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CERTIFIED PUBLIC ACCOUNTANTS  
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**STATE OF NEW MEXICO**

**LUMBERTON MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION**

Independent Accountants' Report on Applying  
Agreed-Upon Procedures

Year Ended December 31, 2010

**STATE OF NEW MEXICO**

**LUMBERTON MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION**

**Independent Accountants' Report on Applying  
Agreed-Upon Procedures**

**Year Ended December 31, 2010**

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**STATE OF NEW MEXICO  
LUMBERTON MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

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December 31, 2010**

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**STATE OF NEW MEXICO  
LUMBERTON MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**Official Roster  
at December 31, 2010**

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<u>Name</u>	<u>Title</u>
<b><u>Board of Directors</u></b>	
Elma Garcia	President
Richard Talamante	Vice-President
Mary Jane Maestas	Secretary
Joey Valdez	Director
Vacant	Director
<b><u>Staff</u></b>	
William Lindner	Bookkeeper
Dennis Martinez	Operator
Steven Herrera	Meter Reader



**Macias, Gutierrez  
& Co., P.C.**

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

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To: Elma Garcia, President  
Lumberton Mutual Domestic Water Consumers Association  
and  
Honorable Hector H. Balderas  
New Mexico State Auditor

We have performed the procedures enumerated below for the Lumberton Mutual Domestic Water Consumers Association (LMDWCA), for the year ended December 31, 2010. The LMDWCA 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 LMDWCA through the Office of the New Mexico State Auditor. The Lumberton Mutual Domestic Water Consumers Association's management is responsible for the organization'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.

#### **Findings**

- a) The LMDWCA has three checking accounts and utilizes excel spreadsheets to record cash transactions. All bank reconciliations are performed on a timely basis and all were complete and on-hand.

- b) Random tests of bank reconciliations revealed no exceptions. The reconciliations were accurate and agreed with supporting documentation. However, required quarterly financial reports were not submitted to DFA-LGD at any time during the year. The LMDWCA bookkeeper indicated that submission of required quarterly financial reports would begin with the March 2011 report.
- c) Bank account balances never exceeded uninsured limits and therefore, pledged collateral was not required on 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.

### **Findings**

The LMDWCA does not have an inventory listing and, therefore, did not perform a yearly inventory as required by Section 12-6-10 NMSA 1978.

## **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.

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.

### **Findings**

- a) Analytical review and test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed no exceptions.
- b) Amounts recorded on excel spreadsheets 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 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 13-1-99 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 no supporting documentation provided for 10 of the 35 expenses tested. These consisted mainly of regular monthly payments to the bookkeeper, meter reader, secretary and hall rental for Board meetings. All of these expenses were authorized in the budget.
- b) Disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures. However, none of the expense documents provided were marked with the date paid or check number.
- 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**

The LMDWCA does not have a general ledger accounting system but utilizes excel spreadsheets to record cash transactions only and does not prepare journal entries.

## **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 but was not submitted to DFA-LGD for approval. The budget was prepared for internal use only and the LMDWCA made no subsequent 2010 budget adjustments. The 2011 budget has not yet been submitted to the DFA-LGD for approval.
- b) Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control. However, total budgeted expenses exceeded total budgeted revenue by \$18.
- c) The LMDWCA prepares but did not submit the budget report for the year ended December 31, 2010 to DFA-LGD. A schedule of revenues and expenses – budget and actual was prepared from LMDWCA records on the cash budgetary basis. This schedule is included herein as Exhibit A.

## **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.

### **Findings**

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. However, see the Schedule of Findings and Responses for noncompliance issues related to the Cash and Budget findings above.

\* \* \* \* \*

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 Lumberton Mutual Domestic Water Consumers 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.

