

**STATE OF NEW MEXICO**

**White Cliffs Mutual Domestic Water Users Association**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

JUNE 30, 2017



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## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO**  
**WHITE CLIFFS MUTUAL DOMESTIC WATER USERS ASSOCIATION, INC.**  
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**YEAR ENDED JUNE 30, 2017**

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**STATE OF NEW MEXICO**  
WHITE CLIFFS MUTUAL DOMESTIC WATER USERS ASSOCIATION, INC.  
OFFICIAL ROSTER  
YEAR ENDED JUNE 30, 2017

<u>Name</u>		<u>Title</u>
	<u>Association Board</u>	
Michael Daly		President
Randal Henry		Secretary/Treasurer
Dorian Rios		Member
	<u>Administration</u>	
Anna M. Bond		Bookkeeper

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**FINANCIAL SECTION**



**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

Mr. Wayne A. Johnson  
New Mexico State Auditor  
and  
Members of the Board and Management  
White Cliffs Mutual Domestic Water Users Association, Inc.  
Gallup, New Mexico

We have performed the procedures enumerated below, which were agreed to by the State of New Mexico and White Cliffs Mutual Domestic Water Users Association, Inc. (Association), solely to assist you with respect to the Association's compliance for a Tier 4 engagement of the Audit Act (Section 12-6-1 NMSA 1978 et seq.) with respect to the Association's cash and capital assets as of June 30, 2017 and the Association's revenues, expenditures, and budget for the year ended June 30, 2017. The Association's management is responsible for the company's accounting records and financial information. The 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 this report. The procedures were agreed to by the Association through the NM Office of the State Auditor. 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.

We were engaged to perform the following agreed-upon procedures for the period July 01, 2016 to June 30, 2017 and our procedures and results are as follow:

**1. Tiered System Reporting**

**Procedures:**

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 "Tiered System Reporting Main Page."

**Results:**

We reviewed the public body's revenue calculations and tier determination and determined that the Association is subject to a Tier 4 engagement.

**2. 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. Test at least 30% 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.



- 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:**

- a. We obtained copies of all bank reconciliations from July 2016 through June 2017. All reconciliations were completed timely and were on-hand.
- b. We randomly selected four months for review – September, December, March, and June. We traced reconciled items for those months to determine that they were properly cleared. We inspected all cancelled check images and deposit slips returned with the bank statements to compare actual names and amounts with the general ledger. We traced ending balances to the general ledger and the year-end financial report submitted to DFA-Local Government Division. No exceptions were noted in these procedures.
- c. We reviewed balances at each month end to determine if sufficient pledged collateral had been provided on all uninsured funds. No balances exceeded the FDIC coverage limit of \$250,000 during the year, so no exceptions were noted in these procedures.

**3. Capital Assets**

**Procedures:**

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

**Results:**

The Association did complete a yearly inventory of its capital assets. Almost all capital assets of the Association are water rights, infrastructure, and land. Only two non-infrastructure, water rights, or land assets are capitalized by the Association.

**4. 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 equal to at least 30% of the total dollar amount and test using 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.

**Results:**

- a. We identified the nature and sources of revenue and performed an analytical review of those revenue sources, comparing them to the budgeted amounts for each classification of revenue. Total revenues of \$54,408 were \$3,408 more than final budgeted revenues, or 6.7% different from budget. We had determined to obtain explanations on revenue categories which varied from budget by 5% and by \$2,500 or more.
- b. We tested the following revenue sources on an accrual basis which is how the Association maintains its records:
  - i. Water Sales – The Association receives two to three monthly checks from the White Cliffs Trailer Park which pays all billings for members of the association. Twelve deposits totaling \$28,753, or 53.8% of total water sales revenue were traced to supporting documentation, to

the bank statement, and to the general ledger. No exceptions were noted and all revenues were properly categorized and recorded.

- c. All revenue classifications were proper, the amounts agreed to supporting documentation and bank statements, and amounts agreed to general ledger amounts and were recorded in the proper periods. No exceptions were noted.

