

ORGAN WATER AND SEWER
ASSOCIATION
AGREED-UPON PROCEDURES
DECEMBER 31, 2010

**ORGAN WATER AND SEWER ASSOCIATION
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DECEMBER 31, 2010**

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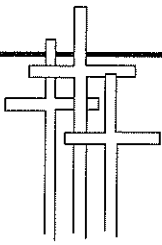
**ORGAN WATER AND SEWER ASSOCIATION
OFFICIAL ROSTER
DECEMBER 31, 2010**

WESTON LEE - PRESIDENT

CLYDE WILLIAMSON - VICE PRESIDENT

EDUARDO TRISTE - DIRECTOR

FURMAN SMITH - DIRECTOR



Clifford, Ross & Cooper, LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors and State Auditor
Organ Water and Sewer Association
P.O. Box 2433
Las Cruces, NM 88004

We have performed the procedures shown in Exhibit A, attached to this report, which were agreed to by Organ Water and Sewer Association, solely to assist you with respect to the compliance of the Tier 4 of the Audit Act – Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC of Organ Water and Sewer Association as of December 31, 2010. Organ Water and 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. The compilation shown as Exhibit B, prepared by another accountant, is attached for exhibit purposes only to show the Organization had an outside accountant prepare its financials and was not relied upon to perform the work shown in Exhibit a.

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 Organ Water and 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

April 29, 2011

ORGAN WATER AND SEWER ASSOCIATION												
EXHIBIT A- SCOPE OF WORK												
AGREED UPON PROCEDURES												
Tier 4 of the Audit Act - Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC												
1)	CASH											
	a)	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										
		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.										
		Finding:										
		No discrepancies noted.										
	b)	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										
		Procedure:										
		Six months of bank reconciliations were recomputed to determine accuracy. The monthly bookkeeping is done by Mesilla Valley Accounting. Books are kept on Quickbooks and reconciled through Quickbooks. We compared the cash balances per bank reconciliation to the respective general ledger account balances. Monthly financial statements are presented to the Board of Directors by Mesilla Valley Accounting for approval. Financial reports have never been required to be sent to DFA per Mesilla Valley Accounting. They have asked for guidance from DFA and to date have not received any response.										
		Finding:										
		No discrepancies noted.										
	c)	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										
		Procedure:										
		The bank statements for the entire fiscal year ending December 31, 2010 were reviewed for balances.										
		Finding:										
		The bank balances never exceeded the \$250,000 threshold for the FDIC limit, therefore pledged collateral was not required.										
2)	CAPITAL ASSETS											
		The Contractor shall verify the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978										
		Procedure:										
		Reviewed depreciation listing for assets updated yearly by Mesilla Valley Accounting.										
		Noted additions to assets each year. Verified yearly inventory taken.										
		Finding:										
		No discrepancies noted.										
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:										
		System billings for 6 months were tested for accuracies and tied to the general ledger.										
		Monthly receipts reports for the 6 months tested were tied to the gross receipts tax reports and the general ledger and deposits made to the bank accounts.										
		Finding:										
		No discrepancies noted.										

ORGAN WATER AND SEWER ASSOCIATION										
EXHIBIT A- SCOPE OF WORK										
AGREED UPON PROCEDURES										
Tier 4 of the Audit Act - Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC										
	REVENUES (continued)									
	The Contractor shall test 50% of the total amount of 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:								
		Deposit slips were obtained and traced to bank statement, general ledger and financial statements for 50% of all revenues, reviewed all supporting documentation for proper classification, amount and recording period.								
		Finding:								
		No discrepancies noted.								
4)	EXPENDITURES									
	The Contractor shall select a sample of cash disbursements and test at least 25 transactions and 50% of the total amount of expenditures 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 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 13-1-199 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 30 cash disbursements from the operating account and project account								
		Each cash disbursement was tested for adequate supporting documentation, verified amount, payee, date, and description agreed to vendor's invoice and cancelled check. Traced authorization to established policies and procedures and was approved and authorized by the Board of Directors and management.								
		Reviewed the bids for the current project and determined that the various contracts were in compliance with the New Mexico Procurement Code. Trace all disbursements to the requests for reimbursement sent to the State of New Mexico Department of Finance and Administration and reviewed for proper approval.								
		Finding:								
		No discrepancies noted.								

