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STATE OF NEW MEXICO  
Big Mesa Mutual Domestic Water Consumers Association

Independent Accountants' Report on  
Applying Agreed-Upon Procedures  
May 31, 2010

*Sandra Rush CPA PC  
1101 E Llano Estacado  
Clovis, New Mexico 88101*

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STATE OF NEW MEXICO  
BIG MESA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
Office of the State Auditor Tier 6 Agreed-Upon Procedures

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May 31, 2010

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STATE OF NEW MEXICO  
BIG MESA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
Office of the State Auditor Tier 6 Agreed-Upon Procedures

Official Roster  
For the year ended May 31, 2010

Association Supervisors

Fred Steig	President
Verlyn Miller	Vice-President
Randy Sommer	Secretary
Larry Back	Treasurer
Ron Chinberg	Supervisor
Vic Harp	Supervisor
Tim Isengaurd	Supervisor
Will Plotner	Supervisor
Larry Gunther	Supervisor

Independent Accountant's  
Report on Applying Agreed-Upon Procedures

Brian Colón, New Mexico State Auditor  
Members of the Board of Supervisors  
Big Mesa Mutual Domestic Water Consumers Association  
Conchas, New Mexico

I have performed the procedures enumerated below, which were agreed to by the Big Mesa Mutual Domestic Water Consumers Association (Association) and the New Mexico State Auditor (specified parties), solely to assist you with respect to the compliance with Tier 6 of the Audit Act - Section 12-6-3 B (5) NMSA 1978 and Section 2.2.2.16 NMAC as of and for the year ended May 31, 2010. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, I 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. Management is responsible for the Association's accounting records.

The procedures and results are detailed under Scope of Procedures and Results as noted in the table of contents.

My findings related to the procedures in the Scope of Procedures and Results are presented in the accompanying Schedule of Findings and Responses as listed in the table of contents.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. I was not engaged to, and did not conduct an examination or a review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Tier Verification, Cash, Capital Assets, Debt, Revenue, Expenditures, Journal Entries, Budget, Capital Outlay Appropriations or Other of the District as of and for the year ended May 31, 2010, included in the accompanying information provided to me by management of the Association. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures other matters might have come to my attention that would have been reported to you.

This report is intended solely for the information and use of the Association, the New Mexico State Auditor, the New Mexico Legislature and the DFA-LGD and is not intended to be and should not be used by anyone other than those specified parties.

***Sandra Rush CPA PC***

Sandra Rush CPA PC  
Clovis, New Mexico  
September 30, 2019

## **1. Revenue Calculation and Tier Determination**

### **Procedure**

Verify the local public body's revenue calculation and tier determination documented on the form provided at [www.osanm.org](http://www.osanm.org) under "Tiered System Reporting Main Page."

### **Results of Procedures Performed**

Verified the Association's revenue calculation and tier determination. No exceptions noted.

## **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 DFA-Local Government Division.
- 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.

### **Results of Procedures Performed**

- a. Tested 24 of 24 bank reconciliations (100%) prepared for FY 5/2010 and noted that all were performed by the end of the following month which is considered timely. Also, I noted that all bank statements were complete and on hand at the Association's office.
- b. Tested 10 of 24 bank reconciliations (42%) and recalculated them, no errors noted. Traced the ending balance to the financial statements, the related supporting documentation including bank statements, and details of reconciling items. The Association was unable to provide a detailed general ledger. Quarterly financial reports were not submitted to DFA-Local Government Division. Finding 2010-001 and 2010-003
- c. Bank account balances did not exceed uninsured limits as of May 31, 2010 therefore, pledged collateral was not required on the bank account at the end of 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.

### **Results of Procedures Performed**

The Association did not perform an annual capital asset inventory and certify it as correct as required by Section 12-6-10 NMSA 1978. Finding 2010-002

## **4. Debt**

### **Procedures**

Verify that the required debt payments were made during the year. If the debt agreement requires reserves, verify that the local public body is in compliance with those requirements

## **Results of Procedures Performed**

Association has three (3) outstanding loans. One (1) with Morper, Wiegel & Quintana, one (1) with John Deere Credit, and one (1) with New Mexico Finance Authority on May 31, 2010. Payments for each loan were traced to the bank statements. None of the loans require debt reserves.

