



**LOFTIS GROUP** LLC  
CERTIFIED PUBLIC ACCOUNTANTS ▪ BUSINESS ADVISORS

# **Brazos Mutual Domestic Water Consumers Association, Inc.**

Independent Accountant's Report on Applying  
Agreed-Upon Procedures

For the Year Ended March 31, 2014

# **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, 2014**

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<u>Name</u>	<u>Title</u>
<b><u>Board of Directors</u></b>	
Clay Kilmer	President
Mike Valdez	Vice President
Rubel Martinez	Treasurer
Deej Banister	Secretary
Jim Walker	Director
Mike Doyle	Director
Paul Walenciak	Director
Tom Petersen	Director
Irv Lindemuth	Director

**Staff**

Gretchen Denman	Bookkeeper
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## Independent Accountant's Report On Applying Agreed-Upon Procedures

To the Board of Directors  
Brazos Mutual Domestic Water  
Consumers Association, Inc.  
and  
Honorable Brian Colon  
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, 2014. Brazos 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. Revenue Calculation and Tier Determination

#### Procedures

- a) Verify that the revenue calculation and tier determination are properly calculated and determined.

#### Findings and Results

- a) The Association revenue calculation and tier determination were properly calculated and determined.

### 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 the bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to 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 were performed on a timely basis and all bank statements were complete and on hand for the entire year.
- b) Tests of bank reconciliations revealed an exception in the October 2013 bank reconciliation. As detailed in finding 2014-1, there was one outstanding check of \$754 that was not included on the reconciliation. In addition, as detailed in finding 2010-2, required quarterly financial cash reports were not submitted to DFA-LGD at any time during the year, so we could not trace ending cash balances to those reports.
- c) Bank account balances never exceeded uninsured limits and, therefore, pledged collateral was not required on any bank account during the year.

## **3. Capital Assets**

### **Procedures**

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

### **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.

## 4. 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 year for each type of revenue.

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

- b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
- 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. The basis for the Association is the cash 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) For at least 30% of total revenue required to be tested, amounts recorded in the QuickBooks general ledger agreed with deposit tickets, other supporting documentation provided, and bank statements; with no exceptions.
- c) For at least 30% of total revenue required to be tested, amounts were properly recorded on a cash basis as to classification, amount and period per review of supporting documentation.

## 5. Expenditures

### Procedures

Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test 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) For at least 30% of total cash disbursements required to be tested, our tests of transactions revealed that amounts recorded as disbursed agreed to supporting documentation, with no exceptions. Amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and check clearing amount for transactions tested, as appropriate.
- b) For at least 30% of total cash disbursements required to be tested, disbursements were properly authorized and approved in compliance with the legal requirements and established policies and procedures.
- c) For at least 30% of total cash disbursements required to be tested, 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).

## **6. Journal Entries**

### **Procedures**

Test all non-routine journal entries, adjustments and reclassifications, are 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.

### **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 is performed.

## **7. Budget**

### **Procedures**

Obtain the original fiscal year budget and all budget adjustments 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 2014 budget was approved at the Annual Membership Meeting held on July 5, 2014. 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 2014 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, 2014 to DFA-LGD. A schedule of revenues and expenditures – budget and actual was prepared from the Association's records on the cash budgetary basis. This schedule is included in this report.

## **8. 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 examination or review, the objective of which would be the expression of an opinion or conclusion. 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 <sup>WC</sup>

September 4, 2019  
Albuquerque, New Mexico

**State of New Mexico**  
**Brazos Mutual Domestic Water Consumers Association, Inc.**  
**Schedule of Revenues and Expenditures -**  
**Budget and Actual (Cash Basis)**  
**For the Year Ended March 31, 2014**

		Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>					
4000	Application, transfer fees	\$ 100	\$ 100	\$ 350	\$ 250
4010	Disconnect/reconnect fee	-	-	50	50
4020	Commercial user fees	750	750	750	-
4040	Non-User fees	1,980	1,980	1,980	-
4050	User fees	56,760	56,760	55,710	(1,050)
4060	Late payment charge	-	-	1,099	1,099
4075	Special assessment fees	99	99	99	-
4100	Other income	2,000	2,000	-	(2,000)
<b>Total revenues</b>		<u>61,689</u>	<u>61,689</u>	<u>60,038</u>	<u>(1,651)</u>
<b>Expenditures</b>					
6017	Computer	1,000	1,000	-	1,000
6030	Depreciation	-	-	11,558	(11,558)
6040	Dues and subscriptions	800	800	-	800
6050	Insurance and bonding fees	3,000	3,000	2,623	377
6060	Interest	1,912	1,912	1,525	387
6065	Land lease (99 year land lease)	5,668	5,668	-	5,668
6070	Legal and accounting	4,500	4,500	11,288	(6,788)
6075	Bookkeeping	1,500	1,500	2,213	(713)
6080	Licenses and permits	180	180	82	98
6110	Office supplies and postage	1,200	1,200	305	895
6120	Real estate taxes	120	120	111	9
6130	Repair, replacement and maintenance	8,000	8,000	-	8,000
6140	Water conservation sampling and fees	100	100	-	100
6150	Seminars and training	2,000	2,000	79	1,921
6160	Utilities	4,500	4,500	3,353	1,147
6165	Water manager fees	8,000	8,000	7,756	244