## 5. **Expenditures**

### **Procedures:**

Select a sample of cash disbursements equal to at least 30% of the total dollar amount 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 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

### **Results:**

We selected all disbursements over \$550 (14), all travel and per diem reimbursements and randomly selected 12 additional selections from the remaining 162 disbursements made for the year. Therefore, 36 of 188 disbursements were tested. Total disbursements were \$49,967, and the 36 items selected accounted for \$17,752, or 35.5% of total disbursements.

- a. We tested each disbursement to ascertain the following:
  - Vendor invoice is clerically accurate
  - Purchase order (P.O.) is clerically accurate and initiated by purchasing agent prior to commitment of funds
  - Amount and payee per check agree to P.O. and invoice
  - P.O. is supported by proper quote or bid documentation as required by State Purchasing Requirements
  - Traced to general ledger
  - Does not violate Anti-Donation Laws
  - Receiving documents identify items received and when and who received them and that items are OK to pay

We tested all disbursement according to the above criteria. The items had proper documentation, except that the Association does not create purchase orders, and amounts, payees, dates and descriptions agreed to supporting documentation without exception. See finding NM 2017-001 Purchase Orders and Payment Authorization regarding this issue.

- b. The Association doesn't have anyone sign off the invoices and indicate they are approved for payment. The President of the Association reviews all invoices and signs all checks; however, this review is not noted on the invoices. All expenditures were within authorized budget constraints. See finding NM 2017-001 Purchase Orders and Payment Authorization regarding this issue.
- c. During our review of procedures related to the Procurement Code, we noted no exceptions to the bidding process as no products or services requiring quotations or bids were purchased during this year. However, review of reimbursements for travel revealed that board members and employees were reimbursed at a rate of \$0.55 per mile which was in excess of the Internal Revenue Service rates in effect in 2016 and 2017. See finding NM 2017-002 Improper Reimbursement of Travel Expense.

**6. Journal Entries**

**Procedures:**

Test all non-routine journal entries, adjustments, and reclassifications posted to the general ledger 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.

**Results:**

- a. We obtained both manual journal entries for the period July 01, 2016 through June 30, 2017. Both journal entries were related to reclassifying cash payments against the New Mexico Finance Authority note so that the books of record showed this as a reduction in outstanding debt versus showing all amounts as expenditures. All entries were reasonable and had proper supporting documentation.
- b. All journal entries are reviewed by the Board President and approved.

**7. 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 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.
- 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:**

- a. We obtained the original budget and all minutes for the period of July 01, 2016 through September 27, 2017 and identified that the budget for the 2017 fiscal year was properly approved by the Board and DFA-LGD. We also noted that no mid-year budget adjustments were made.
- b. We reviewed all expenditures and determined that the Association did not exceed its budgetary level of control and was in compliance with State guidelines.
- c. We have prepared a Schedule of Revenues and Expenses – Budget and Actual (Non-GAAP Budgetary Basis) which was prepared on the cash basis which is the basis used by the Association in preparing its financial statements. This schedule is included in this report on page 6.

**8. Other**

**Procedures:**

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 the required content detailed in Section 2.2.2.10(L) NMAC.

**Results:**

No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies.

9. **Reports**

**Procedures:**

Prepare and submit to the Office of the State Auditor an agreed-upon procedures report that complies with AT-C Section 215. Additionally, the report shall include the following,

- a) Table of Contents.
- b) Official Roster.
- c) The procedures performed and the results of those procedures.
- d) For each individual fund, a Schedule of Revenues and Expenditures – Budget and Actual. Each budgetary comparison must show the original and final appropriated budget (same as final budget approved by DFA), the actual amounts on the budgetary basis, and a column with the variance between the final budget and the actual amounts. The budgetary comparisons shall include the amount of prior-year cash balance required to balance the budget.
- e) A copy of the year-end financial report submitted to DFA.
- f) Schedule of Findings and Responses.
- g) Exit conference information (Section 2.2.2.16(E)(3) NMAC).
- h) Summary of Findings form (Section 2.2.2.16(E)(4) NMAC). The Summary of Findings form must be submitted electronically in a separate Excel file in addition to being included with the final report.