## **5. 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 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.

### **Results of Procedures Performed**

Identified the types of revenue that the Association receives by reviewing rate schedules and underlying documentation. The Association receives revenues from customers for connecting to the system, water usage, membership dues, reconnection fees, trash collection fees and miscellaneous other income.

- a. Performed an analytical review of revenues by comparing actual revenue to the budgeted revenue for the year for each type of revenue. The results of the analytical review were as expected. The Association does not include grants and gains on sale of assets in its operating budget.
- b. Judgmentally selected 50 revenue items, which totaled 30% of all revenue dollars, and agreed all to their respective supporting documentation and the bank statement.
- c. A detailed general ledger was not available to verify classification. Finding 2010-001

## **6. Expenditures**

### **Procedures**

Select a sample of cash disbursements equals 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, date 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).

**Results of Procedures Performed**

- a. Judgmentally selected 114 cash disbursements, approximately 56% of all disbursements, and determined that the amount recorded as disbursed agrees to adequate supporting documentation. I also verified that the amount, payee, date and description agree to the vendor's invoice, purchase order, contract and canceled check, as appropriate.
- b. Judgmentally selected 114 cash disbursements, approximately 56% of all disbursements, and determined authorized was not documented on any of the disbursements. The Association did not submit the budget to DFA-LGD for approval. Finding 2010-003 and 2010-004
- c. Judgmentally selected 114 cash disbursements, approximately 56% all disbursements, and when applicable, I determined 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- I 99 NMSA 1978) and State Purchasing Regulations (1.4. I NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

**7. 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.

**Results of Procedures Performed**

a & b. The District's journal entries were prepared by a Certified Public Accountant. The District was unable to provide journal entry documentation. There was no evidence the journal entries were reviewed or approved by the board. Finding 2010-005

**8. Budget**

**Procedures**

Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following test work:

- 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.

**Results of Procedures Performed**

- a. The District did not submit a budget to DFA-LGD. There were no documentation budget adjustments were made or approved by the Board. Finding 2010-003

- b. On the budget presented with the financial statements total actual expenditures exceeded the final budget at the fund level (\$84,394), the legal level of budgetary control for Mutual Domestic Water Consumers Association's. Finding 2010-006
- c. See the attached page 9 for the statement of revenues and expenditures budget and actual - cash basis.

## 9. Capital Outlay Appropriations

### Procedures

Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the fiscal year that meet the Tier 6 criteria. Perform the following tests on all state-funding capital outlays expenditures:

- a. Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.
- b. Determine that the cash disbursements were properly authorized and approved in accordance 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 and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).
- d. Determine the physical existence (by observation) of the capital asset based on expenditures to date.
- e. Verify that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.
- f. If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.
- g. If the project is complete, determine if there is an unexpended balance and whether it was relieved per statute and agreement with the grantor.
- h. Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so, required by the capital outlay award agreement.
- i. Determine whether reimbursement requests were properly supplied by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.

### Results of Procedures Performed

- a) There were no disbursements for state-funded capital outlay.
- b) There were no disbursements for capital outlay: the budget, legal requirements and established policies and procedures reflected this.
- c) There was no bid process activity during the year.
- d) No state-funded capital assets were purchased during the year.
- e) No capital assets were purchased no oversight agency is involved.
- f) No project funds in advance.
- g) All past projects have been completed. No unexpected balances are reflected to be reverted to the grantor.



- h) There was no cash received for state-funded capital outlay during the year.
- i) There was no cost incurred during the year.

**10. Other**

**Procedures**

If information comes to the IPA's 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(L) NMAC.

**Results of Procedures Performed**

Information that came to my attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies is presented in the Schedule of Findings and Responses. Finding 2010-007 and 2010-008

STATE OF NEW MEXICO  
 BIG MESA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
 Office of the State Auditor Tier 6 Agreed-Upon Procedures  
 Enterprise Fund - Water Operation and Trash Collections Fund - 501  
 Schedule of Revenues, Expenses, and Changes in Cash Balance  
 Budget and Actual (Non - GAAP Budgetary Basis)  
 For the year ended May 31, 2010

