

**STATE OF NEW MEXICO**  
**White Cliffs Mutual Domestic Water Uses Association, Inc**

**Independent Accountant's Report on**  
**Applying Agreed-Upon Procedures (TIER 4)**

**For the Fiscal Year Ended**  
**June 30, 2019**

**ASSURANCE TAX ACCOUNTING PC**

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**Financial Audits - Agreed Upon Procedures - Tax - Consulting**

Office: (505) 620-8526 Fax: (866) 800-6970; PO Box 27213 Albuquerque, NM 87125; johnnymangu@msn.com

**STATE OF NEW MEXICO**  
**White Cliffs Mutual Domestic Water Users Association, Inc**

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**Fiscal Year Ended June 30, 2019**

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**STATE OF NEW MEXICO  
WHITE CLIFFS MUTUAL DOMESTIC WATER USERS ASSOCIATION, INC  
OFFICIAL ROSTER  
Fiscal Year Ending June 30, 2019**

President	Michael Daly
Secretary-Treasurer	Randal Henry
Member	Dorian Rios
Director	Carl Elkins

**INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES (TIER 4)**

Michael Daly, President  
White Cliffs Mutual Domestic Water Users Association  
and  
Honorable Brian S. Colón  
New Mexico State Auditor  
Santa Fe, New Mexico

We have performed the procedures enumerated below which were agreed to by White Cliffs Mutual Domestic Water Users Association and the New Mexico State Auditor (the specified parties), solely to assist users in evaluating the Association's financial reporting relating to its compliance with Section 12-6-3 B (4) NMSA 1978, Section 2.2.2.16 NMAC as of and for the year ended June 30, 2019. The Association's management is responsible for its financial reporting as described above. This agreed-upon procedures engagement was conducted in accordance with AICPA Statements on Standards for Attestation Engagements (Clarified), AT-C Section 215 for agreed-upon procedures engagements. 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.

**Procedure to be Performed:**

1. Verify the local public body's revenue calculation and tier determination documented on the form provided at [www.osanm.org](http://www.osanm.org) under "Tier System Reporting Main Page."

**Results of Procedure 1:**

We verified White Cliffs Mutual Domestic Water Users Association revenue calculation and tier determination documented on the form provided at [www.osanm.org](http://www.osanm.org) under "Tier System Reporting Main Page" and it was determined that the District falls under the Tier 4 procedures. General revenues were \$74,090. No capital outlay funds were expended during the year ended June 30, 2019.

**Procedure to be Performed:**

2. **Cash**
  - 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.

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### **Results of Procedure 2(a):**

We determined that all bank reconciliations were performed. While applying the agreed upon procedures over timeliness of cash reconciliations, it was noted that the months of July and November 2018, and January 2019 bank reconciliations were performed late. All bank statements and investment/savings statements were complete and on hand without exception. All monthly bank reconciliations for the operating account and the savings account were examined without exception. See finding 2018-001.

### **Procedure to be Performed:**

b) Test at least 30% of the bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division.

### **Results of Procedure 2(b):**

We selected four months for review: September, December, March, and June of 2019. We traced the ending balances to the general ledger for all bank statements reconciliations. We determined that the bank reconciliations were accurate. The Association submitted the quarterly financial reports to DFA-LGD. No exceptions were noted in these procedures.

### **Procedure to be Performed:**

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.

### **Results of Procedure 2(c):**

We determined that the balances of the operating account and the savings account at no time exceeded the insured limits provided by the FDIC of \$250,000. Therefore, pledged collateral by the financial institution was not required.

### **Procedure to be Performed:**

#### **3. Capital Assets**

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

### **Results of Procedure 3:**

We inquired as to whether or not White Cliffs Mutual Domestic Water Users Association is performing a yearly inventory as required by section 12-6-10 NMSA 1978. The Association did complete a yearly inventory of its capital assets. Almost all capital assets of the Association are water rights, infrastructure, and land.

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### **Procedure to be Performed:**

#### **4. Revenue**

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.