**Results:**

See reports.

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 Association's cash and capital assets as of June 30, 2017 and the Association's revenue, expenditures, and budget for the year ended June 30, 2017. 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 management, others within the Association, the State Auditor, and the New Mexico Legislature and is not intended to be and should not be used by anyone other than these specified parties.

*Manning Accounting and Consulting Services, LLC*

Manning Accounting and Consulting Services, LLC  
Kirtland, New Mexico  
December 11, 2017

**STATE OF NEW MEXICO**  
**WHITE CLIFFS MUTUAL DOMESTIC WATER USERS ASSOCIATION, INC.**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET**  
**AND ACTUAL (NON - GAAP BUDGETARY BASIS)**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDING JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<i>Revenues:</i>				
Water sales	\$ 51,000	\$ 51,000	\$ 53,480	\$ 2,480
Interest income	-	-	28	28
Other income	-	-	900	900
<i>Total revenues</i>	<u>51,000</u>	<u>51,000</u>	<u>54,408</u>	<u>3,407</u>
<i>Expenses:</i>				
Payroll expenses	9,264	9,264	10,491	(1,227)
General expenses	30,968	30,968	23,378	7,590
Water wells	800	800	-	800
Water treatment	6,400	6,400	6,840	(440)
Water distribution	2,000	2,000	3,365	(1,365)
Water system repairs	200	200	2,199	(1,999)
Wastewater collection system	400	400	-	400
Sewer pump station	750	750	1,522	(772)
Wastewater lagoons	2,300	2,300	2,172	128
<i>Total expenses</i>	<u>53,082</u>	<u>53,082</u>	<u>49,967</u>	<u>3,115</u>
<i>Excess (deficiency) of revenues</i> <i>over (under) expenditures</i>	<u>(2,082)</u>	<u>(2,082)</u>	<u>4,441</u>	<u>6,522</u>
<i>Other financing sources (uses):</i>				
Designated cash	5,147	5,147	-	5,147
<i>Total other financing sources (uses)</i>	<u>5,147</u>	<u>5,147</u>	<u>-</u>	<u>5,147</u>
<i>Net change in fund balance</i>	3,065	3,065	4,441	11,670
<i>Cash - beginning of year</i>	<u>-</u>	<u>-</u>	<u>5,147</u>	<u>5,147</u>
<i>Cash - end of year</i>	<u>\$ 3,065</u>	<u>\$ 3,065</u>	<u>\$ 9,588</u>	<u>\$ 11,669</u>

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

SUBMIT 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 Cliffs Mutual Domestic  
 Quarter Ending: 6/30/2017  
 Prepared by: Anna Bond

(signature line)

QUARTERLY YEAR TO DATE TRANSACTIONS PER BOOKS

FUND TITLE	FUND NUMBER	UNAUDITED BEGINNING CASH BALANCE @ 7/1/2016	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	\$5,147.28	\$0.00	54,407.36	-	49,966.38	9,588.26	-	2,781.00	-	6,807.26	6,807.26	0.00
INTERGOVERNMENTAL GRANTS	218	\$0.00	\$0.00	-	-	-	-	-	-	-	-	-	-
OTHER	299	\$0.00	\$0.00	-	-	-	-	-	-	-	-	-	-
DEBT SERVICE	400	\$0.00	\$0.00	-	-	-	-	-	-	-	-	-	-
Grand Total		\$ 5,147.28	\$ -	\$ 54,407.36	\$ -	\$ 49,966.38	\$ 9,588.26	\$ -	\$ 2,781.00	\$ -	\$ 6,807.26	\$ 6,807.26	\$ 0.00