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue				
Charges for services	\$ 299,000	\$ 299,000	\$ 307,610	\$ 8,610
Total revenue	299,000	299,000	307,610	8,610
Expenses				
Current				
Public works	98,400	98,400	128,810	(30,410)
Personal	132,100	132,100	142,549	(10,449)
Total expenditures	230,500	230,500	271,359	(40,859)
Excess (deficiency) revenues over (under) expenditures	68,500	68,500	36,251	(32,249)
Other financing sources (uses):				
Late charges	3,500	3,500	5,130	1,630
Fees	1,050	1,050	1,291	241
Other	500	500	2,536	2,036
Interest	2,700	2,700	1,968	(732)
(Gain) loss sale of asset	-	-	-	-
Bad debts	-	-	(20,071)	(20,071)
Loan administration fees	(250)	(250)	(177)	73
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	(19,316)	(19,316)
Interest	(3,100)	(3,100)	(7,321)	(4,221)
Operating transfers net	-	-	-	-
Designated cash	-	-	-	-
Total other financing sources (uses)	4,400	4,400	(35,960)	(40,360)
Net change in cash balances	72,900	72,900	291	(72,609)
Cash balance, beginning	-	-	204,472	204,472
Cash balance, ending	\$ 72,900	\$ 72,900	\$ 204,763	\$ 131,863

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

BIG MESA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

Department of Finance and Administration-Local Government Division Report (DFA-LGD)

For the Year ended May 31, 2010

Big Mesa Domestic Water Consumers Assocoation did not submit financial reports to DFA-LGD

STATE OF NEW MEXICO  
Big Mesa Mutual Domestic Water Consumers Association  
Schedule of Findings and Responses  
For the Year Ended May 31, 2010

Prior Year Findings

Does Not Apply

Current Year Findings

2010-001 Missing Record

Material Weakness

Condition

The Association was unable to provide a detailed general ledger for FY 5/2010. The Association uses a local CPA to prepare the monthly financial statements. I was unable to determine if the CPA provided the Association with a copy of the general ledger either monthly or annually.

Criteria

Section 6-6-3 of the New Mexico Statutes states that every local public body shall keep all the books, records, and accounts in their respective offices in the form prescribed by the local government division. Also, the Tier 6 procedures require the IPA to trace revenues and expenses to the general ledger to verify classification, payee, and amount.

Effect

The Association lacks the ability to verify amounts reported in the financial statements.

Cause

The general ledger and other records were not kept in a central location.

Recommendation

The Association should implement procedures to ensure that all records for each fiscal year are stored in a central location. A log should be kept to document which records were kept and where they are stored.

Response:

The Association will develop a written policy and procedure to ensure all Records for Fiscal Year are stored in a central location with a log kept by Business Manager to document all record kept and location.

Employee Responsible: Water Business Manager

Expected Correction Date: 12/14/2019 at Monthly Board meeting

STATE OF NEW MEXICO  
Big Mesa Mutual Domestic Water Consumers Association  
Schedule of Findings and Responses  
For the Year Ended May 31, 2010

2010-002      Annual Inventory Certification

Other Compliance

Condition

The Association had a capital asset/depreciation schedule for FY 5/2010 however, the Association failed to perform a physical inventory count and certify the schedules correctness at the end of the fiscal year.

Criteria

According to Section 12-6-10. NMSA 1978, "The governing authority of each agency shall, at the end of each fiscal year, conduct a physical inventory of movable chattels and equipment costing more than five thousand dollars (\$5,000) and under the control of the governing authority. The agency shall certify the correctness of the inventory after the physical inventory. This certification shall be provided to the agency's auditors."

Effect

The Association was not in compliance with 12-6-10 NMAC 1978 regarding their annual capital asset certification.

Cause

The board was unaware of the requirement to perform a physical inventory and certify it as correct.

Recommendation

The Association should implement procedures perform a physical inventory at year end and have the capital asset inventory certified by the Board.

Response:

We are currently performing physical inventory at year end and we certify Capitol Asset inventory by Board of Directors yearly as well. The Association will develop a written policy to ensure inventory and capitol asset inventory will be completed yearly and certified by the Board.

Employee Responsible: Water Business Manager  
Expected Correction Date: Corrected

STATE OF NEW MEXICO  
Big Mesa Mutual Domestic Water Consumers Association  
Schedule of Findings and Responses  
For the Year Ended May 31, 2010

2010-003 Non-compliance with Budget Laws and Regulations

Other Compliance

Condition

The Association did not prepare and submit a FY 5/2010 annual budget to the New Mexico Department of Finance & Administration-Local Government Division (DFA-LGD) for review and approval. Also, the Association did not submit FY 5/2010 quarterly financial reports to DFA-LGD.