### **Results of Procedure 4(a):**

We performed an analytical review of the revenue. We noted no exceptions.

### **Procedure to be Performed:**

Select a sample of revenue equal to at least 30% of the total dollar amount and test the following attributes:

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

### **Results of Procedure 4(b):**

We randomly selected a sample of 15 receipts (69% of total receipts) and we traced the amounts recorded to the supporting documentation including deposit books and to the bank statements. We noted that one of the 15 receipts, amounting to \$2,239, did not match the activity in the supporting documentation, which has a difference of \$100. See finding 2019-001

### **Procedure to be Performed:**

- 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.

### **Results of Procedure 4(c):**

We randomly selected a sample of 15 receipts (69% of total receipts) and we traced the amounts recorded to the supporting documentation including deposit books and to the bank statements. We noted that one of the 15 receipts, amounting to \$2,239, did not match the activity in the supporting documentation, which has a difference of \$100. See finding 2019-001. We also noted that on one of the disbursements, amounting to \$64.50, did not have supporting documentation.

### **Procedure to be Performed:**

#### **5. Expenditures**

Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test the following attributes:

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- 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.

### **Results of Procedure 5(a):**

We selected a sample of cash disbursements equal to 42% of the total dollar amount and determined that the Association had inadequate documentation for disbursements. The Association had inadequate supporting documentation where the amount, payee, date and description agreed to the purchase order, contract, vendor's invoice and canceled check as appropriate. On only one item of the items tested, amounting to \$64.50, we noted that it does not have supporting documentation. See finding 2019-001.

### **Procedure to be Performed:**

- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

### **Results of Procedure 5(b):**

We determined that the disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures. No exceptions were noted.

### **Procedure to be Performed:**

- 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.

### **Results of Procedure 5(c):**

No major projects requiring bidding were started or completed during this accounting period. No exceptions were noted.

### **Procedure to be Performed:**

#### **6. Journal Entries**

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.

### **Results of Procedure 6(a):**

We selected all nonroutine journal entries entered during FY 2019 for testing. All journal entries appear reasonable based on the memorandum explanation for each entry.

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#### **Procedure to be Performed:**

- b) The local public body has policies and procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

#### **Results of Procedure 6(b):**

We selected all journal entries entered during FY 2019 for testing. The Association provided written supporting documentation to show that the journal entries are being reviewed and approved for the items selected.

#### **Procedure to be Performed:**

##### **7. Budget**

Obtain the original fiscal year budget and all budget adjustments made throughout the fiscal year and perform the following test work:

- 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.

#### **Results of Procedure 7(a):**

We verified through review of minutes the original budget was approved by the Association governing body and approved by DFA-LGD. No exceptions were noted.

#### **Procedure to be Performed:**

- b) Determine whether the total actual expenditures exceeded the final budget at the legal level of budgetary control; if the answer is yes, report a compliance finding.

#### **Results of Procedure 7(b):**

We determined through comparing the Original/Final Budget to the Actual Expenditures that the Association is in compliance with statutes by not over-expending at the fund level, which is the legal level of budgetary control.

#### **Procedure to be Performed:**

- 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.

#### **Results of Procedure 7(b):**

See Attached Statement of Revenues and Expenses – Accrual Basis.



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### Procedure to be Performed:

#### 8. Other

If information comes to the IPA'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 all required content detailed in Section 2.2.2.10(L)(3) NMAC.

### Results of Procedure 8:

No information came to our attention indicating any fraud or illegal acts. Instances of noncompliance and internal control deficiencies are disclosed in the findings of this report.

We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion on the White Cliffs Mutual Domestic Water Users Association's financial reporting to the State Auditor as described above. Accordingly, we do not express such an opinion or conclusion. 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 the White Cliffs Mutual Domestic Water Users Association, the New Mexico Office of the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration Local Government Division and is not intended to be and should not be used by anyone other than those specified parties.

