenditures.
RESPONSE	The Association was unclear as to what reporting requirements DFA had. However, on January 22, 2013, we contacted DFA and on January 23, 2013, we submitted all requested reports. In the future, we will be submitting all DFA required reports.

2011-03 Late Submission of Report (Compliance Finding)

CONDITION	The agreed upon procedures report for the fiscal year ended December 31, 2011 was not filed timely by May 31, 2012, as required.
CRITERIA	The due date of May 31, 2012 is established in Section 2.2.2.9 of the 2011 State Auditor Rule.
EFFECT	The Association was not aware of the filing requirements.
CAUSE	The report was not made available on a timely basis for use by the Legislature, the administration, or by other users.
RECOMMENDATION	Future required reports should be filed as timely as possible.
RESPONSE	The Association will work closely with their accountant to ensure that all required reports are submitted in a timely manner.

STATE OF NEW MEXICO
LEASBURG MUTUAL DOMESTIC WATER ASSOCIATION

EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2011

The report contents were discussed at an exit conference held on January 22, 2013 with the following individuals in attendance:

Leasburg Mutual Domestic Water Association

James Zabriskie
Doug Joens

Vice-President
Accountant

White + Samaniego + Campbell, LLP
Roxie Samaniego

Partner