ORGAN WATER AND SEWER ASSOCIATION										
EXHIBIT A- SCOPE OF WORK										
AGREED UPON PROCEDURES										
Tier 4 of the Audit Act - Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC										
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:								
		Six months were tested for journal entries prepared by Mesilla Valley Accounting. The journal entries are presented to the Board each month for their review.								
		Finding:								
		The journal entries are presented to the Board each month; however, there was no evidence on the journal entries that they were approved. No signatures or dates reviewed.								
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:								
		Obtain copy of overall budget for the local public body.								
		Obtain Minutes of the Board and review for approval of budget and budget adjustments.								
		Noted the overall budget was approved by U.S. Department of Agriculture, Rural Development.								
		Finding:								
		The Organization has never been required to do a budget for DFA approval. They have always received approval from the Board and/or Rural Development for their budget. Mesilla Valley Accounting was requested guidance from DFA on the budgeting process and has not received a response.								
	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 contract per Section 2.2.2.10(I)(3)(c) NMAC.									
		Finding:								
		No discrepancies noted.								
	See Finding Item 2010-2 for late report.									

EXHIBIT B
Organ Water and Sewer Association
Statement of Net Assets

	Dec 31, 10
ASSETS	
Current Assets	
Checking/Savings	
Citizens Bank-Operating	5,808.62
Citizens-Construction	100.00
Citizens Bank-Reserve	4,350.00
Citizens Bank-Security Deposits	700.00
Total Checking/Savings	10,958.62
Accounts Receivable	
Utility Customers	4,443.77
Total Accounts Receivable	4,443.77
Other Current Assets	
Construction in Progress	161,137.43
Prepaid Expenses	3,615.78
Undeposited Funds	4,832.04
Total Other Current Assets	169,585.25
Total Current Assets	184,987.64
Fixed Assets	
Buildings	13,253.14
Land	73,678.99
Office Furniture & Equipment	721.30
System Equipment	114,687.27
Water and Sewer Infrastructure	3,144,247.55
Vehicles	13,000.00
Accumulated Depreciation	-1,118,103.33
Total Fixed Assets	2,241,484.92
Other Assets	
Vehicle Service Warranty	1,054.17
Total Other Assets	1,054.17
TOTAL ASSETS	2,427,526.73
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Operations	8,109.57
Total Accounts Payable	8,109.57
Credit Cards	
Citizens Bank Mastercard	
Weston Lee (1800)	2,740.39
Total Citizens Bank Mastercard	2,740.39
Total Credit Cards	2,740.39
Other Current Liabilities	
Gross Receipts Tax Payable	765.47
Payroll Liabilities	
Federal Income Taxes	223.00
Social Security/Medicare	471.75
State Income Taxes	80.41
State Unemployment	3.34
Total Payroll Liabilities	778.50

Organ Water and Sewer Association

Statement of Net Assets

	Dec 31, 10
Security Deposits	700.00
Total Other Current Liabilities	2,243.97
Total Current Liabilities	13,093.93
Long Term Liabilities N/P - RCAC	59,773.69
Total Long Term Liabilities	59,773.69
Total Liabilities	72,867.62
Equity	
Memberships	
Sewer \$135	2,295.00
Sewer \$162	12,798.00
Water \$65	65.00
Water \$85	1,870.00
Water \$102	10,506.00
Total Memberships	27,534.00
Unrestricted Net Assets	2,288,079.26
Net Income	39,045.85
Total Equity	2,354,659.11
TOTAL LIABILITIES & EQUITY	2,427,526.73