*Assurance Tax Accounting P.C.*

Assurance Tax Accounting P.C.  
Albuquerque, New Mexico  
December 6, 2019

STATE OF NEW MEXICO  
 WHITE CLIFFS MUTUAL DOMESTIC WATER USERS ASSOCIATION, INC  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (Accrual Basis)  
 For the year ended June 30, 2019

	Budgeted Amount		Actual	Variance
	Original	Final	Budget Basis	Favorable (Unfavorable)
<b>Revenue</b>				
Water Sales	\$ 56,760	64,760	69,551	4,791
Interest income	-	-	196	196
Connection Fees	-	4,343	4,343	-
Grant Income		10,000	10,000	
	<u>56,760</u>	<u>79,103</u>	<u>84,090</u>	<u>4,987</u>
<b>Expenses</b>				
Payroll expenses	11,028	11,028	7,183	3,845
General expenses	34,408	34,408	31,222	3,186
Water wells	800	800	704	96
Water treatment	10,650	10,650	5,043	5,607
Water distribution	3,000	3,000	2,018	982
Water system repairs	800	800		800
Wastewater collection system	400	400		400
Sewer pump station	2,050	2,050		2,050
Wastewater lagoons	2,600	2,600		2,600
CDBG Grant	-	25,996	37,137	(11,141)
NTUA water	-	-	7,797	(7,797)
Access Road Maintenance	-	-		-
Water Line		230		230
	<u>65,736</u>	<u>91,962</u>	<u>91,105</u>	<u>857</u>
Revenues over (under) expenditures	<u>(8,976)</u>	<u>(12,859)</u>	<u>(7,015)</u>	<u>5,844</u>
<b>Other financing sources (uses):</b>				
Interest earned	-	-	-	-
Operating transfers in	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (8,976)</u>	<u>(12,859)</u>	<u>(7,015)</u>	<u>5,844</u>

DEPARTMENT OF FINANCE AND ADMINISTRATION  
 LOCAL GOVERNMENT DIVISION  
 BUDGET AND FINANCE BUREAU  
**SPECIAL DISTRICT FINANCIAL QUARTERLY REPORT FORM**

STATE TO LOCAL GOVERNMENT DIVISION NOT LATER THAN ONE MONTH AFTER THE CLOSE OF EACH QUARTER. I HEREBY CERTIFY THAT THE CONTENTS IN THIS REPORT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE.

Special District: White Cliff National Domestic  
 Quarter Ending: 6/30/2019  
 Prepared by: Anna Bond

(in dollars and cents)

QUARTERLY YEAR TO DATE TRANSACTIONS PER BOOKS

FUND TITLE	FUND NUMBER	UNAUDITED BEGINNING CASH BALANCE @ 7/1/2018	INVESTMENTS	REVENUES TO DATE	NET TRANSFERS	EXPENDITURES TO DATE	BOOK BALANCE END OF PERIOD	ADD. OUTSTANDING CHECKS	LESS: DEPOSITS IN TRANSIT	ADJUSTMENTS	ADJUSTED BALANCE END OF PERIOD	BALANCE PER BANK STATEMENTS	DIFFERENCE
GENERAL FUND - Operating (GF)	101	\$4,840.26	\$0.00	99,076.90	-	100,101.36	3,815.80	2,368.00	(393.00)	-	6,576.80	6,576.80	0.00
INTERGOVERNMENTAL GRANTS	218	\$0.00	\$0.00	-	-	-	-	-	-	-	-	-	-
OTHER	299	\$0.00	\$0.00	-	-	-	-	-	-	-	-	-	-
DEBT SERVICE	400	\$0.00	\$0.00	-	-	-	-	-	-	-	-	-	-
<b>Grand Total</b>		<b>\$ 4,840.26</b>	<b>\$ -</b>	<b>\$ 99,076.90</b>	<b>\$ -</b>	<b>\$ 100,101.36</b>	<b>\$ 3,815.80</b>	<b>\$ 2,368.00</b>	<b>\$ (393.00)</b>	<b>\$ -</b>	<b>\$ 6,576.80</b>	<b>\$ 6,576.80</b>	<b>\$ (0.00)</b>