**SPECIAL DISTRICT: White Cliffs Mutual Domestic**  
**QUARTER ENDING: 30-Jun-17**

REVENUES	CURRENT QUARTER	YEAR TO DATE	APPROVED BUDGET
<b>General Fund 101 ( enter items below )</b>			
43000 · Water Sales	13,168.00	53,479.58	51,000.00
45000 · Interest	9.60	27.78	-
49000 · Other Income	-	900.00	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
Subtotal General Fund Revenues	\$ 13,177.60	\$ 54,407.36	\$ 51,000.00
Other Financing Sources: Transfers In	-	-	-
Transfers Out	-	-	-
Total Transfers	\$ -	\$ -	\$ -
<b>TOTAL GENERAL FUND REVENUES</b>	<b>\$ 13,177.60</b>	<b>\$ 54,407.36</b>	<b>\$ 51,000.00</b>
<b>Intergovernmental Grants 218 ( enter items below )</b>			
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
Subtotal Intergovernmental Grants Revenues	\$ -	\$ -	\$ -
Other Financing Sources: Transfers In	-	-	-
Transfers Out	-	-	-
Total Transfers	\$ -	\$ -	\$ -
<b>TOTAL INTERGOV. GRANT REVENUES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other 299 ( enter items below )</b>			
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
Subtotal Other 299 Revenues	\$ -	\$ -	\$ -
Other Financing Sources: Transfers In	-	-	-
Transfers Out	-	-	-
Total Transfers	\$ -	\$ -	\$ -
<b>TOTAL OTHER REVENUES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Debt Service 400</b>			
<b>General Obligation Bonds</b>	-	-	-
General Obligation - (Property tax)	-	-	-
Investment Income	-	-	-
Other - Misc	-	-	-
<b>Revenue Bonds</b>	-	-	-
Bond Proceeds	-	-	-
Revenue Bonds - GRT	-	-	-
Investment Income	-	-	-
Revenue Bonds - Other	-	-	-
<b>Miscellaneous(NMFA, BOF, etc.)</b>	-	-	-
	-	-	-
Subtotal Debt Service Fund Revenues	\$ -	\$ -	\$ -
Other Financing Sources: Transfers In	-	-	-
Transfers Out	-	-	-
Total Transfers	\$ -	\$ -	\$ -
<b>TOTAL DEBT SERVICE REVENUES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>GRAND TOTAL REVENUES</b>	<b>\$ 13,177.60</b>	<b>\$ 54,407.36</b>	<b>\$ 51,000.00</b>

