



**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, 2016

# **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, 2016**

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<u>Name</u>	<u>Title</u>
<b><u>Board of Directors</u></b>	
John Hoffman	President
Jim Walker	Vice President
Rubel Martinez	Treasurer
Deej Banister	Secretary
Jay Mason	Director
Arch Wells	Director
Tom Coombs	Director
Trevin Kistle	Director
Rex Sewell	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, 2016. 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 are 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 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 no exceptions. However, as detailed in finding 2010-002, since required quarterly financial cash reports were not submitted to DFA-LGD at any time during the year, 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 2010-001, 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 the total cash disbursements required to be tested, our tests of transactions revealed that six out of ten disbursements tested did not have adequate supporting documentation available. For these transactions, amount paid, payee, date and description could not be verified with the vendor's invoice, purchase order and contract.
- b) For at least 30% of the total cash disbursements required to be tested, as discussed above, adequate supporting documentation for disbursements could not be obtained for six out of ten transactions tested. Therefore, we were unable to verify transactions were properly authorized and approved in compliance with the legal requirements and established policies and procedures.
- c) For at least 30% of the 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 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) Procedures are in place to ensure that journal entries are reviewed and approved.

## **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 2016 budget was approved at the Annual Membership Meeting held in May 2015. However, as detailed in finding 2010-002, the budget was never submitted to DFA-LGD for approval. The budget was prepared for internal use only and the Association made no subsequent 2016 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 2010-002, the Association prepared but did not submit the budget report for the year ended March 31, 2016 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, 2016**

		Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>					
4000	Application, transfer fees	\$ 100	\$ 100	\$ 100	\$ -
4020	Commercial user fees	750	750	750	-
4040	Non-User fees	1,760	1,760	1,760	-
4050	User fees	55,900	55,900	55,900	-
4060	Late payment charge	4,000	4,000	3,855	(145)
4075	Special assessment fees	-	-	6,000	6,000
<b>Total revenues</b>		<u>62,510</u>	<u>62,510</u>	<u>68,365</u>	<u>5,855</u>
<b>Expenditures</b>					
6015	Bad debt	-	-	1,771	(1,771)
6030	Depreciation	11,000	11,000	10,934	66
6050	Insurance and bonding fees	4,000	4,000	4,031	(31)
6060	Interest	1,400	1,400	1,466	(66)
6070	Legal and accounting	8,000	8,000	7,851	149
6075	Bookkeeping	2,750	2,750	2,697	53
6080	Licenses and permits	120	120	108	12
6105	Miscellaneous	600	600	93	507
6110	Office supplies and postage	500	500	548	(48)
6115	Website	100	100	459	(359)
6120	Real estate taxes	5,000	5,000	123	4,877
6130	Repairs, replacement and maintenance	5,000	5,000	4,835	165
6160	Utilities	4,200	4,200	4,798	(598)
6165	Water manager fees	3,500	3,500	4,298	(798)
6200	Well maintenance and repair	-	-	3,665	(3,665)
<b>Total expenditures</b>		<u>46,170</u>	<u>46,170</u>	<u>47,677</u>	<u>(1,507)</u>
<b>Other Income</b>					
8500	Interest - checking	15	15	15	-
8625	Interest - Smith Barney	2,000	2,000	2,247	247
<b>Total other income</b>		<u>2,015</u>	<u>2,015</u>	<u>2,262</u>	<u>247</u>
<b>Revenues over (under) expenditures</b>		<u>\$ 18,355</u>	<u>\$ 18,355</u>	<u>\$ 22,950</u>	<u>\$ 4,595</u>

**State of New Mexico**  
**Brazos Mutual Domestic Water Consumers Association, Inc.**  
**Schedule of Findings and Responses**  
**For the Year Ended March 31, 2016**

	<u>Type of Finding*</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
<b>Current Year Findings:</b>			
Budget Submission/Approval and Quarterly Financial Reports	D	2010-002	2010-002
Late Report	D	2010-005	2010-005
Expenditures	C	N/A	2016-001
<b>Follow-up on Prior Year Findings</b>			
Capital Asset Inventory	D	2010-001	Resolved
Budget Submission/Approval and Quarterly Financial Reports	D	2010-002	2010-002
Late Report	D	2010-005	2010-005

**\* 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, 2016**

**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 2016 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 did not comply with 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

**State of New Mexico**  
**Brazos Mutual Domestic Water Consumers Association, Inc.**  
**Schedule of Findings and Responses — continued**  
**For the Year Ended March 31, 2016**

**2010-002**

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

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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 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, 2016**

**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**

All future audits will be held annually and timely as required starting with year ended March 2019.

**State of New Mexico**  
**Brazos Mutual Domestic Water Consumers Association, Inc.**  
**Schedule of Findings and Responses — continued**  
**For the Year Ended March 31, 2016**

**2016-001**

**Expenditures**

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**Criteria**

Expenditures must have adequate supporting documentation and must be properly authorized.

**Condition**

Six of ten expenditures tested for fiscal year 2016 did not have adequate supporting documentation available. As a result, we were unable to verify transactions were accurate, properly authorized and approved in compliance with the legal requirements and established policies and procedures. Management has corrected this finding.

**Cause**

The Association experienced turnover at the Board level which resulted in misplaced records.

**Effect**

The Association did not comply with record retention and internal controls required by State Statutes and State Auditor requirements.

**Recommendation**

We recommend that the Association implement procedures to ensure adequate supporting documentation is retained for all expenditures.

**Entity Response**

Internal controls will be implemented to ensure expenditure records are maintained in accordance with State Statutes and State Auditor requirements.

**State of New Mexico**  
**Brazos Mutual Domestic Water Consumers Association, Inc.**  
**Exit Conference**  
**For the Year Ended March 31, 2016**

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, Treasurer*

*Gretchen Denman, Bookkeeper*

Accounting Firm

Loftis Group, LLC