Criteria

Pursuant to Section 6-6-2. A NMSA 1978, each local public body is required to furnish DFA-LGD, on or before June 1 of each year, a proposed budget for the next fiscal year. Since the Association's fiscal year end for FY 2010 is May 31, the Association is required to submit its proposed budget to DFA-LGD by June 30 of each year. Also, each local public body is required to submit quarterly financial reports and budget adjustments to DFA-LGD per Section 6-6-2. F and 6.6.2.G NMSA 1978, respectively. Furthermore, per Section 6-6-5 NMSA 1978, upon receipt of any budget approved by DFA LGD, the local public body shall cause such budget to be made a part of the minutes of such body.

Effect

For FY 5/2010, the Association was not in compliance with the State's budget laws and regulations.

Cause

The Association was not aware of the State of New Mexico's budget laws and reporting requirements for local governments which include Mutual Domestic Water & Sewer Associations.

Recommendation

The Association should adopt, approve and submit its annual budget for the next fiscal year to DFA-LGD by June 30. After the Association receives the budget certification letter from DFA-LGD, the Association's Board of Directors should make record of the approval in the minutes of its meetings. The Association should submit its budget adjustments and quarterly financial reports to DFA-LGD as required. The Association should develop and implement written policies and procedures to ensure that the budget laws and regulations are fully complied with in the future.

Response:

The Association has adopted, approved and submit its annual budget for 2019 and 2020 to DFA-LGD and they have been approved. A file was created for state approvals of yearly budget and will be recorded in Monthly Board Meeting following approval. The Association will develop a written policy to ensure budget laws and regulations are complied with.

Employee Responsible: Water Business Manager  
Expected Correction Date: 12/14/2019

2010-004 Expenditures

Internal Control & Compliance

Condition

During the review of expenditure, the following was noted:

- Board approval was not documented for purchases or payment of invoices.

Criteria

Section 6-5-8 NMSA 1978, states that purchases for goods and services, other than personnel, must be accompanied by supporting invoices and documentation, and the New Mexico Procurement Code (13-1-28 to 13-1-199 NMSA 1978) states that purchase orders should be approved by management prior to purchases, including purchase order revisions as necessary.

Effect

The lack of enforcing Section 6-5-8 NMSA 1978 may result in the un-authorized purchases and/or purchases that exceed available resources. The Association is in violation of Section 6-5-8 NMSA 1978, and New Mexico Procurement Code (13-1-28 to 13-1-199 NMSA 1978)

Cause

The Association does not have policies and procedures in place to verify procurement requirement are followed.

Recommendation

The Association should adopt and enforce policies and procedures for the purchase of goods and/or services. The policies and procedures should ensure purchase orders are authorized prior to the purchase of goods and services, and invoices are only paid when all the required documents are in hand, and they should also verify sufficient cash and budget is available prior to making disbursements.

Response:

Association has since put guidelines into place, via Policies and Procedures and/or Rules and Regulations: Business Manager may purchase up to \$200 of Goods and/or Services without Board approval. All purchases \$201 - \$1000 must have a signed and approved Purchase Order (PO) by Business Manager and 1 Board Member. Anything over \$1000 must have Board Majority and over \$5000 must include all Procurement information and documentation. Only those invoices with all proper documentation, signatures and authorizations shall be paid. All checks written from Big Mesa MDWCA shall have 2 authorized signatures. All signed PO's are maintained and stored in a central location. All funds are verified before payments are made by Business Manager. All expenses are reviewed and signed off by the Board of Directors monthly.

Responsible for Implementation: Water Business Manager

Time Frame: Policy implemented 2019

STATE OF NEW MEXICO  
Big Mesa Mutual Domestic Water Consumers Association  
Schedule of Findings and Responses  
For the Year Ended May 31, 2010

2010-005 Adjusting Journal Entries

Significant Deficiency

Condition

Journal entries were not available for review. A local CPA prepares the financial statements and journal entries. However, there was no documentation management had reviewed and approved the journal entries.

Criteria

Section 6-5-2, NMSA 1978, requires that the authority shall implement internal control accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.

Effect

There may be unauthorized adjustments made, leaving room for error and management override.

