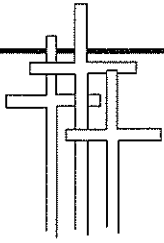


ORGAN WATER AND SEWER
ASSOCIATION
AGREED-UPON PROCEDURES
DECEMBER 31, 2011

**ORGAN WATER AND SEWER ASSOCIATION
TABLE OF CONTENTS
DECEMBER 31, 2011**

Table of Contents.....	1
Official Roster.....	2
Agreed-Upon Procedures Report.....	3
Exhibit A-Scope of Work.....	4-6
Exhibit B - Copy of Year-End Financial Report Submitted to Board.....	7-10
Exhibit C - Statement of Revenues and Expenditures - Budget and Actual- Modified Accrual Basis.....	11
Exhibit D - Statement of Budget, Submitted to U.S. Department of Agriculture, Rural Development.....	12
Schedule of Findings and Responses.....	13-15
Schedule Summary of Prior Year Findings.....	16
Exit Conference	17



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, 2011. 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

October 25, 2012

**ORGAN WATER AND SEWER ASSOCIATION
OFFICIAL ROSTER
DECEMBER 31, 2011**

WESTON LEE - PRESIDENT

CLYDE WILLIAMSON - VICE PRESIDENT

EDUARDO TRISTE - DIRECTOR

FURMAN SMITH - DIRECTOR

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, and 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, 2011 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 that 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. No inventory was performed or certified during current year.

Finding:

See Page 13 for Finding 2011-01.

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 40 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; they are reviewed, initialled and dated.

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. The budget was sent to DFA, however have not received any responses back, therefore no BARS were requested.

See Page 14 for Finding 2011-02.

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 discrepancies noted.

See Page 15 for Finding 2011-03 for late report.

EXHIBIT B
Organ Water and Sewer Association
Statement of Net Assets

	Dec 31, 11
ASSETS	
Current Assets	
Checking/Savings	
Citizens Bank-Operating	64,144.28
Citizens Bank-Construction	100.00
Citizens Bank-Reserve	11,000.00
Citizens Bank-Security Deposits	700.00
Total Checking/Savings	75,944.28
Accounts Receivable	
Utility Customers	6,753.80
Total Accounts Receivable	6,753.80
Other Current Assets	
Construction in Progress	
USDA/RD Project	293,778.53
Total Construction in Progress	293,778.53
Prepaid Expenses	3,627.03
Undeposited Funds	4,594.19
Total Other Current Assets	301,999.75
Total Current Assets	384,697.83
Fixed Assets	
Buildings	18,062.33
Land	73,678.99
Office Furniture & Equipment	721.30
System Equipment	145,915.03
Water and Sewer Infrastructure	3,452,122.51
Vehicles	21,200.00
Accumulated Depreciation	-1,208,925.03
Total Fixed Assets	2,502,775.13
Other Assets	
Loan Origination Fees	168.00
Vehicle Service Warranty	504.17
Total Other Assets	672.17
TOTAL ASSETS	2,888,145.13
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Operations	7,281.90
Total Accounts Payable	7,281.90
Credit Cards	
Citizens Bank Mastercard	
T. Simpson (2311)	869.64
Total Citizens Bank Mastercard	869.64
Total Credit Cards	869.64
Other Current Liabilities	
Gross Receipts Tax Payable	727.24

EXHIBIT B

Organ Water and Sewer Association

Statement of Net Assets

	Dec 31, 11
Payroll Liabilities	
Federal Income Taxes	287.00
Social Security/Medicare	478.14
State Income Taxes	87.94
State Unemployment	1.16
Total Payroll Liabilities	864.24
Security Deposits	700.00
Total Other Current Liabilities	2,291.48
Total Current Liabilities	10,449.02
Long Term Liabilities	
N/P - Citizens Bank	17,338.50
N/P - ROAC	301,584.06
Total Long Term Liabilities	318,922.56
Total Liabilities	329,368.57
Equity	
Memberships	
Sewer \$135	2,295.00
Sewer \$162	12,636.00
Water \$85	66.00
Water \$85	1,870.00
Water \$102	10,404.00
Total Memberships	27,270.00
Unrestricted Net Assets	2,327,125.11
Net Income	204,388.46
Total Equity	2,558,778.56
TOTAL LIABILITIES & EQUITY	2,888,145.13

Organ Water and Sewer Association

Statement of Revenue and Expenses

	Oct - Dec 11	Jan - Dec 11
Ordinary Income/Expense		
Income		
Revenue from Operations		
Water Service	43,765.81	191,667.40
Sewer Service	6,592.00	26,976.00
Administrative Fees	100.00	475.00
Damage Charges	0.00	50.00
Late Fees & Penalties	1,007.47	3,716.47
Membership Fees	0.00	200.00
New Installation	0.00	780.00
Reconnection Fees	650.00	3,450.00
Returned Check Fees	0.00	50.00
Total Revenue from Operations	52,115.28	227,364.87
Total Income	52,115.28	227,364.87
Expense		
Advertising	0.00	36.22
Bad Debts	0.00	263.58
Bank Service Charges	52.25	3,524.75
Contract Services	0.00	967.13
Depreciation Expense	24,685.79	90,821.70
Dues and Subscriptions	749.21	873.42
Equipment Rental	0.00	476.62
Fuel	935.81	4,425.24
Insurance		
Business/General Liability	2,496.00	9,868.25
Total Insurance	2,496.00	9,868.25
Interest Expense	4,993.48	10,880.91
Lab Fees	243.00	998.00
Land Rent	0.00	1,375.00
Licenses, Permits & Other Taxes	361.40	708.30
Meals	0.00	66.61
Mileage Reimbursement	0.00	667.60
Office Expense	81.58	491.93
Payroll Expenses		
Wages	10,916.50	50,557.40
Payroll Taxes	874.55	4,036.96
Total Payroll Expenses	11,791.05	54,594.36
Professional Fees		
Accounting & Administrative	12,033.56	38,763.19
Total Professional Fees	12,033.56	38,763.19
Property Taxes	224.57	974.57
Repairs and Maintenance		
Equipment	0.00	1,016.32
Vehicles	852.18	1,708.96
Total Repairs and Maintenance	852.18	2,725.28
System Parts & Supplies	5,572.02	14,809.35
Telephone	611.23	2,380.60
Tools & Equipment - Non Asset	9,290.68	14,433.69
Utilities	6,899.87	40,200.87
Water Conservation Fee	330.02	1,879.83
Total Expense	82,203.70	297,207.00
Net Ordinary Income	-30,088.42	-69,842.13

