

BRAZITO MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
AGREED-UPON PROCEDURES  
DECEMBER 31, 2010

**BRAZITO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**  
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**DECEMBER 31, 2010**

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BRAZITO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
OFFICIAL ROSTER  
DECEMBER 31, 2010

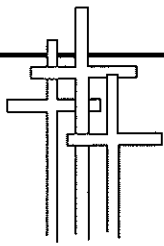
NORMAN SAUNDERS - PRESIDENT

CRESCENSIO ACOTA - VICE PRESIDENT

MICHAEL MCMULLEN - SECRETARY/TREASURER

RON OKINGA - DIRECTOR

ROBERT GARIBAY - DIRECTOR



# Clifford, Ross & Cooper, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

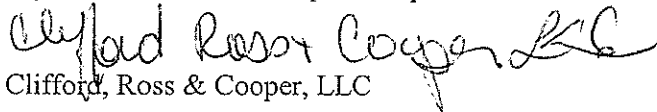
Board of Directors and State Auditor  
Brazito Mutual Domestic Water Consumers Association  
P.O. Box 16165  
Las Cruces, NM 88004

We have performed the procedures shown in Exhibit A, attached to this report, which were agreed to by Brazito Mutual Domestic Water Consumers 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 Brazito Mutual Domestic Water Consumers Association as of December 31, 2010. Brazito Mutual Domestic Water Consumers 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.

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 Brazito Mutual Domestic Water Consumers 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

BRAZITO MUTUAL DOMESTIC WATER CONSUMERS 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								
		<b>Procedure:</b>								
		Obtained copies of all bank reconciliations and bank statements for the year.								
		Verified that the banks were reconciled each month, reviewed the bank reconciliations.								
		<b>Finding:</b>								
		The banks were reconciled each month and were reviewed; however, only November and December showed evidence of the review. The reconciliations are provided to the Board each month for approval.								
	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								
		<b>Procedure:</b>								
		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.								
		<b>Finding:</b>								
		No discrepancies were 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								
		<b>Procedure:</b>								
		The bank statements for the entire fiscal year ending December 31, 2010 were reviewed for balances.								
		<b>Finding:</b>								
		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								
		<b>Procedure:</b>								
		Reviewed depreciation listing for assets kept by Mesilla Valley Accounting.								
		Noted additions to assets starting in 1974. Verified yearly inventory taken.								
		<b>Finding:</b>								
		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								
		<b>Procedure:</b>								
		System billing 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.								
		<b>Finding:</b>								
		No discrepancies noted.								

BRAZITO MUTUAL DOMESTIC WATER CONSUMERS 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											
<b>REVENUE (continued)</b>											
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.											
<b>Procedure:</b>											
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.											
<b>Finding:</b>											
No discrepancies noted.											
<b>4) EXPENDITURES</b>											
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.											
<b>Procedure:</b>											
Tested 32 cash disbursements from the operating account and from the 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. There were no new bids for current project and determined the various contracts were in compliance with the New Mexico Procurement Code. Mesilla Valley Accounting prepares all disbursements and presents the disbursement package to the Board each month for approval.											
<b>Finding:</b>											
No discrepancies were noted.											
<b>5) JOURNAL ENTRIES</b>											
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											
<b>Procedure:</b>											
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.											
<b>Finding:</b>											
The journal entries are presented to the Board each month; however, there was no evidence on the journal entries that they were approved. No signature or dates reviewed. See finding page 15, Item 2010-1.											

BRAZITO MUTUAL DOMESTIC WATER CONSUMERS 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												
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.										
		<b>Procedure:</b>										
		Obtain copy of overall budget for the local public body and budget for each capital project.										
		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.										
		<b>Finding:</b>										
		The Organization has never been required to do a budget for DFA approval. They have always received approval from Rural Development for their budget. Mesilla Valley Accounting has requested guidance from DFA on the budgeting procedures and has not received a response back.										
		See finding page 16, Item 2010-2.										
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.												
		<b>Finding:</b>										
		No discrepancies noted.										
		See finding page 17, Item 2010-3 for late report.										