**SPECIAL DISTRICT: White Cliffs Mutual Domestic**  
**QUARTER ENDING: 6/30/17**

EXPENDITURES	CURRENT QUARTER	YEAR TO DATE	APPROVED BUDGET
<b>General Fund 101 ( enter items below )</b>			
66010 · Salary & Wages	1,630.00	9,594.25	8,400.00
66020 · Payroll Tax	205.96	1,039.71	864.00
60150 · Bank Service Charges	15.00	60.00	60.00
60230 · Contract Labor	-		1,200.00
60300 · Dues & Subscriptions	11.25	472.38	525.00
60325 · Insurance Expense	384.00	1,537.00	1,700.00
60370 · Meeting Expense	42.69	116.94	100.00
60375 · Miscellaneous Expense	933.38	933.38	100.00
60380 · Mileage Reim	217.25	1,162.45	1,400.00
60400 · NM One Call Fees	-	-	100.00
60425 · Office Supplies	-	152.34	100.00
60450 · Operational Expenses	-	-	-
60470 · Permits & Fees	460.00	920.00	550.00
60475 · Postage, Delivery & Printing	192.75	366.34	450.00
60500 · Professional Accounting Svcs	400.75	2,845.38	6,600.00
60540 · Security	-	1,413.27	-
60575 · Telephone Expense	-	-	150.00
60600 · Training & Continuing Education	80.00	80.00	2,000.00
60650 · Utilities	1,744.04	7,747.60	5,700.00
60675 · Water Conservation Fee	-	95.78	100.00
60700 · Water Sales Tax	-	1,264.16	2,800.00
60775 · Workers Comp Ins	-	-	900.00
60800 · NM Finance Loan	1,608.12	6,432.48	6,433.00
61100 · Water Wells	-	-	-
61110 · Construction & Equipment	-	-	-
61160 · Well Maintenance & Repairs	-	-	800.00
61170 · Water Tanks	-	-	-
61200 · Water Treatment	-	-	-
61210 · Chlorine	-	129.00	200.00
61215 · Chlorine Equip & Test Supplies	-	-	100.00
61220 · Cleaning Chemicals	-	-	500.00
61225 · Equipment Rental	-	232.62	400.00
61225 · Equipment Expense	-	-	-
61240 · Napco 206 Inhibitor	615.26	615.26	800.00
61250 · Pre-filters	646.74	646.74	1,300.00
61255 · Pre Treat 100 & Antiscalant	1,383.70	1,383.70	1,600.00
61260 · RO Equipment Repairs	-	1,051.35	300.00
61265 · RO Membranes	-	2,600.81	-
61270 · RO Plant Automation	-	-	1,000.00
61280 · Water Test Equipment & Supplies	-	180.70	200.00
61520 · Water Line Construction	-	-	-
61521 · Equipment	148.30	3,364.97	2,000.00
61524 · Labor	-	-	-
61527 · Rentals	-	-	-
61550 · Water System Repairs	-	-	-
61551 · Equipment, Supplies & Parts	-	766.97	200.00
63100 · Collection System	-	-	-
63120 · Labor	-	-	200.00
63140 · Repairs	-	-	200.00
63150 · Sewer Construction	-	-	-
63300 · Sewer Pump Station	-	-	-
63310 · Cleaning & Pumping Station	-	-	50.00
63315 · Equipment	-	-	500.00



63350 · Maintenance & Repairs	-	1,521.69	200.00
63500 · Wastewater Lagoons	-	-	-
63510 · Cleaning & Maintenance	126.69	493.89	1,000.00
63530 · Labor	-	-	-
63540 · Lab Testing-Water & Wastewater	203.89	659.97	300.00
63550 · Repairs	-	-	200.00
63560 · Sewer Construction	-	-	400.00
63570 · Test Equipment & Supplies	73.41	85.25	400.00
			-
<b>TOTAL GENERAL FUND EXPENDITURES</b>	<b>\$ 11,123.18</b>	<b>\$ 49,966.38</b>	<b>\$ 53,082.00</b>
<b>Intergovernmental Grants 218 ( enter items below )</b>			
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
<b>TOTAL INTERGOV. GRANT EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Other 299 ( enter items below )</b>			
	-	-	-
	-	-	-
Sanitation	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
<b>TOTAL OTHER EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Debt Service 400</b>			
Bond Payments Principal	-	-	-
Bond Payments- Interest	-	-	-
Other Debt Service	-	-	-
<b>TOTAL DEBT SERVICE EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>GRAND TOTAL EXPENDITURES</b>	<b>\$ 11,123.18</b>	<b>\$ 49,966.38</b>	<b>\$ 53,082.00</b>

**DEBT SERVICE**

**SPECIAL DISTRICT: White Cliffs Mutual Domestic**

**Fund Number: 400  
Fiscal Cycle: 6/30/17**

(A) NAME AND TYPE	(B) DATE OF ISSUE	(C) ORIGINAL FACE AMOUNT OF ISSUE	(D) OUTSTANDING PRINCIPAL AMOUNT (Unpaid)	(E) COUPON RATE OF INTEREST	(F) PRINCIPAL DUE	(G) INTEREST DUE
NM Finance Authority	5/14/2012	79,449.00	69,315.00	3.22%	69,315.00	0.00
	0/00/0000	0.00	0.00	0.00%	0.00	0.00
	0/00/0000	0.00	0.00	0.00%	0.00	0.00
	0/00/0000	0.00	0.00	0.00%	0.00	0.00
	0/00/0000	0.00	0.00	0.00%	0.00	0.00
	0/00/0000	0.00	0.00	0.00%	0.00	0.00
	0/00/0000	0.00	0.00	0.00%	0.00	0.00
<b>TOTAL</b>		79,449.00	69,315.00		69,315.00	0.00

