



Brazos Mutual Domestic Water Consumers Association, Inc.

Independent Accountants' Report on Applying
Agreed-Upon Procedures

For the Year Ended March 31, 2010

Brazos Mutual Domestic Water Consumers Association, Inc.

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**State of New Mexico
Brazos Mutual Domestic Water Consumers Association, Inc.**

**Official Roster
at March 31, 2010**

<u>Name</u>	<u>Title</u>
<u>Board of Directors</u>	
Tom Petersen	President
Michael Valdez	Vice President
Rubel Martinez	Treasurer
Deej Banister	Secretary
Irv Lindemuth	Director
Ron Stafford	Director
Charles Lawrence	Director

Staff

Gretchen Denman	Bookkeeper
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Independent Accountants' Report On Applying Agreed-Upon Procedures

To the Board of Directors
Brazos Mutual Domestic Water
Consumers Association, Inc.
and
Honorable Hector H. Balderas
New Mexico State Auditor

We have performed the procedures enumerated below for Brazos Mutual Domestic Water Consumers Association, Inc. (the "Association"), for the year ended March 31, 2010. The Association was determined to be a Tier 4 entity under the Audit Act, Section 12-6-3 (B) NMSA 1978 and 2.2.2.16 NMAC. The procedures were agreed to by the Association through the Office of the New Mexico State Auditor. The Association's management is responsible for the Association's Tier 4 compliance requirements. 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 are as follows:

1. 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) 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 the Department of Finance and Administration, Local Government Division (DFA-LGD).
- 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.

Findings and Results

- a) The Association has one checking account and one investment account and utilizes QuickBooks to record cash transactions. All bank reconciliations are performed on a timely basis and all bank statements were complete and on hand for the entire year.
- b) Random tests of bank reconciliations revealed that reconciliations were accurate and agreed to supporting documentation. However, as detailed in finding 2010-2, since quarterly financial reports were not submitted to DFA-LGD at any time during the year, we could not trace ending balances to the report.
- c) Bank account balances never exceeded uninsured limits and, therefore, pledged collateral was not required on any bank account during the year.

2. Capital Assets

Procedures

Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978. Also, ensure that the inventory is certified by the governing authority as to correctness.

Findings and Results

As detailed in finding 2010-1, the Association did not maintain a complete capital asset inventory listing and, therefore, did not perform a yearly inventory as required by Section 12-6-10 NMSA 1978. Consequently, the inventory's correctness was not certified by the governing authority.

3. Revenues

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 fiscal year for each type of revenue.

Select a sample of revenues based on auditor judgment 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 based on review of supporting documentation and the general ledger. Perform this test work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis. The basis for the Association is the modified accrual basis.

Findings and Results

- a) Analytical review of actual revenue compared to budgeted revenue for the year for each revenue type revealed no exceptions.
- b) Amounts recorded in the QuickBooks general ledger agreed with deposit tickets, other supporting documentation provided, and bank statements; with no exceptions.
- c) Amounts were properly recorded on the modified accrual basis and properly reflected classification, amount and period based on review of supporting documentation.

4. Expenditures

Procedures

Select a sample of cash disbursements based on auditor judgment and test using the following attributes:

- a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, data and description agree to the vendor's invoice, purchase order, contract and canceled 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).

Findings and Results

- a) As detailed in finding 2010-4, two out of twenty five cash disbursements for \$135 and \$41 tested did not have adequate source documentation to support the amounts disbursed.
- b) Disbursements were properly authorized and approved in compliance with the legal requirements and established policies and procedures.
- c) 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 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

5. Journal Entries

Procedures

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

Findings and Results

- a) Non-routine journal entries appear reasonable and are adequately supported.
- b) As detailed in finding 2010-3, there are no procedures for reviewing journal entries and there is no evidence a review of non-routine journal entries is performed.

6. 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 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.

Findings and Results

- a) The 2010 budget was approved at the Annual Membership Meeting held on May 23, 2009. However, as detailed in finding 2010-2, the budget was never submitted to DFA-LGD for approval. The budget was prepared for internal use only and the Association made no subsequent 2010 budget adjustments. The subsequent year budget has not been submitted to DFA-LGD for approval.
- b) Total actual expenditures did not exceed the final budget at the legal level of budgetary control.
- c) As detailed in finding 2010-2, the Association prepared, but did not submit, the budget report for the year ended March 31, 2010 to DFA-LGD. A schedule of revenues and expenses – budget and actual was prepared from Brazos records on the modified accrual budgetary basis. This schedule is included in this report.

7. Other

Procedures

If information comes to the Independent Public Accountants (IPA) 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.

Findings and Results

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

We were not engaged to, and did not conduct an audit of financial statements or any part thereof, the objective of which would be the expression of an opinion on the financial statements or a part thereof. 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 Brazos Mutual Domestic Water Consumers Association, Inc. the New Mexico State Auditor's Office, the DFA-LGD and the New Mexico Legislature and is not intended to be and should not be used by anyone other than those specified parties.