Cause

The Association was unaware of their responsibility for the accuracy of the financial statements even though they were prepared by a CPA

Recommendation

The Association should implement a review process for all transactions to mitigate risk of error, or manipulation.

Response:

The Association currently signs off on all expenses for the month. The Adjusting Journal Entries are at most entered by CPA. Once changes are implemented, a copy of the "accountant changes" will be printed, reviewed and signed off by the BOD monthly, and an "Approved Accountant changes" file will be created and maintained.

Expected Correction Date: 12/14/2019 at Monthly Board meeting  
Employee Responsible: Water Business Manager



STATE OF NEW MEXICO  
Big Mesa Mutual Domestic Water Consumers Association  
Schedule of Findings and Responses  
For the Year Ended May 31, 2010

2010-006 Exceeded Budgetary Authority

Significant Deficiency and Compliance Other

Condition

The Association maintained expenditures at the fund level in which actual expenditures exceeded budgetary authority (\$84,394). The Association prepared a budget and presented it with the monthly financial statements. However, the budget was not submitted to DFA-LGD for approval.

Criteria

Sound financial management and state regulation 6.20.2.9 (A), NMAC and state statutes 22-8-5 through 22-8-12.2, NMSA 1978, require that budgets not be exceeded at the legal level of control. For Mutual Domestic Water Consumers associations, the fund is the legal level of control.

Cause

Insufficient budget oversight and failure to work closely with the DFA Local Government Division were all factors that contributed to this finding.

Effect

As a result, the Association is not in compliance with New Mexico regulation 6.20.2.9 (A), NMAC and state statutes 22-8-5 through 22-8-12.2, NMSA 1978.

Recommendation

The clerk must establish a policy of budgetary review and make necessary budget adjustments. It is recommended that the clerk work with DFA Local Government Division in monitoring budgetary compliance throughout the fiscal year.

Response:

Currently in Compliance as of FY 5/2019 with DFA, all necessary budget adjustments are prepared with BAR and submit to DFA for approval. File has been created to track all BAR's submit and approved by DFA-LGD. Big Mesa Manager is working closely with DFA compliance officer to monitor budget and make any necessary adjustments as needed.

Responsible Position Water Business Manager

Timeframe Currently in compliance

STATE OF NEW MEXICO  
Big Mesa Mutual Domestic Water Consumers Association  
Schedule of Findings and Responses  
For the Year Ended May 31, 2010

2010-007 Late Tier System Contract

Other Compliance

Condition

The Association did not complete and deliver a tier system contract to the New Mexico State Auditor's Office by the required deadline.

Criteria

The New Mexico Office of the State Auditor Audit Rule section 2.2.2.8(F)(8)(e) requires Local Public Bodies that qualify for the tiered system pursuant to Subsections A and B of Section 2.2.2.16 NMAC should follow the procedures at Subsection D of Section 2.2.2.16 NMAC, and submit the required Recommendation Form for Tiered System Local Public Bodies and the completed signed agreed upon procedures contract to the State Auditor by July 31. Agencies with a fiscal year end other than June 30 shall use a due date 30 days after the end of the fiscal year.

Effect

The Association is not in compliance with the State Auditor's Audit Rule 2.2.2.8(F)(8)(e).

Cause

The Association was unaware of the requirement.

Recommendations

The Association should develop a system to ensure that the tiered system contract is submitted by the required date.

Response:

The Association has submitted the required Recommendation Form for Tiered System Local Public Bodies and the completed signed AUP contract to the State Auditor for Years 2010- 2018. (Currently in Process)

Employee Responsible: Water Business Manager

Expected Correction Date: Corrected and Association in compliance

STATE OF NEW MEXICO  
Big Mesa Mutual Domestic Water Consumers Association  
Schedule of Findings and Responses  
For the Year Ended May 31, 2010

2010-008 Late Agreed Upon Procedure Report

Other Compliance

Condition

The Association did not submit its tier 6 Agreed Upon Procedure (AUP) report by the deadline required by the New Mexico State Auditor's Audit Rule 2.2.2.8(F)(8)(e). Agencies with a fiscal year-end other than June 30 shall submit the AUP report no later than five months after the fiscal year.

Criteria

Public body agreed-upon procedure reports must be submitted to the New Mexico State Auditor five months after the fiscal year. 2.2.2.8(F)(8)(e).

Effect: The Association Audit Rule is not in compliance with section 2.2.2.8(F)(8)(e).