Organ Water and Sewer Association

Statement of Revenue and Expenses

	Oct - Dec 10	Jan - Dec 10
Ordinary Income/Expense		
Income		
Revenue from Operations		
Water Service	43,099.49	172,252.25
Sewer Service	6,912.00	25,870.00
Administrative Fees	0.00	515.00
Damage Charges	0.00	365.00
Late Fees & Penalties	1,014.00	3,632.00
Membership Fees	20.00	200.00
New Installation	0.00	1,170.00
Reconnection Fees	650.00	3,150.00
Recovered Bad Debts	0.00	424.37
Returned Check Fees	0.00	75.00
Unclaimed Customer Refunds	0.00	270.35
Total Revenue from Operations	51,695.49	207,923.97
Total Income	51,695.49	207,923.97
Expense		
Advertising	0.00	50.14
Bad Debts	0.00	0.00
Bank Service Charges	46.72	1,058.97
Contract Services	2,910.18	13,611.72
Depreciation Expense	18,564.72	74,075.05
Dues and Subscriptions	296.58	435.44
Equipment Rental	0.00	1,921.70
Fuel	1,067.16	4,169.08
Insurance		
Business/General Liability	2,332.75	7,279.36
Total Insurance	2,332.75	7,279.36
Interest Expense	1,299.00	2,340.34
Land Rent	375.00	1,375.00
Licenses, Permits & Other Taxes	152.03	283.03
Meals	32.10	32.10
Mileage Reimbursement	275.00	2,666.40
Office Expense	219.12	466.07
Payroll Expenses		
Wages	11,753.75	38,051.13
Bonuses	280.79	408.29
Payroll Taxes	308.28	1,615.56
Total Payroll Expenses	12,342.82	40,074.98
Professional Fees		
Accounting & Administrative	8,107.20	36,065.25
Total Professional Fees	8,107.20	36,065.25
Property Taxes	238.20	952.77
Reference Materials	0.00	70.00
Repairs and Maintenance		
Equipment	1,301.51	1,506.06
Infrastructure	11,816.05	12,232.36
Vehicles	478.74	3,531.17
Total Repairs and Maintenance	13,596.30	17,269.59

Organ Water and Sewer Association
Statement of Revenue and Expenses

	<u>Oct - Dec 10</u>	<u>Jan - Dec 10</u>
Sewer System	3,590.08	5,958.46
System Parts & Supplies	5,154.77	14,818.48
Telephone	258.40	655.84
Tools & Equipment - Non Asset	19.29	325.32
Utilities	8,133.94	37,063.49
Water Conservation Fees	464.61	1,880.62
Total Expense	<u>79,475.97</u>	<u>264,899.20</u>
Net Ordinary Income	-27,780.48	-56,975.23
Other Income/Expense		
Other Income		
Grant Revenue	91,910.56	95,972.15
Insurance Proceeds	48.93	48.93
Total Other Income	<u>91,959.49</u>	<u>96,021.08</u>
Net Other Income	<u>91,959.49</u>	<u>96,021.08</u>
Net Income	<u><u>64,179.01</u></u>	<u><u>39,045.85</u></u>