**INSTRUCTIONS - SCHEDULE OF BONDS & LONG TERM LOANS**

- Column (A): Describe the Purpose of the DEBT along with its NAME AND TYPE.
- Column (B): Enter the Date of Issue.
- Column (C): Enter the Original Amount of the Issue.
- Column (D): Enter Unpaid Principal Balance for Fiscal Year.
- Column (F): Enter Principal Amount To Be Paid, during Fiscal Year.
- Column (G): Enter Interest Amount To Be Paid, during Fiscal Year.

<b>TOTAL PRINC/ INT PD</b>	69,315.00
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**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
WHITE CLIFFS MUTUAL DOMESTIC WATER USERS ASSOCIATION, INC.  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017

**12-6-5 NMSA 1978 Findings**

**NM 2017-001 – Purchase Orders and Payment Authorization (Compliance and Other Matters)**

***Criteria:***

**1.4.1.50 NMAC Small Purchases of \$20,000 or Less:** A state agency **may procure services**, construction or items of tangible personal property having a value **not exceeding twenty thousand dollars (\$20,000) by issuing a direct purchase order** to a contractor based upon the best obtainable price and in accordance with any procedures or processes set forth by the state purchasing agent.

**13-1-157 NMSA 1978 Receipt; inspection; acceptance or rejection of deliveries.**

The using agency is responsible for inspecting and accepting or rejecting deliveries. The using agency shall determine whether the quantity is as specified in the purchase order or contract and whether the quality conforms to the specifications referred to or included in the purchase order or contract. If inspection reveals that the delivery does not conform to the quantity or quality specified in the purchase order or contract, the using agency shall immediately notify the central purchasing office. The central purchasing office shall notify the vendor that the delivery has been rejected and shall order the vendor to promptly make a satisfactory replacement or supplementary delivery. In case the vendor fails to comply, the central purchasing office shall have no obligation to pay for the nonconforming items of tangible personal property. If the delivery does conform to the quantity and quality specified in the purchase order or contract, the using agency shall certify to the central purchasing office that delivery has been completed and is satisfactory.

Additionally, 13-1-158 NMSA 1978 states:

**“No warrant, check or other negotiable instrument shall be issued in payment for any purchase of services, construction or items of tangible personal property unless the central purchasing office or the using agency certifies that the services, construction or items of tangible personal property have been received and meet specifications or unless prepayment is permitted under Section 13-1-98 NMSA 1978 by exclusion of the purchase from the Procurement Code [ 13-1-28 NMSA 1978].”**

***Condition:*** During our review of disbursements we noted the following instances in which proper procedures were not followed:

- The Association does not create purchase orders prior to the purchase of goods and or services
- The Association does not have any receiving documentation to verify goods and or services are received

***Cause:*** Association personnel have not followed state guidelines or internal procedures in the payment of services. State law clearly states that the Association must have a signed purchase order in place prior to receiving goods and or services and that there is a receiving document to verify goods and services are received.

***Effect:*** Internal control over expenditures and the ability of responsible parties to appropriately monitor budgets for which they bear responsibility may be compromised. Not being in compliance with these requirements places the Association and the Board at risk for fraud or misuse of public funds

***Auditor’s Recommendation:*** We recommend that all personnel be reminded of, or trained in, state policy in regards to payment of goods, services, or construction. All Association personnel need to be aware that a purchase order must be approved prior to the purchase of goods and services and that all goods and services should be signed for indicating when items were received and by whom.

