

Charles L. Henry

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STATE OF NEW MEXICO

Miami Domestic Water Users Association

EXIT CONFERENCE - FOR DISCUSSION ONLY

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the Year Ended June 30, 2011

STATE OF NEW MEXICO
Miami Domestic Water Users Association
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June 30, 2011

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STATE OF NEW MEXICO
Miami Domestic Water Users Association
Official Roster
June 30, 2011

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Official Roster

Board Members

Position

Mike Vigil

President

Jo Duran

Vice President

Mary Lou Sedillo

Secretary/Treasurer

Ellen Butler

Director

David Salas

Director

Tony Searer

Director (Project Manager)

Danial Vigil

Director/ Recorder

Charles L. Henry

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EXIT CONFERENCE - FOR DISCUSSION ONLY

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

**Mike Vigil, President
and Members of the Board
Miami Domestic Water Users Association
and
Honorable Hector H. Balderas
New Mexico State Auditor**

I have performed the procedures enumerated below for the Miami Domestic Water Users Association (Association), for the year ended June 30, 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 District through the Office of the New Mexico State Auditor. The management of the Miami Domestic Water Users Association is responsible for the organization'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, I 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. My procedures and findings are as follows:

CASH

PROCEDURES:

- a) Determined 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) Performed 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) Determined 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.

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FINDINGS:

- a) The Association has one checking account, and one savings account. The QuickBooks software package is used to record Association transactions. All bank reconciliations were found to be performed on a timely basis utilizing the software reconciliation program.
- b) The Association had not entered opening balance sheet amounts into the software package and cash balances were not maintained in the general ledger. [See Finding 11-01]

The Association was not aware of the requirement to file a budget, or any related reports with DFA-LGD and no budget was filed as required by Section 6-6-2 (A) NMSA 1978 and no financial reports were submitted to DFA-LGD. [See Finding 11-02]

- c) It was determined that Section 6-10-17 NMSA 1978. NM Public Money Act is not applicable

CAPITAL ASSETS

PROCEDURES:

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

FINDINGS:

The Miami Domestic Water Users Association performs a yearly inventory but the accuracy as required by Section 12-6-10 NMSA 1978 could not be verified. [See Finding 11-01]

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 ended June 30, 2011 for each type of revenue source.

Select a sample of revenue - Based on Auditor Judgment - and test using the following attributes;

- b) Amount recorded in the general ledger agrees to 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 review work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

EXIT CONFERENCE - FOR DISCUSSION ONLY

FINDINGS:

- a) Because of Association was unaware of budgetary requirements and did not comply with Section 6-6-2 (A) NMSA 1978 this procedure was not possible. [See Finding 11-02]
- b) I selected a sample of 33 revenue transactions representing 41% of the recorded revenue of the Association and traced each transaction to the bank statements as well as the Association's bank reconciliation.
- c) Each of the selected revenue transactions were tested for proper classification, amount, and period with no exceptions noted.

EXPENDITURES

PROCEDURES

Select a sample of cash disbursements - Based on Auditor Judgment - and test using the following attributes:

- a) Determine that amounts recorded as disbursed agree 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).

FINDINGS

- a) I selected a sample of 32 disbursement transactions representing 49% of the Association's total disbursements. I traced each to the bank statements and verified the amount, payee, date and that the description agreed with the vendor's payment request or contract if appropriate without noting any exceptions.
- b) Each of the selected disbursements were determined to be properly authorized and approved through the minutes of the Association where appropriate. Because the Association had not provided a budget to DFA-LGD, testing for compliance with budgetary requirements was not possible. [See Finding 11-02]
- c) The Associations largest disbursement was \$ 3,200. A review of the minutes as well as discussions with management provided no exceptions with the New Mexico Procurement Code and State Purchasing Regulations. Computations of mileage and per diem reimbursement for tested transactions reflect no exceptions.

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.

FINDINGS

The Association made a total of 3 journal entries for the period. The amounts of these entries were not material, were supported by documentation and appeared reasonable.

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 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 exceed the final budget at the legal level of budgetary control; if so, report a compliance finding.
- c) From the original and final approved budgets an general ledger, prepare a schedule of revenue 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) The Association did not file a budget with DFA-LGD for the fiscal year. The procedures described as well the inclusion of the budget information with the schedule of revenue and expenditures was not possible. [See Finding 11-02]

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 2.2.2 10(I)(3)© NMAC.

FINDINGS

No exceptions were found as a result of applying the procedures above indicating any fraud or illegal acts by the Association.

I was not engaged to, and did not conduct an audit, the objectives of which would be the expression of an opinion on the accounting records. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have to be reported to you.

This report is intended solely for the for the information and use of the Miami Domestic Water Users Association, the New Mexico Office of the State Auditor and the DFA-LGD and is not intended to be, and should not be used by anyone other than those specified parties.