**STATE OF NEW MEXICO
ORGAN WATER AND SEWER ASSOCIATION
EXHIBIT C
BUDGET AND ACTUAL - Modified Accrual Basis**

**Statement of Revenues and Expenditures
Budget and Actual
For the Year Ended December 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive/(Negative)
REVENUES				
Water & Sewer Services	\$ 180,000	\$ 180,000	\$ 198,122	\$ 18,122
Administration Fees/Penalties	7,500	7,500	4,512	(2,988)
Membership/Install	1,000	1,000	1,370	370
Miscellaneous	1,500	1,500	799	(701)
Reconnect Fees	-	-	3,150	3,150
Interest/Refunds	-	-	49	49
Grant Proceeds	-	-	95,972	95,972
Total revenues	190,000	190,000	303,974	113,974
EXPENDITURES				
Salaries/Contractors	50,000	50,000	53,687	(3,687)
Accounting/Legal	65,000	65,000	36,065	28,935
Taxes/Insurance	20,000	20,000	8,232	11,768
Utilities	40,000	40,000	38,944	1,056
System Supplies/Maintenance	25,000	25,000	38,046	(13,046)
Other	3,000	3,000	12,164	(9,164)
Rents	1,500	1,500	1,375	125
Interest	-	-	2,340	(2,340)
Depreciation	74,000	74,000	74,075	(75)
Total expenditures	278,500	278,500	264,928	13,572
Excess (deficiency) of revenues over expenditures	(88,500)	(88,500)	39,046	127,546
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources	(88,500)	(88,500)	\$ 39,046	\$ 127,546
Budgeted cash carryover	88,500	88,500		
	<u>\$ -</u>	<u>\$ -</u>		

OPERATING BUDGET

Schedule 1

Name Organ Water & Sewer Association		Address P.O. Box 2433 Las Cruces	
Applicant Fiscal Year From 01-01 To 12-31		County Dona Ana	State (Including ZIP Code) NM 88004

	20 07	20 08	20 09	20 10	First Full Year
	(1)	(2)	(3)	(4)	(5)
OPERATING INCOME					
1. Water & Sewer Service	\$186,885.00	\$174,444.00	\$180,491.00	\$180,000.00	\$183,240.00
2. Late Fees & Penalties	\$7,588.00	\$7,956.00	\$6,947.00	\$7,500.00	\$7,500.00
3. Installation Fees	\$1,190.00	\$1,170.00	\$1,950.00	\$1,000.00	\$1,000.00
4. Other Admin. Fees	\$933.00	\$1,017.00	\$590.00	\$1,500.00	\$1,500.00
5. Miscellaneous		\$350.00	(\$50.00)		
6. Less: Allowances and Deductions	()	()	()	()	()
7. Total Operating Income (Add Lines 1 through 6)	\$196,596.00	\$184,937.00	\$189,928.00	\$190,000.00	\$193,240.00
OPERATING EXPENSES					
8. Salaries	\$49,155.00	\$49,487.00	\$49,287.00	\$50,000.00	\$51,500.00
9. Professional Fees	\$29,529.00	\$31,993.00	\$32,810.00	\$65,000.00	\$35,000.00
10. Taxes & Insurance	\$17,834.00	\$20,836.00	\$18,904.00	\$20,000.00	\$20,000.00
11. Utilities	\$40,869.00	\$43,640.00	\$36,441.00	\$40,000.00	\$41,000.00
12. Supplies & Maintenance	\$24,219.00	\$23,366.00	\$25,490.00	\$25,000.00	\$25,000.00
13. Rents	\$2,163.00	\$952.00	\$1,375.00	\$1,500.00	\$1,500.00
14. Administrative/Other	\$5,967.00	\$1,020.00	\$3,719.00	\$3,000.00	\$3,000.00
15. Interest (RD)					
16. Depreciation	\$67,869.00	\$68,034.00	\$71,126.00	\$74,000.00	\$85,000.00
17. Total Operating Expense (Add lines 8 through 16)	\$237,605.00	\$238,828.00	\$239,152.00	\$278,500.00	\$262,000.00
18. NET OPERATING INCOME (LOSS) (Line 7 less 17)	(\$41,009.00)	(\$53,891.00)	(\$49,224.00)	(\$88,500.00)	(\$68,760.00)
NONOPERATING INCOME					
19. Gain on Asset Disposal		(\$216.00)	(\$113.00)		
20.					
21. Total Nonoperating Income (Add Lines 19 and 20)	\$0.00	(\$216.00)	(\$113.00)	\$0.00	\$0.00
22. NET INCOME (LOSS) (Add Lines 18 and 21) (Transfer to Line A Schedule 2)	(\$41,009.00)	(\$54,107.00)	(\$49,337.00)	(\$88,500.00)	(\$68,760.00)