**STATE OF NEW MEXICO**  
**WHITE CLIFFS MUTUAL DOMESTIC WATER USERS ASSOCIATION, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**12-6-5 NMSA 1978 Findings (Continued)**

**NM 2017-001 – Purchase Orders and Payment Authorization (Compliance and Other Matters) (Continued)**

*Responsible official's view:*

- Specific corrective action plan for finding:  
**We will determine an appropriate procedure that complies with the law and implement it.**
  
- Timeline for completion of corrective action plan:  
**By January 2018**
  
- Employee position(s) responsible for meeting the timeline:  
**Board President**

**STATE OF NEW MEXICO**  
**WHITE CLIFFS MUTUAL DOMESTIC WATER USERS ASSOCIATION, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**12-6-5 NMSA 1978 Findings (Continued)**

**NM 2017-002 – Improper Reimbursement of Travel Expense (Compliance and Other Matters)**

***Criteria:* 2.42.2.11 NMAC 1978: MILEAGE-PRIVATE CONVEYANCE:**

A. **Applicability:** Mileage accrued in the use of a private conveyance shall be paid only in accordance with the provisions of this section.

B. **Rate:** Public officers and employees of state agencies shall be reimbursed for mileage accrued in the use of a private automobile or aircraft in the discharge of official duties as follows:

(1) unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA 1978, 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle;

(2) privately owned airplane, eighty-eight cents (\$0.88) per nautical mile.

C. **Local public bodies: Public officers and employees of local public bodies may be reimbursed for mileage accrued in the use of a private conveyance in the discharge of official duties, at the statutory rates unless such rates have been reduced by the governing bodies of the local public body pursuant to Section 10-8-5 (D) NMSA 1978.**

D. Privately owned automobile: For conveyance in the discharge of official duties by privately owned automobile, mileage accrued shall be reimbursed at the rate set forth in this section as follows:

(1) pursuant to the mileage chart of the official state map published by the state highway and transportation department for distances in New Mexico and the most recent edition of the Rand-McNally road atlas for distances outside of New Mexico; or

(2) pursuant to actual mileage if the beginning and ending odometer reading is certified as true and correct by the traveler; and

(a) the destination is not included on the official state map or on the Rand McNally road atlas, or,

(b) at the destination(s) of the public officer or employee, the public officer or employee was required to use the private conveyance in performance of official duties.

***Condition:*** During our review of travel and per diem we noted the following instances in which proper procedures were not followed:

- In 5 of 36 items tested the Association reimbursed board members and employees for travel by personal vehicle. The Association reimbursed employees at a rate of \$0.55 per mile. The IRS rate for 2016 was \$0.54 and in 2017 the rate was \$0.535.

***Cause:*** The Association reimbursed employees in excess of the IRS rate which is the statutory rate allowed for local public bodies in the State.

***Effect:*** The Association is not in compliance with State guidelines.

***Auditor's Recommendation:*** We recommend that management ensure that they are reimbursing board members and employees properly for qualified expenses and ensure that policies are consistent for all employees.

**STATE OF NEW MEXICO**  
**WHITE CLIFFS MUTUAL DOMESTIC WATER USERS ASSOCIATION, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**12-6-5 NMSA 1978 Findings (Continued)**

**NM 2017-002 – Improper Reimbursement of Travel Expense (Compliance and Other Matters) (Continued)**

*Responsible Official's View:*

- Specific corrective action plan for finding:  
**We will revise the reimbursement rate immediately.**
  
- Timeline for completion of corrective action plan:  
**We will implement this change immediately.**
  
- Employee position(s) responsible for meeting the timeline:  
**Board President**



**STATE OF NEW MEXICO**  
**WHITE CLIFFS MUTUAL DOMESTIC WATER USERS ASSOCIATION, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Prior Year Findings:**

White Cliffs Mutual Domestic Water Users Association, Inc. did not have an agreed upon procedures report in the prior year; as such there are no prior year findings.

**STATE OF NEW MEXICO**  
**WHITE CLIFFS MUTUAL DOMESTIC WATER USERS ASSOCIATION, INC.**  
**OTHER DISCLOSURES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Exit Conference**

The contents of this report were discussed on December 11, 2017. The following individuals attended via a teleconference.

White Cliffs Mutual Domestic Water Users Association, Inc.

Michael Daly, Board President

Anna Bond, Bookkeeper

Manning Accounting and Consulting Services, LLC

Byron R. Manning, CPA, Managing Partner