# Brazito MDWCA

## Statement of Net Assets

	Dec 31, 10
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
Bank of America - Operating	18,865.96
1st NM Bank - Construction	250.65
Bank of America - Reserve	5,600.00
ING Direct - Money Market	16.65
Total Checking/Savings	24,733.26
Accounts Receivable	
Water Utility Customers	3,511.60
Total Accounts Receivable	3,511.60
Other Current Assets	
Construction in Progress	
Brazito/Mesquite Interconnect	12,027.31
Total Construction in Progress	12,027.31
Prepaid Expenses	5,330.25
Retainer for Legal Services	2,000.00
Undeposited Funds	4,923.13
Total Other Current Assets	24,280.69
Total Current Assets	52,525.55
Fixed Assets	
Buildings	229,170.00
Equipment	89,718.10
Land	22,869.00
Land Improvements	33,632.63
Vehicles	5,500.00
Water System Infrastructure	2,158,272.46
Water Wells	158,777.00
Accumulated Depreciation	-575,747.79
Total Fixed Assets	2,122,191.40
<b>TOTAL ASSETS</b>	<b>2,174,716.95</b>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
Operating	4,859.47
Total Accounts Payable	4,859.47
Credit Cards	
Bank of America Visa	287.45
Total Credit Cards	287.45
Other Current Liabilities	
Gross Receipts Tax Payable	574.58
Payroll Liabilities	
Federal Income Tax Withholdings	186.46
Social Security/Medicare	285.56
State Income Tax Withholdings	60.07
State Unemployment Tax	0.93
Total Payroll Liabilities	533.02
Renter Security Deposits	1,070.00
Total Other Current Liabilities	2,177.60
Total Current Liabilities	7,324.52



EXHIBIT B

Brazito MDWCA  
Statement of Net Assets

	<u>Dec 31, 10</u>
Long Term Liabilities	
N/P - NM Environment Dept.	49,487.25
N/P - USDA Rural Development	
\$5K Loan	4,782.56
\$40K Loan	37,707.68
\$80K Loan	75,151.36
\$222K Loan	217,030.95
Total N/P - USDA Rural Development	<u>334,672.55</u>
Total Long Term Liabilities	<u>384,159.80</u>
Total Liabilities	391,484.32
Equity	
Restricted Net Assets	
USDA/RD	5,600.00
Total Restricted Net Assets	<u>5,600.00</u>
Unrestricted Net Assets	1,612,127.85
Net Income	165,504.78
Total Equity	<u>1,783,232.63</u>
TOTAL LIABILITIES & EQUITY	<u><u>2,174,716.95</u></u>

# Brazito MDWCA

## Statement of Revenue and Expenses

	Oct - Dec 10	Jan - Dec 10
Ordinary Income/Expense		
Income		
Operating Income		
Water Service	38,808.01	158,679.67
Administrative Fees & Penalties	1,703.55	5,985.12
Membership/Installation/Impact	1,675.00	8,975.00
Total Operating Income	42,186.56	173,639.79
Non-Operating Income		
Unclaimed Customer Deposits	0.00	29.60
Total Non-Operating Income	0.00	29.60
Total Income	42,186.56	173,669.39
Expense		
Automobile Expense	559.81	2,248.39
Bank Service Charges	151.78	513.19
Building Repairs & Maintenance	45.00	177.80
Contract Services	895.93	1,095.93
Depreciation Expense	18,231.93	68,861.24
Dues and Subscriptions	68.24	505.19
Equipment Maintenance & Repairs	91.72	954.55
Equipment Rental	319.12	319.12
Insurance	2,522.25	9,711.50
Interest Expense	3,322.86	13,532.75
Licenses/Permits/Other Taxes	20.00	239.25
Office Expense	201.99	572.28
Payroll Expenses		
Wages	5,201.43	19,681.43
Payroll Taxes	403.14	1,528.09
Total Payroll Expenses	5,604.57	21,209.52
Professional Fees		
Accounting	6,992.65	28,726.39
Administrative	8,991.88	25,214.93
Engineering	51.63	1,211.95
Legal	3,151.59	15,593.39
Total Professional Fees	19,187.75	70,746.66
System Supplies and Maintenance	5,210.80	12,187.68
Taxes		
Property	322.24	1,288.96
Water Conservation Fee	506.58	940.66
Total Taxes	828.82	2,229.62
Telephone/Internet	733.70	2,792.04
Tools & Equipment (Non-Asset)	210.18	2,149.56
Training/Seminars	0.00	265.00
Travel & Entertainment		
Travel	0.00	300.00
Total Travel & Entertainment	0.00	300.00
Utilities	6,487.79	27,688.77
Water Testing Fees	0.00	30.00
Total Expense	64,694.24	238,330.04
Net Ordinary Income	-22,507.68	-64,660.65