EXHIBIT D
Organ Water and Sewer Association
Statement of Revenue and Expenses

	<u>Oct - Dec 11</u>	<u>Jan - Dec 11</u>
Other Income/Expense		
Other Income		
Grant Revenue	0.00	264,503.58
Insurance Proceeds	8,922.00	8,922.00
Other	0.00	800.00
Total Other Income	<u>8,922.00</u>	<u>274,225.58</u>
Net Other Income	<u>8,922.00</u>	<u>274,225.58</u>
Net Income	<u><u>-21,166.42</u></u>	<u><u>204,383.45</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive/(Negative)
REVENUES				
Water & Sewer Services	\$ 183,240	\$ 183,240	\$ 218,643	\$ 35,403
Administration Fees/Penalties	7,500	7,500	4,241	(3,259)
Membership/Install	1,000	1,000	980	(20)
Miscellaneous	1,500	1,500	9,772	8,272
Reconnect Fees	-	-	3,450	3,450
Interest/Refunds	-	-	-	-
Grant Proceeds	-	-	264,504	264,504
Total revenues	193,240	193,240	501,590	308,350
EXPENDITURES				
Salaries/Contractors	51,500	51,500	55,561	(4,061)
Accounting/Legal	35,000	35,000	38,763	(3,763)
Taxes/Insurance	20,000	20,000	10,843	9,157
Utilities	41,000	41,000	40,201	799
System Supplies/Maintenance	25,000	25,000	17,534	7,466
Other	3,000	3,000	31,227	(28,227)
Rents	1,500	1,500	1,375	125
Interest	-	-	10,881	(10,881)
Depreciation	85,000	85,000	90,822	(5,822)
Total expenditures	262,000	262,000	297,207	(35,207)
Excess (deficiency) of revenues over expenditures	(68,760)	(68,760)	204,383	273,143
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources	(68,760)	(68,760)	\$ 204,383	\$ 273,143
Budgeted cash carryover	68,760	68,760		
	<u>\$ -</u>	<u>\$ -</u>		

Position 3
OPERATING BUDGET

Schedule 1

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

	20 07	20 08	20 09	20 10	First Full Year (2011)
	(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	\$1,580.00	\$1,800.00
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	\$49,207.00	\$50,000.00	\$51,500.00
9. Professional Fees	\$29,525.00	\$31,993.00	\$32,810.00	\$65,000.00	\$35,000.00
10. Taxes & Insurance	\$17,834.00	\$20,336.00	\$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	\$73,126.00	\$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: [Signature], Vice-President 4-28-10
Secretary Date
Walter 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.

**ORGAN WATER AND SEWER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011**

Item 2011-01 Fixed Asset Inventory

Statement of Condition:

It was noted during our review that a yearly fixed asset inventory was not performed in accordance with Section 12-6-10 NMSA 1978

Criteria:

Good internal controls require that management performed a yearly fixed asset inventory

Effect:

Assets may disappear without managements being aware of it.

Cause:

Not aware that an yearly inventory was required

Recommendation:

A yearly inventory be performed and certified by management

Management Response:

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

**ORGAN WATER AND SEWER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011**

Item 2011-02 Budget

Statement of Condition:

The budget was approved at the beginning of the year and was not adjusted throughout the year to reflect changes in expenditures. The expenditures show an over budget of \$35,207.

Criteria:

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

Effect:

The budget does not show additional grant funding and additional expenses associated with the grant.

Cause:

Budgets have been prepared at the beginning of each year and have not been required by DFA until now.

Recommendation:

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

Management Response:

The Board adopts a balanced budget at the beginning of each year based on the water rates in effect during that period. Will work at doing BARs and await responses from DFA.

ORGAN WATER AND SEWER ASSOCIATOPM
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011

Item 2011-03 Late Report

Statement of Condition:

The report was filed after the May 31st, 2012 deadline.
The contracts with the State Auditor were not signed until
June of 2012.

Criteria:

The State Auditor requires the report to be filed by May 31st, 2012.

Effect:

The report was filed late, due to work could not be started until
contracts were approved by the State Auditor

Cause:

State Auditor was not approved until after the May 31, 2012 deadline.

Recommendation:

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

Management Response:

Concur

**ORGAN WATER & SEWER ASSOCIATION
SCHEDULE OF SUMMARY OF PRIOR YEAR FINDINGS
DECEMBER 31, 2011**

Item 2010-01 Lack of Review of Documentation

Closed not repeated in current year

Item 2010-02 Late Report

Repeated in current year

**ORGAN WATER AND SEWER ASSOCIATION
EXIT CONFERENCE
DECEMBER 31, 2011**

Exit Conference:

The exit conference was held on November 26, 2012 with the following persons:

Martin Lopez, Operating Manager Lower Rio Grande Water Power Authority
who merged with Organ Water and Sewere Association.
Organ's board disbanded.

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.