

**Butterfield Park Mutual Domestic  
Water Association**

**Independent Accountant's Report  
On Applying Agreed-Upon Procedures  
for the Year Ended June 30, 2012**

**STATE OF NEW MEXICO  
BUTTERFIELD PARK MUTUAL DOMESTIC WATER ASSOCIATION**

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**STATE OF NEW MEXICO  
BUTTERFIELD PARK MUTUAL DOMESTIC WATER ASSOCIATION**

**OFFICIAL ROSTER  
JUNE 30, 2012**

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**Board of Directors**

Alree Sweat	President
Mary Berry, Ph.D	Secretary/Treasurer
Joe Garcia	Director
Bill Berry	Director
Dave Bobber	Director

**Staff**

Lupe Terrazas	Bookkeeper
Mike Lopez	Operator

## **INDEPENDENT AUDITORS' REPORT ON APPLYING AGREED-UPON PROCEDURES**

Hector H. Balderas, State Auditor  
and the Board of Directors of the  
Butterfield Park Mutual Domestic Water Association  
Organ, New Mexico

We have performed the procedures enumerated below, which were agreed to by Butterfield Park Mutual Domestic Water Association, (the Association), for the year ended June 30, 2012. The Association was determined to be a Tier 4 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by the Association through the Office of the New Mexico State Auditor. The Butterfield Park Mutual Domestic Water Association's management is responsible for the Association'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 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 DFA-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.

#### **Observation**

- a) All bank and investment reconciliations are performed on a timely basis and all were complete and on-hand.
- b) All bank reconciliations tested did not revealed any exceptions.
- c) Bank account balances did not exceed the uninsured limits during the year ended June 30, 2012 and therefore, pledged collateral was not required for any bank account.

## **2. Capital Assets**

### **Procedures**

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

### **Observation**

Butterfield Park Mutual Domestic Water Association performed an inventory of capital assets and provided the inventory listing that was the result of their inventory.

## **3. Revenue**

### **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 based on auditor judgment and test using the following attributes:

- a) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
- b) 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.

### **Observation**

- a) Analytical review and test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed an underbudget of total revenues at the end of the year as the result of insurance proceeds and sale of equipment.
- b) Amounts recorded in the general ledger agreed with supporting documentation and the bank statements.
- c) Amounts were properly recorded on a cash basis as to classification, amount and period per 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, 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 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC ).

### **Findings**

- a) Except as described below, amounts recorded as disbursed agreed to supporting documentation: amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and cancelled check, as appropriate. However, there was one instance where the Association paid less than the vendor's invoice amount. This consisted mainly of regular monthly payments for utilities. The Association paid the remaining balance with the following monthly invoice. In addition, there was one instance where the Association did not provide backup documentation for one transaction and one instance where the expense was not classified correctly.
- b) There was 1 instance where the disbursement occurred within budget but at the end of the year the line item was overbudget. There were 24 instances where the disbursements occurred within budget and the line item was within budget at the end of the year.
- 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**

- a) Journal entries appear reasonable and have supporting documentation.
- b) Butterfield Park Mutual Domestic Water Association has no review process for journal entries and the journal entries tested have no evidence of review.

## **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**

- a) A review of Board minutes indicated that the budget was approved by the Board and submitted to the USDA RUS and DFA-LGD for approval. There were thirteen subsequent budget adjustments submitted and approved by the Association and the DFA-LGD.
- b) Total actual expenditures did not exceed the final budget approved for the Association.
- c) A schedule of revenues and expenses – budget and actual was prepared from the Association records on the cash budgetary basis.

**7. Other**

**Procedures**

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, disclose 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.

**Observation**

No indication of any fraud, illegal acts, noncompliance, or any internal control deficiencies were noted during the agreed-upon procedures testwork.

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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 Butterfield Park Mutual Domestic Water Association the New Mexico State Auditor's Office and the DFA-LGD and is not intended to be and should not be used by anyone other than those specified parties.

