

BRAZITO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
AGREED-UPON PROCEDURES
DECEMBER 31, 2011

**BRAZITO MUTUAL DOMESTIC WATER CONSUMERS 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- Accrual Basis.....	11
Exhibit D - Statement of Budget, Submitted to U.S. Department of Agriculture, Rural Development.....	12-13
Schedule of Findings and Responses.....	14-16
Schedule Summary of Prior Year Findings.....	17
Exit Conference	18

**BRAZITO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
OFFICIAL ROSTER
DECEMBER 31, 2011.**

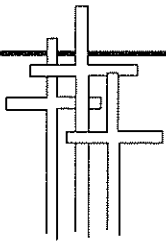
JEFF GRIFFITH - PRESIDENT

CRESCENSIO ACOTA - VICE PRESIDENT

MICHAEL MCMULLEN - SECRETARY/TREASURER

JOSEPH DOMINGUEZ - DIRECTOR

TERRY ACOSTA GARCIA - 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, 2011. 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.

A handwritten signature in black ink that reads "Clifford Ross & Cooper, LLC".

Clifford, Ross & Cooper, LLC

Las Cruces, New Mexico

October 25, 2012

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 Procedure: Obtained copies of all bank reconciliations and bank statements for the year. Verified that the banks were reconciled each month, reviewed the bank reconciliations. Finding: The banks were reconciled each month and were reviewed; each reconciliation was initial and 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 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 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 Procedure: The bank statements for the entire fiscal year ending December 31, 2010 were reviewed for balances. Finding: The bank balances never exceeded the \$250,000 threshold for the FDIC limit; therefore, pledged collateral was not required.
2)	CAPITAL ASSETS	
		The Contractor shall verify 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 kept by Mesilla Valley Accounting. Noted additions to assets starting in 1974. Finding: Noted no yearly inventory performed or certified, see Page 14 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 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. Finding: 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

REVENUE (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 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.

Finding:

No discrepancies were noted.

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; evidenced by signature and date of review.

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.								
		Procedure:								
		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.								
		Noted that budget was mailed to DFA, however no response was received back from DFA.								
		Finding:								
		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.								
		Noted some line items were over budget, but no BAR was done to adjust the budget.								
		See page 15 for Finding 2011-2.								
	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 content per Section 2.2.2.10(I)(3)(C) NMAC.								
		Finding:								
		No discrepancies noted.								
		See page 17 for Finding 2011-3 for late report.								

Brazito MDWCA

Statement of Net Assets

	Dec 31, 11
ASSETS	
Current Assets	
Checking/Savings	
Bank of America - Operating	13,056.51
Pioneer Bank - Operating	400.01
1st NM Bank - Construction	186.09
Bank of America - Reserve	7,400.00
Pioneer Bank - Reserve	100.00
ING Direct - Money Market	16.77
Total Checking/Savings	21,159.38
Accounts Receivable	
Water Utility Customers	5,496.47
Total Accounts Receivable	5,496.47
Other Current Assets	
Construction in Progress	
Brazito/Mesquite Interconnect	121,658.96
Storage Building	8,486.70
Total Construction in Progress	130,145.66
Prepaid Expenses	6,592.24
Undeposited Funds	4,201.63
Total Other Current Assets	140,939.53
Total Current Assets	167,595.38
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	2,168,469.58
Water Wells	158,777.00
Accumulated Depreciation	-648,954.02
Total Fixed Assets	2,059,182.29
TOTAL ASSETS	2,226,777.67
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Operating	3,953.38
Total Accounts Payable	3,953.38
Credit Cards	
Bank of America Visa	387.16
Total Credit Cards	387.16
Other Current Liabilities	
Gross Receipts Tax Payable	574.10
Payroll Liabilities	
Federal Income Tax Withholdings	194.00
Social Security/Medicare	226.76
State Income Tax Withholdings	51.88
State Unemployment Tax	5.05
Total Payroll Liabilities	477.69