*Macias, Gutierrez & Co., CPAs, P. C.*

Macias, Gutierrez & Co., CPAs, P. C.  
Española, New Mexico  
April 20, 2011



**STATE OF NEW MEXICO**  
**LUMBERTON MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**  
**Schedule of Revenues and Expenses-Budget and Actual (Cash Basis)**  
**Year Ended December 31, 2010**

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues:</b>				
Water Service & Fees	\$ 59,000	\$ 59,000	\$ 55,239	\$ (3,761)
Taxes-Gross Receipts Tax	2,950	2,950	2,374	(576)
Taxes-Water Conserv. Fund	100	100	80	(20)
Total revenues	<u>62,050</u>	<u>62,050</u>	<u>57,693</u>	<u>(4,357)</u>
Cash balance budgeted	-	-	-	-
Total revenues and cash balance budgeted	<u>62,050</u>	<u>62,050</u>	<u>57,693</u>	<u>(4,357)</u>
<b>Expenses:</b>				
USDA Loan	5,124	5,124	5,124	-
NMED RIP	2,917	2,917	2,917	-
Bank Checks, Charges & Fees	150	150	12	138
Bookkeeping/Billing/Secretarial	2,700	2,700	2,700	-
Dues & Subscriptions (NMRWA)	117	117	117	-
Insurance	3,600	3,600	3,616	(16)
Office Equipment & Hall Rental	500	500	270	230
Office Supplies	200	200	24	176
Permits, Fees, Registration	10	10	10	-
Postage	450	450	364	86
Taxes-Gross Receipts	2,950	2,950	2,452	498
Taxes-Water Conservation Fee	250	250	158	92
Telephone & Internet	1,300	1,300	1,037	263
Contract Labor-Operator	18,000	18,000	17,739	261
Contract Labor-Meter Reader	3,300	3,300	2,850	450
Repairs & Maintenance	10,000	10,000	2,737	7,263
Supplies, Tools, Equip Rentals	1,000	1,000	1,120	(120)
Utilities: Electricity & Propane	7,000	7,000	7,434	(434)
Critical-Parts Reserve	2,500	2,500	1,970	530
Returned Checks-Receivables	-	-	70	(70)
Total expenses	<u>62,068</u>	<u>62,068</u>	<u>52,721</u>	<u>9,347</u>
<b>Excess revenues over (under) expenses</b>	<u>\$ (18)</u>	<u>\$ (18)</u>	<u>\$ 4,972</u>	<u>\$ 4,990</u>

**STATE OF NEW MEXICO  
LUMBERTON MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**Schedule of Findings and Responses  
Year Ended December 31, 2010**

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	<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	N/A	2010-1
<b>Follow-up on Prior Year Findings:</b>			
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  
LUMBERTON MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**Schedule of Findings and Responses  
Year Ended December 31, 2010**

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**2010-1**

**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 DFA-LGD, on or before December 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 Compilation states that every local public body shall make all reports as may be required by the Department of Finance and Administration-Local Government Division (DFA-LGD) and conform to the rules and regulations adopted by the DFA-LGD.

**Condition**

The Lumberton Mutual Domestic Water Consumers Association (LMDWCA) did not submit their 2010 budget for DFA-LGD approval. In the budget prepared for internal use, total budgeted expenses exceeded total budgeted revenues by \$18. Periodic financial reports were not submitted, as required, to the DFA-LGD at any time during the year.

**Cause**

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

**Effect**

The LMDWCA has not complied with Sections 6-6-2 and 6-6-3 NMSA 1978.

**Recommendation**

We recommend that the LMDWCA submit their proposed budget to DFA-LGD for approval, on or before December 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 LMDWCA submit periodic financial reports, as required.

**Entity Response**

“The LMDWCA will undertake to submit the required reports to DFA-LGD this year. The Association was not aware of any such requirement.”

**STATE OF NEW MEXICO  
LUMBERTON MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**Exit Conference  
Year Ended December 31, 2010**

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**EXIT CONFERENCE**

The report contents were discussed at an exit conference held on April 26, 2011 with the following in attendance:

Lumberton Mutual Domestic Water Consumers Association

Elma Garcia, Board President  
William Lindner, Bookkeeper

Accounting Firm

James R. (Jim) Macias, CPA