



MACIAS, GUTIERREZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESPANOLA, NEW MEXICO
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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, 2012

STATE OF NEW MEXICO

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

**Official Roster
at December 31, 2012**

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



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To: Joey Valdez, 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, 2012 solely to assist LMDWCA in demonstrating compliance with a Tier 4 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978, Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978, as set forth in the accompanying Exhibits A, B and C. 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 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

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

- b) Random tests of bank reconciliations revealed no exceptions. The reconciliations were accurate and agreed with supporting documentation. Ending balances agree with required quarterly financial reports submitted to DFA-LGD and at year-end.
- c) The three bank accounts described in a) above are in one financial institution. Cumulative 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 performed 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.

Select a sample of revenue based on auditor judgment 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 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) An analytical review of prior-year to current-year revenue revealed no unexplained or unusual variations. The test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed no exceptions.
- b) We requested supporting documentation for ten (10) deposits (31% of total revenue) from a total of 32 deposits for the year. Amounts recorded on excel spreadsheets agreed with supporting documentation and the bank statements without exception.
- c) Amounts were properly recorded on a cash basis as to classification, amount and period per review of supporting documentation without exception.

4. Expenditures

Procedures

Select a sample of cash disbursements based on auditor judgment 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) We requested supporting documentation for 25 disbursements (34% of total expenditures) from a total of 126 disbursements for the year. For the sample selected, amounts recorded as disbursed agreed to supporting documentation. Amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and photocopied cancelled check, as appropriate.
- b) Except for total actual expenditures exceeding total budgeted expenditures, disbursements were properly authorized and approved in compliance with the budget, 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

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 2012 budget was approved by the Board and was submitted to DFA-LGD for approval. However, the LMDWCA received and expended a USDA grant (\$6,204), after the original budget was approved, but did not submit a subsequent 2012 budget increase for approval.
- b) Total actual expenditures exceeded the final budget at the total fund level, the legal level of budgetary control, by \$2,521, which was primarily due to expending the USDA grant mentioned above without budget authority.
- c) The LMDWCA submitted an actual revenue and expenditures compared to budgeted revenues and expenditures report for the year ended December 31, 2012 to DFA-LGD (herein Exhibit C). That report incorrectly included, as both revenue and expenditure, additional USDA grant funds (\$9,375) received in error that were immediately returned to USDA. A schedule of revenues and expenditures – budget and actual was prepared from that report and other 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 Budget Overexpended finding above and Late Report.

* * * * *

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 any part thereof, including the accompanying Exhibits A, B and C. 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 Department of Finance and Administration-Local Government Division 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.
Espanola, New Mexico
July 30, 2013

STATE OF NEW MEXICO
LUMBERTON MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Schedule of Revenues and Expenditures-Budget and Actual (Cash Basis)
Year Ended December 31, 2012

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Water Service & Fees	\$ 58,500	\$ 58,500	\$ 65,195	\$ 6,695
Membership & hook up fees	-	-	-	-
Taxes-Gross Receipts Tax	2,925	2,925	2,605	(320)
Taxes-Water Conserv. Fund	90	90	96	6
USDA Grant	-	-	6,204	6,204
Interest	-	-	6	6
Total revenues	<u>61,515</u>	<u>61,515</u>	<u>74,106</u>	<u>12,591</u>
Cash balance budgeted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and cash balance budgeted	<u>61,515</u>	<u>61,515</u>	<u>74,106</u>	<u>12,591</u>
Expenditures:				
USDA Loan	5,124	5,124	5,124	-
NMED RIP	2,917	2,917	2,917	-
Bank Checks, Charges & Fees	15	15	478	(463)
Bookkeeping/Billing/Secretarial	2,700	2,700	4,150	(1,450)
Professional services	2,700	2,700	2,704	(4)
Dues & Subscriptions (NMRWA)	125	125	258	(133)
Insurance	3,700	3,700	3,626	74
Office Equipment and Hall Rental	360	360	420	(60)
Office Equipment and Supplies	400	400	389	11
Permits, Fees, Registration	10	10	30	(20)
Postage	450	450	405	45
Taxes-Gross Receipts	2,600	2,600	2,731	(131)
Taxes-Water Conservation Fee	170	170	158	12
Telephone & Internet	1,200	1,200	1,421	(221)
Contract Labor-Operator	18,000	18,000	15,472	2,528
Contract Labor-Meter Reader	3,000	3,000	2,213	787
Repairs & Maintenance	8,000	8,000	7,642	358
Utilities: Electricity & Propane	8,000	8,000	7,076	924
Critical-Parts Reserve	2,000	2,000	300	1,700
Miscellaneous	-	-	274	(274)
Grant Funds expended-Loop Line	-	-	6,204	(6,204)
Total expenditures	<u>61,471</u>	<u>61,471</u>	<u>63,992</u>	<u>(2,521)</u>
Excess revenues over (under) expenditures	<u>\$ 44</u>	<u>\$ 44</u>	<u>\$ 10,114</u>	<u>\$ 10,070</u>