EXHIBIT B
Brazito MDWCA
Statement of Net Assets

	Dec 31, 11
Renter Security Deposits	1,310.00
Total Other Current Liabilities	2,361.79
Total Current Liabilities	6,702.33
Long Term Liabilities	
N/P - NM Environment Dept.	41,652.93
N/P - RCAC	121,483.27
N/P - USDA Rural Development	
\$5K Loan	4,720.50
\$40K Loan	37,212.63
\$80K Loan	74,140.28
\$222K Loan	214,183.77
Total N/P - USDA Rural Development	330,257.18
Total Long Term Liabilities	493,393.38
Total Liabilities	500,095.71
Equity	
Restricted Net Assets	
USDA/RD	7,400.00
Total Restricted Net Assets	7,400.00
Unrestricted Net Assets	1,775,832.63
Retained Earnings	487.33
Net Income	-57,038.00
Total Equity	1,726,681.96
TOTAL LIABILITIES & EQUITY	2,226,777.67

Brazito MDWCA

Statement of Revenue and Expenses

	Oct - Dec 11	Jan - Dec 11
Ordinary Income/Expense		
Income		
Operating Income		
Water Service	39,907.80	172,992.49
Administrative Fees & Penalties	2,029.26	7,376.12
Membership/Installation/Impact	1,820.00	10,151.00
Total Operating Income	43,757.06	190,519.61
Non-Operating Income		
Unclaimed Customer Deposits	0.00	65.12
Total Non-Operating Income	0.00	65.12
Total Income	43,757.06	190,584.73
Expense		
Advertising	0.00	202.56
Automobile Expense	583.08	4,050.99
Bad Debts	0.00	288.88
Bank Service Charges	181.06	2,069.77
Contract Services	0.00	695.00
Depreciation Expense	18,267.96	73,206.23
Dues and Subscriptions	-3.18	488.34
Repairs & Maintenance	291.17	4,105.64
Equipment Rental	0.00	235.24
Insurance	2,058.75	6,916.09
Interest Expense	5,969.65	18,777.61
Licenses/Permits/Other Taxes	0.00	284.25
Office Expense	267.90	977.34
Payroll Expenses		
Wages	5,050.00	21,173.00
Payroll Taxes	391.39	1,653.82
Total Payroll Expenses	5,441.39	22,826.82
Professional Fees		
Accounting	7,270.64	32,868.97
Administrative	5,191.09	21,248.91
Engineering	0.00	103.26
Legal	484.03	16,929.99
Translator	994.35	2,405.28
Total Professional Fees	13,940.11	73,556.41
Suspense	0.00	0.00
System Supplies and Maintenance	2,378.40	21,572.20
Taxes		
Property	253.12	1,228.12
Water Conservation Fee	444.62	940.38
Total Taxes	697.74	2,168.50
Telephone/Internet	754.74	3,285.03
Tools & Equipment (Non-Asset)	0.00	362.50
Training/Seminars	30.00	305.00
Utilities	5,818.39	25,925.26
Total Expense	56,677.16	262,299.66
Net Ordinary Income	-12,920.10	-71,714.93

Brazito MDWCA
Statement of Revenue and Expenses

	<u>Oct - Dec 11</u>	<u>Jan - Dec 11</u>
Other Income/Expense		
Other Income		
Insurance Proceeds	0.00	14,496.80
Interest Income	0.04	0.13
Rental Proceeds	120.00	180.00
Total Other Income	<u>120.04</u>	<u>14,676.93</u>
Net Other Income	<u>120.04</u>	<u>14,676.93</u>
Net Income	<u><u>-12,800.06</u></u>	<u><u>-57,038.00</u></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, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive/(Negative)
	Original	Final		
REVENUES				
Water Service	\$ 165,000	\$ 165,000	\$ 172,992	\$ 7,992
Administration Fees/Penalties	6,000	6,000	7,376	1,376
Membership/Install	7,500	7,500	10,151	2,651
Miscellaneous	-	-	14,742	14,742
Less: Allowances and Deductions	-	-	-	-
Interest/Rebates	100	100	-	(100)
Grant Proceeds	-	-	-	-
	<u>178,600</u>	<u>178,600</u>	<u>205,261</u>	<u>26,661</u>
EXPENDITURES				
Salaries/Contractors	50,000	50,000	47,280	2,720
Accounting/Legal	45,000	45,000	49,799	(4,799)
Taxes/Insurance	14,000	14,000	9,085	4,915
Utilities	30,000	30,000	25,925	4,075
System Supplies/Maintenance	18,000	18,000	25,678	(7,678)
Office/Miscellaneous	2,500	2,500	12,549	(10,049)
Reserve	-	-	-	-
Interest	16,000	16,000	18,778	(2,778)
Depreciation	73,000	73,000	73,206	(206)
	<u>248,500</u>	<u>248,500</u>	<u>262,300</u>	<u>(13,800)</u>
Excess (deficiency) of revenues over expenditures	<u>(69,900)</u>	<u>(69,900)</u>	<u>(57,039)</u>	<u>12,861</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources	<u>(69,900)</u>	<u>(69,900)</u>	<u>\$ (57,039)</u>	<u>\$ 12,861</u>
Budgeted cash carryover	<u>69,900</u>	<u>69,900</u>		
	<u>\$ -</u>	<u>\$ -</u>		