Budget and Projected Cash Flow Approved by Governing Body

Attest: Weston Lee, Vice-President 4-28-10
Secretary Date
Weston Lee, President 4-29-10
Appropriate Official Date

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0015. The time required to complete this information collection is estimated to average 5 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

PROJECTED CASH FLOW

Schedule 2

	20 07	20 08	20 09	20 10	First Full Year
A. Line 22 from Schedule 1 Income (Loss)					
Add	(\$41,009)	(\$54,107)	(\$49,337)	(\$88,500)	(\$68,760)
B. Items in Operations not Requiring Cash:					
1. Depreciation (Line 16, Schedule 1)	\$67,869	\$68,034	\$71,126	\$74,000	\$85,000
2. Others:					
C. Cash Provided from:					
1. Proceeds from RD loan/grant					
2. Proceeds from others					\$882,452
3. Increase (Decrease) in Accounts Payable, Accruals and other Current Liabilities				\$432,169	
4. Decrease (Increase) in Accounts Receivable, inventories and Other Current Assets (Exclude Cash)	\$988	\$207	\$743		
5. Other:	(\$5,682)	(\$68)	\$3,533		
6. Asset Disposal	\$3,000	\$216	\$113		
D. Total all A, B and C Items	\$25,166	\$14,282	\$26,178	\$417,669	\$898,692
E. Less: Cash Expended for:					
1. All Construction, Equipment and New Capital Items (Loan and grant funds)				\$400,000	\$817,452
2. Replacement and Additions to Existing Property, Plant and Equipment	\$3,306	\$1,250	\$42,728	\$2,500	
3. Principal Payment RD Loan					
4. Principal Payment Other Loans	\$10,756				
5. Other: Membership Refunds		\$102	\$630	\$250	\$65,000
6. Total E 1 through 5	\$14,062	\$1,352	\$43,358	\$402,750	\$882,452
Add					
F. Beginning Cash Balances	\$8,445	\$19,549	\$32,479	\$15,299	
G. Ending Cash Balances (Total of D minus E 6 plus F)	\$19,549	\$32,479	\$15,299	\$30,218	\$16,240
Item G Cash Balances Composed of:					
Construction Account					
Revenue Account					
Debt Payment Account					
O&M Account					
Reserve Account	\$18,811	\$29,079	\$10,599	\$24,718	\$8,240
Funded Depreciation Account	\$38	\$2,600	\$4,100	\$5,000	\$7,500
Others: security Deposits	\$700	\$800	\$600	\$500	\$500
Total - Agrees with Item G	\$19,549	\$32,479	\$15,299	\$30,218	\$16,240

**ORGAN WATER AND SEWER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2010**

Item 2010-01 Lack of documenting review procedures

Statement of Condition:

It was noted during testing that there was no documentation that journal entries had been reviewed, except that they were approved in an over vote each month by the Board on the financial statements.

Criteria:

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

Effect:

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

Cause:

The financial statements are approved at monthly Board meetings and reviewed by each Board member.

Recommendation:

A Board member should initial and date the journal entries at the monthly Board meeting after they have been approved by the Board.

Management Response:

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

ORGAN WATER AND SEWER ASSOCIATOPM
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2010

Item 2010-02 Late Report

Statement of Condition:

The original report was filed by the May 31, 2011 deadline. However, due to additional information being required to be added to the report the report was filed late.

Criteria:

The State Auditor requires the report to be filed by May 31st.

Effect:

The report was filed late.

Cause:

The State Auditor required additional information to be added to the original report.

Recommendation:

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

Management Response:

Concur

**ORGAN WATER AND SEWER ASSOCIATION
EXIT CONFERENCE
DECEMBER 31, 2010**

Exit Conference:

The exit conference was held on April 29, 2011 and October 18, 2011 with the following persons:

Weston Lee, President

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 Organ Water & Sewer Association with the assistance of management.