Loftis Group ^{uc}

November 7, 2014
Albuquerque, New Mexico

State of New Mexico
Brazos Mutual Domestic Water Consumers Association, Inc.
Schedule of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis)
For the Year Ended March 31, 2010

		Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues					
4000	Application, transfer fees	\$ -	\$ -	\$ 100	\$ 100
4020	Commercial user fees	750	750	750	-
4040	Non-User fees	2,640	2,640	1,925	(715)
4050	User fees	30,590	30,590	57,618	27,028
4060	Late payment charge	-	-	1,250	1,250
4075	Special assessment fees	<u>6,200</u>	<u>6,200</u>	<u>30</u>	<u>(6,170)</u>
	Total revenues	<u>40,180</u>	<u>40,180</u>	<u>61,673</u>	<u>21,493</u>
Expenditures					
6010	Bank charges	-	-	6	6
6015	Bad debt	500	500	502	2
6017	Computer	1,200	1,200	192	(1,008)
6030	Depreciation	-	-	21,629	21,629
6040	Dues and subscriptions	350	350	21	(329)
6050	Insurance and bonding fees	2,800	2,800	3,069	269
6060	Interest	3,826	3,826	3,684	(142)
6065	Land lease (99 year land lease)	18,825	18,825	557	(18,268)
6070	Legal and accounting	1,300	1,300	497	(803)
6075	Bookkeeping	1,200	1,200	1,263	63
6080	Licenses and permits	-	-	211	211
6110	Office supplies and postage	300	300	713	413
6120	Real estate taxes	65	65	103	38
6130	Repair, replacement, and maintenance	3,000	3,000	-	(3,000)
6136	Water tax expense	-	-	69	69
6140	Water conservation sampling and fees	200	200	-	(200)
6156	Travel	300	300	141	(159)
6160	Utilities	3,100	3,100	2,718	(382)
6165	Water manager fees	4,500	4,500	6,549	2,049

State of New Mexico
Brazos Mutual Domestic Water Consumers Association, Inc.
Schedule of Revenues and Expenditures -
Budget and Actual (Modified Accrual Basis) - Continued
For the Year Ended March 31, 2010

Expenditures - continued	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
6180 Chemicals and treatment	2,000	2,000	-	(2,000)
6185 Water system equipment repair			6,518	6,518
6200 Well maintenance and repair			892	892
6210 Pump and well parts	5,000	5,000	-	(5,000)
6215 Replacement of Falls Creek Road	5,000	5,000	-	(5,000)
6220 Disconnecting of old lines	10,000	10,000	-	(10,000)
6225 Replacement of aged water lines	5,000	5,000	-	(5,000)
6230 Uranium and arsenic removal	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Total expenditures	<u>73,466</u>	<u>73,466</u>	<u>49,334</u>	<u>(24,132)</u>
Other Income				
8500 Interest - checking	350	350	210	(140)
8520 Interest - Smith Barney	<u>1,500</u>	<u>1,500</u>	<u>84</u>	<u>(1,416)</u>
Total other income	<u>1,850</u>	<u>1,850</u>	<u>294</u>	<u>(1,556)</u>
Revenues over (under) expenditures	<u>\$ (31,436)</u>	<u>\$ (31,436)</u>	<u>\$ 12,633</u>	<u>\$ 44,069</u>

State of New Mexico
Brazos Mutual Domestic Water Consumers Association, Inc.
Schedule of Findings and Responses
For the Year Ended March 31, 2010

	<u>Type of Finding*</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current Year Findings:			
Capital Asset Inventory	D	N/A	2010-1
Budget Submission/Approval and Quarterly Financial Reports	D	N/A	2010-2
Journal Entries	C	N/A	2010-3
Cash Disbursements	C	N/A	2010-4
Late Report	D	N/A	2010-5
Follow-up on Prior Year Findings			
None	N/A	N/A	N/A

*** Legend for Findings:**

- A. Fraud
- B. illegal Act(s)
- C. Internal Control Deficiency(ies)
- D. Noncompliance

State of New Mexico
Brazos Mutual Domestic Water Consumers Association, Inc.
Schedule of Findings and Responses — continued
For the Year Ended March 31, 2010

2010-1

Capital Asset Inventory

Criteria

Section 12-6-10 NMSA 1978 requires each local public body to, at the end of each fiscal year conduct a physical inventory of capital assets costing more than five thousand dollars (\$5,000) and under control of the governing authority. The inventory shall list all capital assets and the date and cost of acquisition. Upon completion, the inventory shall be certified by the governing authority as to correctness. Each local public body shall maintain one copy in its files.

Condition

The Association did not maintain a complete capital asset inventory listing certified by the Association's Board of Directors. The Association also did not perform a yearly inventory as required by 12-6-10 NMSA 1978.

Cause

The Association was not aware of the statutory requirements for capital assets.

Effect

The Association did not comply with Section 12-6-10 NMSA 1978.

Recommendation

We recommend that the Association maintain a complete listing of assets having a value of greater than \$5,000 that are in use by the Association. A yearly inventory should be conducted and the Board of Directors should certify the correctness of the capital asset listing.