**WHITE CLIFFS MUTUAL DOMESTIC WATER USERS ASSOCIATION**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
Fiscal Year Ended June 30, 2019

**Prior Year Findings:**

Finding 2018-001 – Bank Reconciliations	Repeated
Finding 2017-002 – Per Diem and Mileage Act	Resolved
Finding 2018-002 – No Documentation or Approval of Journal Entries.	Resolved

**Current Year Findings**

Finding 2018-001 – Bank Reconciliations	Other non-compliance
Finding 2019-001 – Lack of Documentation	Material weakness

**WHITE CLIFFS MUTUAL DOMESTIC WATER USERS ASSOCIATION**  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
Fiscal Year Ended June 30, 2019

**Finding 2018-001 – Bank Reconciliations (Other non-compliance)**

Condition:

While applying the agreed upon procedures over timeliness of cash reconciliations, it was noted that the months of July and November 2018, and January 2019 bank reconciliations were performed late. Management did not make any progress towards implementing the prior year corrective action plan.

Criteria:

In accordance with (Subsection H of 2.2.2.16 NMAC,) all agreed upon procedures engagements should report as findings and fraud, illegal acts, noncompliance, or internal control deficiencies, consistent with Section 12-6-5 NMSA 1978 which states any violation of good accounting practices shall be set out in detail in a written report. Good accounting practices dictate that reconciliation of bank balances should be completed on a timely basis, to provide assurance that all transactions have been entered by the bank and recorded in the financial statements properly. If bank reconciliations are to serve as an effective control over the cash accounts, they must be prepared on a timely basis and all reconciling items should be investigated and resolved properly. Ideally all bank accounts should be reconciled prior to the close of the bank statement for the following month.

Cause:

The Association was not aware of the requirement to reconcile the bank accounts within 30 days after the statement end date. Because of the length of time between the transaction and reconciliation, accurate documentation could not be located.

Effect:

Bank reconciliations that are not reconciled on a timely basis could lead to inaccurate interim financial reporting. In addition, errors and misappropriation of assets could be more difficult to detect if not identified in a timely manner or if historical bank reconciliations do not tie to the current records.

Recommendation:

The Association should establish a policy by which bank reconciliations are required to be performed within thirty days of the statement end date for all bank accounts.

Management's Response:

The Association will begin reconciling the bank statements on a timely basis effective immediately. The President will ensure that these reconciliations are being performed within thirty days after the statement end date.

**WHITE CLIFFS MUTUAL DOMESTIC WATER USERS ASSOCIATION, INC.**  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

**Finding 2019-001 - Lack of Documentation (Material weakness)**

Condition:

We noted that one of the 15 receipts, amounting to \$2,239, did not match the supporting documentation, which has a difference of \$100. We also noted that on one of the disbursements, amounting to \$64.50, did not have supporting documentation.

Criteria:

Proper internal controls require supporting documentation for all transactions that occur. The supporting documentation should be retained along with the copy of the deposit and check disbursement.

Cause:

The Association does not have a process for retaining the proper documentation for receipts and disbursements. Entity did not implement the prior year conceive action plan.

Effect:

Lack of supporting documentation for financial transactions can cause misstatements that may go undetected.

Recommendation:

The Association should adopt a policy of retaining supporting documentation for every deposit and disbursement, to help determine that deposits and disbursements recorded are complete, accurate and timely.

Management's Response:

The Association's President will ensure effective immediately that every Board member receive a copy of the financial statements showing all transactions including all deposits and disbursements. Along with every deposit and disbursement going forward the Association's President will ensure that there will be supporting documentation for the transactions.

**WHITE CLIFFS MUTUAL DOMESTIC WATER USERS ASSOCIATION**  
EXIT CONFERENCE  
Fiscal Year Ended June 30, 2019

The report contents were discussed at an exit conference held on December 6, 2019 with the following in attendance:

**WHITE CLIFFS MUTUAL DOMESTIC WATER USERS ASSOCIATION**

Michael Daly Board President

**Assurance Tax Accounting PC**

Johnny Mangu, MBA, CPA, CGFM, CGMA Principal