Brazito MDWCA  
Statement of Revenue and Expenses

	<u>Oct - Dec 10</u>	<u>Jan - Dec 10</u>
Other Income/Expense		
Other Income		
Grant Revenue	0.00	229,984.17
Interest Income	0.03	181.26
Total Other Income	<u>0.03</u>	<u>230,165.43</u>
Net Other Income	0.03	230,165.43
Net Income	<u>-22,507.65</u>	<u>165,504.78</u>

STATE OF NEW MEXICO  
 BRAZITO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
 EXHIBIT C  
 BUDGET AND ACTUAL - 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)
<b>REVENUES</b>				
Water Service	\$ 170,000	\$ 170,000	\$ 158,680	\$ (11,320)
Administration Fees/Penalties	5,000	5,000	5,985	985
Membership/Install	16,200	16,200	8,975	(7,225)
Miscellaneous	-	-	30	30
Less: Allowances and Deductions	(1,000)	(1,000)	-	1,000
Interest/Rebates	500	500	181	(319)
Grant Proceeds	228,994	228,994	229,984	990
	<u>419,694</u>	<u>419,694</u>	<u>403,835</u>	<u>(15,859)</u>
<b>Total revenues</b>				
<b>EXPENDITURES</b>				
Salaries/Contractors	45,000	45,000	22,306	22,694
Accounting/Legal	30,000	30,000	70,747	(40,747)
Taxes/Insurance	12,000	12,000	11,942	58
Utilities	29,000	29,000	27,689	1,311
System Supplies/Maintenance	18,000	18,000	12,188	5,812
Office/Miscellaneous	5,000	5,000	11,064	(6,064)
Reserve	1,800	1,800	-	1,800
Interest	15,000	15,000	13,533	1,467
Depreciation	65,000	65,000	68,861	(3,861)
	<u>220,800</u>	<u>220,800</u>	<u>238,330</u>	<u>(17,530)</u>
<b>Total expenditures</b>				
Excess (deficiency) of revenues over expenditures	<u>198,894</u>	<u>198,894</u>	<u>165,505</u>	<u>(33,389)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources</b>	<u>198,894</u>	<u>198,894</u>	<u>\$ 165,505</u>	<u>\$ (33,389)</u>
Budgeted cash carryover	<u>-</u>	<u>-</u>		
	<u>\$ 198,894</u>	<u>\$ 198,894</u>		

Form RD 442-2  
(Rev. 9-97)

Position 3  
UNITED STATES DEPARTMENT OF AGRICULTURE  
STATEMENT OF BUDGET, INCOME AND EQUITY

Schedule 1

Name Brazito MDWCA Address P.O. Box 16165  
Las Cruces, NM 88004

(1) OPERATING INCOME	2009 PRIOR YEAR Actual (2)	ANNUAL BUDGET BEG <u>1/1/10</u> END <u>12/31/10</u> (3)	For the _____ Months Ended _____ CURRENT YEAR		Actual YTD (Over) Under Budget Col. 3 - 5 = 6 (6)
			Actual Data		
			Current Quarter (4)	Year To Date (5)	
1. <u>Water Service</u>	152,078	170,000			
2. <u>Admin. Fees/Penalties</u>	5,075	5,000			
3. <u>Membership/Install</u>	20,337	16,200			
4. _____					
5. <u>Miscellaneous</u>	40	—			
6. <u>Less: Allowances and Deductions</u>	(1,000)	(1,000)			
7. <u>Total Operating Income</u> (Add lines 1 through 6)	176,530	190,200			
<b>OPERATING EXPENSES</b>					
8. <u>Salaries/Contractors</u>	42,761	45,000			
9. <u>Accounting/Legal</u>	29,016	30,000			
10. <u>Taxes/Insurance</u>	11,421	12,000			
11. <u>Utilities</u>	27,369	29,000			
12. <u>System Supplies/Repair</u>	18,538	18,000			
13. <u>Office/Misc.</u>	4,478	5,000			
14. <u>Reserve</u>	900	1,800			
15. <u>Interest</u>	9,777	15,000			
16. <u>Depreciation</u>	57,733	65,000			
17. <u>Total Operating Expense</u> (Add Lines 8 through 16)	201,993	220,800			
18. <u>NET OPERATING INCOME (LOSS)</u> (Line 7 less 17)	(25,463)	(30,600)			
<b>NONOPERATING INCOME</b>					
19. <u>Interest/Rebates</u>	1,209	500			
20. _____					
21. <u>Total Nonoperating Income</u> (Add 19 and 20)	1,209	500			
22. <u>NET INCOME (LOSS)</u> (Add lines 18 and 21)	(24,254)	(30,100)			
23. <u>Equity Beginning of Period</u>	1,641,081	1,616,827			
24. <u>Grant Proceeds</u>		228,994			
25. _____					
26. <u>Equity End of Period</u> (Add lines 22 through 25)	1,616,827	1,845,721			

Budget and Annual Report Approved by Governing Body

Quarterly Reports Certified Correct

Michael L. McMillan  
Secretary

2-23-0  
Date

Norman Sanders  
Appropriate Official

2/23/10  
Date

According to the Paperwork Reduction Act of 1995, no persons are 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 2-1/2 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.