**State of New Mexico**  
**Brazos Mutual Domestic Water Consumers Association Inc**  
**Schedule of Revenues and Expenditures -**  
**Budget and Actual (Cash Basis) - continued**  
**For the Year Ended March 31, 2014**

Expenditures - continued		Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
6180	Chemicals and treatment	100	100	-	100
6185	Water system equipment repair	-	-	1,200	(1,200)
6200	Well maintenance and repair	-	-	6,977	(6,977)
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	5,000	5,000	-	5,000
<b>Total expenditures</b>		<u>72,580</u>	<u>72,580</u>	<u>49,070</u>	<u>23,510</u>
<b>Other Income</b>					
8500	Interest - checking	45	45	36	(9)
8520	Interest - investments	110	110	-	(110)
8625	Interest - Fidelity Investments	2,094	2,094	1,730	(364)
<b>Total other income</b>		<u>2,249</u>	<u>2,249</u>	<u>1,766</u>	<u>(483)</u>
<b>Revenues over (under) expenditures</b>		<u>\$ (8,642)</u>	<u>\$ (8,642)</u>	<u>\$ 12,734</u>	<u>\$ 21,376</u>

**State of New Mexico**  
**Brazos Mutual Domestic Water Consumers Association, Inc.**  
**Schedule of Findings and Responses**  
**For the Year Ended March 31, 2014**

	<u>Type of Finding*</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
<b>Current Year Findings:</b>			
Cash Reconciliation	C	N/A	2014-001
Capital Asset Inventory	D	2010-001	2010-001
Budget Submission/Approval and Quarterly Financial Reports	D	2010-002	2010-002
Journal Entries	C	2010-003	2010-003
Late Report	D	2010-005	2010-005

**Follow-up on Prior Year Findings**

See above

**\* 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, 2014**

**2014-001**

**Cash Reconciliation**

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**Criteria**

Section 12-6-3 B(4) NMSA 1978 requires that bank reconciliations are completed accurately.

**Condition**

For one of eight bank reconciliations tested, there was an outstanding check that was improperly excluded from the reconciliation. Management has taken corrective action related to this finding.

**Cause**

This check was inadvertently excluded from the reconciliation.

**Effect**

The bank reconciliation and cash balance reported in the accounting records was incorrect.

**Recommendation**

Ensure that monthly bank reconciliations are completed accurately.

**Entity Response**

The treasurer will forward a report monthly to the bookkeeper that will list all checks written for the month so the bank reconciliations are accurate.

**State of New Mexico**  
**Brazos Mutual Domestic Water Consumers Association, Inc.**  
**Schedule of Findings and Responses — continued**  
**For the Year Ended March 31, 2014**

**2010-001**

**Capital Asset Inventory**

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**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.

**Condition**

The Association also did not perform a yearly inventory as required by 12-6-10 NMSA 1978. Management has not taken corrective action related to this finding.

**Cause**

The Association did not follow 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.

**Entity Response**

The Board will appoint 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 2019.

**State of New Mexico**  
**Brazos Mutual Domestic Water Consumers Association, Inc.**  
**Schedule of Findings and Responses — continued**  
**For the Year Ended March 31, 2014**

**2010-002**

**Budget Submission/Approval and Quarterly Financial Reports**

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**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 2014 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. Management has not taken corrective action related to this finding.

**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

**State of New Mexico**  
**Brazos Mutual Domestic Water Consumers Association, Inc.**  
**Schedule of Findings and Responses — continued**  
**For the Year Ended March 31, 2014**

**2010-002**

**Budget Submission/Approval and Quarterly Financial Reports - continued**

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quarterly basis as required. Reporting will start as soon as possible for fiscal year 2019-2020.



**State of New Mexico**  
**Brazos Mutual Domestic Water Consumers Association, Inc.**  
**Schedule of Findings and Responses — continued**  
**For the Year Ended March 31, 2014**

**2010-003**

**Journal Entries**

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**Criteria**

Section 12-6-3 B(4) NMSA 1978 requires 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. Management has not taken corrective action related to this finding.

**Cause**

The Association did not comply with 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. This process will begin during the year ended March 31, 2019.

**State of New Mexico**  
**Brazos Mutual Domestic Water Consumers Association, Inc.**  
**Schedule of Findings and Responses — continued**  
**For the Year Ended March 31, 2014**

**2010-005**

**Late Report**

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**Criteria**

Office of the State Auditor, Rule 2013, 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 by the required due date. Management has not taken corrective action related to this finding.

**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 2013, 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**

Future audits will be held annually and timely as required starting with year ended March 31, 2019.

**State of New Mexico**  
**Brazos Mutual Domestic Water Consumers Association, Inc.**  
**Exit Conference**  
**For the Year Ended March 31, 2014**

The report contents were discussed at an exit conference held on December 4, 2018 with the following in attendance:

Brazos Mutual Domestic Water Consumers Association Inc.

*Jay Mason, Current Treasurer*

*Gretchen Denman, Bookkeeper*

Accounting Firm

Loftis Group, LLC