El Paso, Texas  
August 20, 2012

**STATE OF NEW MEXICO  
BUTTERFIELD PARK MUTUAL DOMESTIC WATER ASSOCIATION**

**SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (CASH BASIS)  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>Operating Income</b>				
Water revenue	\$ 189,900	\$ 189,900	\$ 155,318	\$ (34,582)
Other income	-	-	59,952	59,952
Total operating income	<u>189,900</u>	<u>189,900</u>	<u>215,270</u>	<u>25,370</u>
<b>Operating Expenses</b>				
Accounting/Audit	4,000	4,000	3,900	100
Advertising	100	100	-	(100)
Auto expense	4,000	4,000	2,608	1,392
Bank charges	750	750	95	655
Conservation fees	1,100	1,100	1,017	83
Meals	100	100	87	13
Dues & subscriptions	1,500	2,650	2,608	42
Insurance	6,600	6,600	1,560	5,040
Licenses/Permits	500	500	175	325
Mileage	-	1,700	1,116	584
Municipal supply	10,000	7,000	3,880	3,120
Office complex	1,450	1,950	1,619	331
Office expense	1,800	1,800	1,681	119
Education	500	500	-	500
Legal fees	-	2,000	1,598	402
Pension	2,400	2,400	2,400	-
Postage	1,450	1,450	1,402	48
Repair and maintenance	10,000	10,000	7,019	2,981
Salaries	42,000	38,000	32,559	5,441
Professional fees	2,000	5,000	4,349	651
Taxes, payroll	3,300	3,300	2,552	748
Taxes, property	2,300	1,500	1,409	91
Technical services	7,200	7,700	6,898	802
Telephone	3,000	3,000	2,746	254
RUS services	1,452	1,452	-	1,452
Utilities	35,000	36,050	32,374	3,676
Water test	500	500	-	500
Workman's comp	2,000	1,750	1,736	14
Tools	12,000	11,800	9,206	2,594
Other	-	1,250	1,078	(172)
Total operating expenses	<u>157,002</u>	<u>159,902</u>	<u>127,672</u>	<u>31,686</u>
Excess (deficiency) of revenues over expenditures	<u>32,898</u>	<u>29,998</u>	<u>87,598</u>	<u>(6,316)</u>
<b>Nonoperating expenditures</b>				
Agency loans	<u>17,425</u>	<u>17,425</u>	<u>17,424</u>	<u>1</u>
Total nonoperating expenditures	<u>17,425</u>	<u>17,425</u>	<u>17,424</u>	<u>1</u>
Revenues over (under) expenses	<u>\$ 15,473</u>	<u>\$ 12,573</u>	<u>\$ 70,174</u>	<u>\$ (6,317)</u>



**STATE OF NEW MEXICO  
BUTTERFIELD PARK MUTUAL DOMESTIC WATER ASSOCIATION**

**SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2012**

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**2012-01 Lack of Control and Documentation (Compliance Finding)**

<b>CONDITION</b>	Out of the 25 disbursements tested there was one instance where the Association paid less than the vendor's invoice amount. In addition, there was one instance where the Association did not provide backup documentation for one transaction and one instance where the expense was not classified correctly.
<b>CRITERIA</b>	Good internal controls require effective policies and procedures in place and supporting documentation for each transactions.
<b>EFFECT</b>	The Association does not have internal controls regarding when and how invoices are paid.
<b>CAUSE</b>	Policies were not put in place to meet these requirements.
<b>RECOMMENDATION</b>	A board member (other than the board member assigned to run the office) should come by the office once a week to approve/authorize and sign the disbursement checks. All supporting documentation should be maintained for each transaction.
<b>RESPONSE</b>	The Association has made improvements to its internal control which should reduce that possibility of this type of activity happening again, including: 1. Keeping track and record of all expenditures. 2. Keeping check stubs and invoices together to avoid double payments.

**2012-02 Journal Entries (Compliance Finding)**

<b>CONDITION</b>	The local public body has no review process for journal entries and the journal entries tested have no evidence of review.
<b>CRITERIA</b>	Good internal controls require effective policies and procedures in place and supporting documentation for each transactions.
<b>EFFECT</b>	The Association does not have internal controls regarding when and how journal entries are recorded.
<b>CAUSE</b>	Policies were not put in place to meet these requirements.
<b>RECOMMENDATION</b>	All journal entries should have adequate documentation attached with the journal entry. These entries should be maintained, along with documentation in a separate file. All journal entries should be approved by either the Business Manager or a member of the board.
<b>RESPONSE</b>	The Association agrees with this recommendation.

**STATE OF NEW MEXICO  
BUTTERFIELD PARK MUTUAL DOMESTIC WATER ASSOCIATION**

**EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2012**

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The report contents were discussed at an exit conference held on September 17, 2012 with the following individuals in attendance:

Butterfield Park Mutual Domestic Water Association

Mary Berry, Ph.D.	Secretary/Treasurer
Dave Bonner	Director
Bill Berry	Director
Kathi Jackson	Finance Manager - Lower Rio Grande PWWA

<u>White + Samaniego + Campbell, LLP</u>	
Luis Molina	Manager