Form RD 442-3  
(Rev. 3-97)

BALANCE SHEET

Name Brazito MORA  
Address P.O. Box 16165  
Las Cruces, NM 88004

ASSETS

CURRENT ASSETS

- 1. Cash on hand in Banks .....
- 2. Time deposits and short-term investments .....
- 3. Accounts receivable .....
- 4. Less: Allowance for doubtful accounts .....
- 5. Inventories .....
- 6. Prepayments .....
- 7. Construction in Progress .....
- 8. Deposits in Transit .....
- 9. Total Current Assets (Add 1 through 8)

12 31 10			12 31 09		
Month	Day	Year	Month	Day	Year
Current Year			Prior Year		
		50,000			52,964
		53,940			31,791
		6,000			7,813
(		1,000	(		1,000
		4,000			4,321
		—			90,925
		3,500			3,391
		116,440			190,205

FIXED ASSETS

- 10. Land & Land Improvements .....
- 11. Buildings .....
- 12. Furniture and equipment .....
- 13. Water Wells & Infrastructure .....
- 14. Less: Accumulated depreciation .....
- 15. Net Total Fixed Assets (Add 10 through 14)

		56,502			56,502
		229,170			229,170
		95,218			95,218
		2,282,787			1,816,787
(		574,887	(		506,887
		2,091,790			1,690,790

OTHER ASSETS

- 16. ....
- 17. ....
- 18. Total Assets (Add 9, 15, 16 and 17)

		2,208,230			1,880,995

LIABILITIES AND EQUITIES

CURRENT LIABILITIES

- 19. Accounts payable .....
- 20. Notes payable .....
- 21. Current portion of USDA note .....
- 22. Customer deposits .....
- 23. Taxes payable .....
- 24. Interest payable .....
- 25. Credit cards .....
- 26. Current portions - other NIP .....
- 27. Total Current Liabilities (Add 19 through 26)

		5,000			4,783
		4,412			4,686
		1,000			770
		2,000			2,070
		250			140
		8,535			8,287
		21,197			20,736

LONG-TERM LIABILITIES

- 28. Notes payable USDA .....
- 29. NIP - NM Environment Dept. .....
- 30. ....
- 31. Total Long-Term Liabilities (Add 28 through 30)
- 32. Total Liabilities (Add 27 and 31)

		330,360			193,925
		40,952			49,507
		371,312			243,432
		392,509			264,168

EQUITY

- 33. Retained earnings .....
- 34. Memberships .....
- 35. Total Equity (Add lines 33 and 34)
- 36. Total Liabilities and Equity (Add lines 32 and 35)

		1,815,721			1,616,827
		1,815,721			1,616,827
		2,208,230			1,880,995

CERTIFIED CORRECT

Date 2/23/10

Appropriate Official (Signature) Norman Sanders

According to the Paperwork Reduction Act of 1995, no persons are 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 0570-0015. The time required to complete this information is estimated to average 1 hour 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.

**BRAZITO MUTUAL DOMESTIC WATER CONSUMERS 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.

**BRAZITO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2010**

**Item 2010-02 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 due to additional legal fees.

**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 showed an over expenditure of \$17,530 at the end of the year.

**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. During the year ended 2010, additional expenditures for legal fees and gross receipts tax were incurred which were not budgeted and were not anticipated. The Board will monitor the budget carefully and will adjust accordingly in the future.



**BRAZITO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2010**

**Item 2010-03 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 correct.

**Management Response:**

Concur

BRAZITO MUTUAL DOMESTIC WATER CONSUMER ASSOCIATION  
EXIT CONFERENCE  
DECEMBER 31, 2010

Exit Conference:

The exit conferences were held on April 29, 2011 and July 28, 2011 with the following persons:

Norman Saunders, 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 Brazito Mutual Domestic Water Consumer Association with the assistance of management.