Charles L. Henry
Certified Public Accountant
November 5, 2012

STATE OF NEW MEXICO
Miami Domestic Water Users Association
Statement of Revenues, Expenditures
For the Year Ended June 30, 2011

Exhibit - A

EXIT CONFERENCE - FOR DISCUSSION ONLY

Revenues	
<i>Program Fees</i>	\$ 36,614
<i>Membership Dues</i>	35,000
<i>Miscellaneous Income</i>	120
<i>Contributions Income - Other</i>	1,000
Total Revenues	72,734
Expenditures	
Current:	
<i>Accounting Services</i>	7,415
<i>Advertising</i>	-
<i>Auto & Travel</i>	740
<i>Contributions</i>	-
<i>Dues and Subscriptions</i>	-
<i>Insurance</i>	2,867
<i>Meals & Entertainment</i>	421
<i>Miscellaneous</i>	-
<i>Office Expense</i>	820
<i>Professional Fees</i>	-
<i>Program Expenses</i>	1,832
<i>Rental Expense</i>	-
<i>Repairs & Maintenance</i>	4,110
<i>Salaries & Wages</i>	9,251
<i>Seminars and Education</i>	215
<i>Supplies</i>	-
<i>Suspense</i>	-
<i>Taxes</i>	1,460
<i>Telephone</i>	1,786
<i>Utilities</i>	5,202
<i>Water Testing</i>	905
Capital Expenditures	-
Depreciation	-
Total Expenditures	37,024
Excess (Deficiency) of Revenues over Expenditures	35,710
Other (Income) and Expenses:	
Other Income	(3,063)
Interest Expense	3,482
Total Other (Income) and Expense	419
Excess (Deficiency) of Revenue over Expenditures	35,292

Unaudited - see Independent Accountant's Report on Applying Agreed-Upon Procedures

STATE OF NEW MEXICO
Miami Domestic Water Users Association
Schedule of Findings and Responses
June 30, 2011

EXIT CONFERENCE - FOR DISCUSSION ONLY

CURRENT YEAR FINDINGS

11-01 - Incomplete General Ledger Information

Condition:

The Association books as, maintained for the fiscal year, did not include opening Balance sheet Sheet information.

Criteria:

Section 6-6-2 (J) NMSA 1978 provides that the Local Government Division of the Department of Finance and Administration (DFA-LGD) has the power and duty to prescribe the form for all budgets, books, records, and accounts for local government bodies. Section 6-6-3 NMSA 1978 states that all local public bodies shall keep all books, records and accounts in the form prescribed, make all reports as may be required and conform to the rules and regulations adopted by the local government division.

Effect:

The Association is not able to generate reliable financial information from their books and records without bringing forward the asset, liability and equity from the previous year.

Cause:

The bookkeeper recorded the receipts and disbursements of the Association but did not have the prior information available.

Recommendation:

The Association assets, liabilities and related equity be introduced into the books and records.

Management Response:

This situation was corrected for subsequent years.

STATE OF NEW MEXICO
Miami Domestic Water Users Association
Schedule of Findings and Responses
June 30, 2011

EXIT CONFERENCE - FOR DISCUSSION ONLY

CURRENT YEAR FINDINGS

**11-02. Not Filing a Budget with Department of Finance Authority - Local Government Division (DFA-LGD) --
Significant Deficiency and Compliance**

Condition:

The Association was not aware of the requirement to furnish and file with DFA-LGD, on or before June 1 of each year a proposed budget for the next fiscal year. Because of this lack of knowledge the required budgets were not filed.

Criteria:

Section 6-6-2 (A) NMSA 1978 provides that DFA-LGD has the power and duty to require each local public body to furnish and file with the division, on or before June 1 of each year a proposed budget to the next fiscal year. Section 6-6-3 NMSA 1978 states that every local public body shall make all reports as may be required by the DFA-LGD.

Effect:

A budget provides a negotiated plan for the future operation of the local public body. The planning and budgeting process requires looking to the future and making allowances for known and unknown events. This activity promotes the best use funds to meet the financial requirements of the entity and without developing the required budget all benefits of the planning process is lost.

Cause:

This is the first review engagement the Association has been involved with. The requirements of a public body was not known or understood.

Recommendation:

The Association contact the Department of Finance and Administration for the purpose of becoming aware of their requirements, obtaining a DFA representative, and developing the required budget related procedures.

Management Response:

The Association will contact the Department of Finance and Administration for the purpose of meeting all budget and filing requirements.

STATE OF NEW MEXICO
Miami Domestic Water Users Association
Schedule of Findings and Responses
June 30, 2011

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CURRENT YEAR FINDINGS

11-03 - Failure to File the Tier 4 Engagement Report by the Required due Date - Compliance

Condition

The New Mexico State Auditor requires the Agreed Upon Procedures engagement to be completed and submitted to his office by December 1 of the fiscal year end.

Criteria

According to the State of New Mexico, Office of the State Auditor rule NMAC 2.2.2.9 A(1),(e) the due date for reports of local public bodies is December 1 following the end of the fiscal year.

Effect

Statements that are filed after the due date contain information that is old. Economic conditions change and the more current the information is the better able the public body, or others needing current financial information from the Village are to make sound business decisions.

Cause

The Association was not clear on the requirements of the Office of the State Auditor. The minutes indicate that there was a belief that the Association was not required to perform the tiered engagement after contacting an IPA for the purpose of addressing the Tier 4 engagement

Recommendation

The Association anticipate the upcoming revenues and assess their requirements for obtaining an audit or agreed upon procedures engagement as appropriate.

Management's Response

The board is now aware of the requirements of the Office of the State Auditor and will obtain the required engagements as determined.

STATE OF NEW MEXICO
Miami Domestic Water Users Association
Exit Conference
June 30, 2011

EXIT CONFERENCE - FOR DISCUSSION ONLY

FINANCIAL STATEMENT PREPARATION

The accompanying financial information was prepared by Charles L. Henry CPA. However, the contents remain the responsibility of the Association.

EXIT CONFERENCE

On November 5, 2012 an exit conference was held in the office of Mary Lou Sedillo who serves the Association as Secretary/Treasurer. The conference was also attended by Mr. Mike Vigil - Association President as well as Charles Henry CPA.