FUND	CURRENT QUARTER	TO DATE	APPROVED BUDGET	% OF BUDGET
REVENUES:				#DIV/0!
Water Service and Fees	\$ 15,608.61	\$ 65,194.99	\$ 58,500.00	1.114444274
Membership and Hook-up fees				#DIV/0!
Taxes-Gross Receipts Tax	\$ 591.88	\$ 2,605.13	\$ 2,925.00	0.890642735
Taxes-Water Conservation fee	\$ 22.97	\$ 96.43	\$ 90.00	1.071444444
Grants		15578.63		#DIV/0!
Interest	\$ 1.52	6.07		#DIV/0!
Other				#DIV/0!
				#DIV/0!
				#DIV/0!
TOTAL REVENUE		\$ 83,481.25	\$ 61,515.00	1.357087702
TRANSFERS: IN/(OUT)				#DIV/0!
				#DIV/0!
				#DIV/0!
				#DIV/0!
NET TRANSFERS			0	#DIV/0!
EXPENDITURES:				
USDA Loan		1281 5,124.00	\$ 5,124.00	1
NMED Rip		2,916.58	\$ 2,916.58	1
Bank Checks, Charges and Fees	\$ 424.00	477.95	\$ 15.00	31.86333333
Bookkeeping/Billing/Secretarial	\$ 1,275.00	4,150.00	\$ 2,700.00	1.537037037
Professional Services: CPA/Audit		2,704.69	\$ 2,700.00	1.001737037
Dues and Subscriptions (NMRWA)	\$ 129.00	258.00	\$ 125.00	2.064
Insurance		3,626.00	\$ 3,700.00	0.98
Office equipment and Hall Rental	\$ 90.00	420.00	\$ 360.00	1.166666667
Office Equipment and Supplies	\$ 89.84	388.66	\$ 400.00	0.97165
Permits, fees and registration		30.00	\$ 10.00	3
Postage	\$ 180.00	405.00	\$ 450.00	0.9
Printing and copying		0.00		#DIV/0!
Taxes-Gross Receipts Tax	\$ 805.92	2,730.60	\$ 2,600.00	1.050230769
Taxes-Water Conservation fee	\$ 36.45	157.78	\$ 170.00	0.928117647
Telephone and Internet	\$ 336.09	1,421.61	\$ 1,200.00	1.184675
Contract Labor-Operator	\$ 4,277.34	15,472.60	\$ 18,000.00	0.859588889
Contract Labor-Meter Reader	\$ 271.03	2,213.55	\$ 3,000.00	0.73785
Repairs and Maintenance	\$ 4,839.95	7,641.66	\$ 8,000.00	0.9552075
Utilities: Electricity and Propane	\$ 1,262.69	7,076.15	\$ 8,000.00	0.88451875
Critical Parts Reserve		300.00	\$ 2,000.00	0.15
Miscellaneous	134.31	273.82		#DIV/0!
Grant funds expended		15,578.63		#DIV/0!
TOTAL EXPENDITURES	\$ 15,432.62	\$ 73,367.28	\$ 61,470.58	1.193534858

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

**Schedule of Findings and Responses
Year Ended December 31, 2012**

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current Year Findings:			
Budget Overexpended	D	N/A	2012-1
Late Report	D	N/A	2012-2
Follow-up on Prior Year Findings:			
Budget Increase Adjustment Approval and Quarterly Financial Reports	D	2010-1	Resolved

*** 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, 2012**

2012-1

Budget Overexpended

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 December 1 of each year a proposed budget for the next fiscal year. Section 6-6-6 NMSA, 1978 states that when any budget for a local public body has been approved, it is binding upon all officials and governing authorities, and no governing authority or official shall allow or approve claims in excess thereof.

Condition

The Lumberton Mutual Domestic Water Consumers Association (LMDWCA) submitted a 2012 budget for DFA-LGD approval. However, subsequent to budget approval, the LMDWCA received and expended a USDA grant in the amount of \$6,204 but did not submit a budget increase adjustment for DFA-LGD approval. The result was that total actual expenditures exceeded total approved budgeted expenditures by \$2,521.

Cause

The LMDWCA did not recognize the need to submit a budget increase adjustment to DFA-LGD for the USDA grant.

Effect

The LMDWCA has not complied with Section 6-6-6 NMSA 1978.

Recommendation

We recommend that the LMDWCA take appropriate measures to adjust the budget, as needed, to ensure that total actual expenditures do not exceed total budgeted expenditures.

Entity Response

“We are working to modify our budget processes to address receipt and expenditure of grant funds received. Such funds have previously been excluded from the budget process as they have been conditional and overseen by the grantor.”

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

**Schedule of Findings and Responses
Year Ended December 31, 2012**

2012-2

Late Report

Criteria

Office of the State Auditor, Rule 2012, 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 fiscal-year end.

Condition

The Lumberton Mutual Domestic Water Consumers Association (LMDWCA) has a December 31 year end but the agreed-upon procedures report was submitted more than five months after the end of the fiscal year.

Cause

Although the second year of the three-year proposal was mutually accepted by the LMDWCA and the independent public accountant, the LMDWCA did not prepare and submit the required recommendation form and contract to the State Auditor for approval in a timely manner. Since the contract was approved subsequent to the June 1 report deadline, the actual agreed-upon procedures engagement was started and completed after the deadline.

Effect

The LMDWCA has not complied with Office of the State Auditor, Rule 2012, Section 2.2.2.16 H.

Recommendation

We recommend that the LMDWCA prepare and submit the required recommendation and contract forms timely to ensure future agreed-upon procedures reports are submitted by the deadline.

Entity Response

“Additional training will be provided to the bookkeeper to educate him regarding the renewal process for the Agreed Upon Procedures review, specifically the submission of a recommendation form, contract, and their associated deadlines.”

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

**Exit Conference
Year Ended December 31, 2012**

EXIT CONFERENCE

The report contents were discussed at an exit conference held on July 30, 2013 with the following in attendance:

Lumberton Mutual Domestic Water Consumers Association

Richard Talamante, Board Vice-President
Edward Ainsworth, Bookkeeper

Accounting Firm

James R. (Jim) Macias, CPA