Entity Response

Based on the audit findings the Board has appointed a board member to take an annual physical inventory of all capital assets prior to March 31. The board member will present the findings to the board of directors for approval before March 31 starting in 2015.

State of New Mexico
Brazos Mutual Domestic Water Consumers Association, Inc.
Schedule of Findings and Responses — continued
For the Year Ended March 31, 2010

2010-2

Budget Submission/Approval and Quarterly Financial Reports

Criteria

Section 6-6-2 (A) NMSA 1978 requires each local public body to furnish and file with the Department of Finance and Administration-Local Government Division (DFA-LGD), on or before March 1, of each year, a proposed budget for the next fiscal year. Upon receipt of any budget approved by the DFA-LGD, the local public body shall cause such budget to be made a part of the minutes of such body. Section 6-6-2 (B) NMSA, 1978 requires each local public body to submit periodic financial reports, at least quarterly, to the DFA-LGD. Section 6-6-3 NMSA 1978 states that every local public body shall make all reports as may be required by the DFA-LGD and conform to the rules and regulations adopted by the DFA-LGD.

Condition

The Association did not submit a 2010 budget for DFA-LGD approval nor did they submit required quarterly financial cash activity and budget reports to the DFA-LGD at any time during the year.

Cause

The Association was not aware of the DFA-LGD requirements.

Effect

The Association did not comply with Sections 6-6-2 and 6-6-3 NMSA 1978.

Recommendation

We recommend that the Association submit their proposed budget to DFA-LGD for approval, on or before March 1 of each year and that upon receipt of the approved budget cause such budget to be made a part of the minutes. We further recommend that the Association submit quarterly financial reports, as required, to DFA-LGD.

Entity Response

The bookkeeper will contact the DFA-LGD and will find out how to submit budget and quarterly financial reports. Reports will be filled out by the bookkeeper and presented to the treasurer for review. Reports will then be processed with the DFA-LGD on a quarterly basis as required. Reporting will start as soon as possible for 2014-15.

State of New Mexico
Brazos Mutual Domestic Water Consumers Association, Inc.
Schedule of Findings and Responses — continued
For the Year Ended March 31, 2010

2010-3

Journal Entries

Criteria

Section 12-6-3 B (4) NMSA 1978 require that the local public body have procedures in place that require non-routine journal entries to be reviewed and that there is evidence the reviews are being performed.

Condition

Non-routine journal entries appear reasonable and adequately supported, however non-routine journal entries were not reviewed by a member of management.

Cause

The Association was not aware of the non-routine journal entry review requirement.

Effect

The Association did not comply with review requirement for non-routine journal entry transactions.

Recommendation

We recommend that the Association implement procedures to ensure that all non-routine journal entry transactions are reviewed by an individual other than the preparer.

Entity Response

All monthly journal entries prepared by the bookkeeper will be emailed to the treasurer for review and approval.

State of New Mexico
Brazos Mutual Domestic Water Consumers Association, Inc.
Schedule of Findings and Responses — continued
For the Year Ended March 31, 2010

2010-4

Cash Disbursements

Criteria

Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC require that the local public body have procedures in place that ensure cash disbursements have adequate supporting documentation.

Condition

Two out of twenty-five disbursements tested did not have invoices or receipts to support the amount disbursed. Total expenditures for these two disbursements was \$176.

Cause

The Association did not have procedures in place to ensure source documentation to support cash disbursements was retained.

Effect

The Association did not comply with Office of the State Auditor, Rule 2012, Section 2.2.2.16.H.

Recommendation

We recommend that the Association implement procedures to ensure that source documentation such as invoices and receipts be retained to support cash disbursements.

Entity Response

All future receipts and invoices will be stored for all transactions to support cash disbursements.

State of New Mexico
Brazos Mutual Domestic Water Consumers Association, Inc.
Schedule of Findings and Responses — continued
For the Year Ended March 31, 2010

2010-5

Late Report

Criteria

Office of the State Auditor, Rule 2010, Section 2.2.2.16.H, requires that local public bodies with a fiscal year end other than June 30 must submit the agreed upon procedures report no later than five months after the fiscal year end.

Condition

The Association has a March 31 year end and the agreed upon procedures report was not submitted within the required timeframe.

Cause

The independent public accountant for the agreed upon procedures contract was unable to begin the work prior to the required deadline.

Effect

The Association did not comply with Office of the State Auditor, Rule 2010, Section 2.2.2.16.H.

Recommendation

We recommend that the Association implement procedures to ensure all future agreed upon procedures reports are filed by the required deadline.

Entity Response

All future audits will be held annually and timely as required starting with year ended March 2015.

State of New Mexico
Brazos Mutual Domestic Water Consumers Association, Inc.
Exit Conference
For the Year Ended March 31, 2010

The report contents were discussed at an exit conference held on November 7, 2014 with the following in attendance:

Brazos Mutual Domestic Water Consumers Association Inc.

Rubel Martinez, Treasurer

Gretchen Denman, Bookkeeper

Accounting Firm

Nick Loftis, CPA