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	2010 PRIOR YEAR Actual (2)	ANNUAL BUDGET BEG <u>1/1/11</u> END <u>12/31/11</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>	158,680	165,000			0
2. <u>Admin. Frest Penalties</u>	5,985	6,000			0
3. <u>Membership/Install</u>	8,975	7,500			0
4. _____					0
5. Miscellaneous	30				0
6. Less: Allowances and Deductions					0
7. Total Operating Income (Add lines 1 through 6)	173,670	178,500	0	0	0
OPERATING EXPENSES					
8. <u>Salaries/contractors</u>	47,204	50,000			0
9. <u>Accounting/ Legal</u>	44,320	45,000			0
10. <u>Taxes/Insurance</u>	13,708	14,000			0
11. <u>utilities</u>	30,481	30,000			0
12. <u>System Supplies/Maint.</u>	17,859	18,000			0
13. <u>Office/misc.</u>	2,363	2,500			0
14. _____					0
15. Interest	13,533	16,000			0
16. Depreciation	68,861	73,000			0
17. Total Operating Expense (Add Lines 8 through 16)	238,329	248,500	0	0	0
18. NET OPERATING INCOME (LOSS) (Line 7 less 17)	(64,659)	(70,000)	0	0	0
NONOPERATING INCOME					
19. <u>Interest</u>	180	100			0
20. _____					0
21. Total Nonoperating Income (Add 19 and 20)	180	100	0	0	0
22. NET INCOME (LOSS) (Add lines 18 and 21)	(64,479)	(69,900)	0	0	0
23. Equity Beginning of Period	1,617,928	1,783,233			0
24. <u>Grant Proceeds</u>	229,984	547,219			0
25. _____					0
26. Equity End of Period (Add lines 22 through 25)	1,783,233	2,260,552	0	0	0

Budget and Annual Report Approved by Governing Body

Quarterly Reports Certified Correct


Secretary _____ Date _____
Appropriate Official _____ 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.

* * *
 170 * *
 1281900-880 DEC 30 10
 1326 MAILED FROM ZIP CODE 88001



NM Finance Authority - LLD
 207 Shelby Street
 Santa Fe, NM 87501



Mesilla Valley Accounting
 a professional corporation
 2990 N. Main St., Suite 2D
 Las Cruces, New Mexico 88001-1195
 (575) 521-7700 • Fax: (575) 521-7702

MDUCA Budget

**BRAZITO MUTUAL DOMESTIC WATER CONSUMERS 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.

**BRAZITO MUTUAL DOMESTIC WATER CONSUMERS 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.

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 \$12,831 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. Budgets were never required to be submitted to DFA until recently. We will work to correct this problem.

**BRAZITO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011**

Item 2011-03 Late Report

Statement of Condition:

The contract was not signed until after the May 31, 2012 deadline

Criteria:

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

Effect:

The agreed upon procedure could not be started until the contract was signed

Cause:

The State Auditor did not approve the contract until after the deadline.

Recommendation:

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

Management Response:

Concur

**BRAZITO MUTUAL DOMESTIC WATER CONSUMERS 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 Budget

Repeated in current year

Item 2010-03 Late Report

Repeated in current year

**BRAZITO MUTUAL DOMESTIC WATER CONSUMER ASSOCIATION
EXIT CONFERENCE
DECEMBER 31, 2011**

Exit Conference:

The exit conferences were held on November 17, 2012 with the following persons:

Jeff Griffith, 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.