Cause: The Association was unaware of the requirement.

Recommendations

The Association should develop a system to ensure the agreed-upon procedure report is submitted by the required date.

Response:

The Association is currently in the process of AUP 2010-2018. Moving forward, the Association will develop a written policy to ensure Agreed-Upon Procedure reports be files timely to New Mexico State Auditor.

Employee Responsible: Water Business Manager

Expected Correction Date: 12/14/2019 at monthly Board Meeting

Exit Conference

The contents of this report were discussed with, Steve Morgan, Vice-President, Dana Romero Water Business Manager, and Sandra Rush, CPA, in an exit conference on September 30, 2019.

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STATE OF NEW MEXICO  
Big Mesa Mutual Domestic Water Consumers Association

Compilation Report of Independent Accountant  
and  
Compiled Financial Statements  
May 31, 2010

*Sandra Rush CPA PC  
1101 E Llano Estacado  
Clovis, New Mexico 88101*

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STATE OF NEW MEXICO  
BIG MESA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
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STATE OF NEW MEXICO  
BIG MESA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
Office of the State Auditor Tier 6 Agreed-Upon Procedures

Official Roster  
For the year ended May 31, 2010

Association Supervisors

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Verlyn Miller	Vice-President
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Larry Gunther	Supervisor

Compilation Report of Independent Public Accountant

Brian Colón, New Mexico State Auditor  
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Big Mesa Mutual Domestic Water Consumers Association  
Conchas Dam, New Mexico

Management is responsible for the accompanying financial statements of Big Mesa Mutual Domestic Water Consumers Association (Association), which comprise the statement of net position, as of May 31, 2010 and the related, statement of revenues, expenses and changes in net position for the year then ended, and the related notes to the financial statements in accordance with the requirements of Section 2.2.2.16 *New Mexico Administrative Code* (NMAC). I have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

In order to comply with the requirements of Section 12-6-3(B) NMSA 1978 and 2.2.2.16 NMAC, which is described in Note 2 to the financial statements and are not intended to be a complete presentation of the Association's assets and liabilities. Management has presented the proprietary fund financial statements prepared using the accrual basis of accounting and only the notes related to those financial statements. However, in complying with these requirements, management has omitted the following financial statements and notes required by accounting principles generally accepted in the United States of America (GAAP): the statement of cash flows and note disclosures related to statement of cash flows. These omissions result in the financial statements being presented on a basis of accounting other than GAAP. Accordingly, the financial statements are not designed for those who are not informed about such matters.

This report is intended solely for the information and use of the Big Mesa Mutual Domestic Water Consumers Association, New Mexico Office of the State Auditor, the New Mexico Legislature, 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 these specified parties.

***Sandra Rush CPA PC***  
Sandra Rush CPA PC  
Clovis, New Mexico  
September 30, 2019

Proprietary Funds Financial Statements



STATE OF NEW MEXICO  
 BIG MESA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
 Proprietary Fund  
 Statement of Net Position  
 May 31, 2010

	Water Operations & Trash Collections 501
<u>ASSETS</u>	
Current assets	
Cash in banks	\$ 105,752
Accounts receivable	54,223
Inventory	<u>60,107</u>
Total current assets	220,082
Noncurrent assets	
Capital assets	784,450
Less accumulated depreciation	<u>(464,207)</u>
Total noncurrent assets	320,243
Other assets	
Water rights	60,825
Bank of New York Mellon	9,102
NMFA debt service fund	5,129
Restricted cash-system & equipment & replacement	84,780
Loan origination costs	1,993
Less accumulated amortization	<u>(1,046)</u>
Total other assets	<u>160,783</u>
Total assets	<u>\$ 701,108</u>
<u>LIABILITIES AND NET POSITION</u>	
Current liabilities	
Accounts payables	\$ 1,371
Payroll taxes payable	2,968
Accrued interest payable	72
Current portion long-term debt	<u>16,129</u>
Total current liabilities	<u>20,540</u>
Noncurrent liabilities	
Long-term debt	<u>83,722</u>
Total liabilities	104,262
Net position	
Net invested in capital assets	220,392
Restricted	99,011
Unrestricted	<u>277,443</u>
Total net position	<u>596,846</u>
Total liabilities and net position	<u>\$ 701,108</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
 BIG MESA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
 Proprietary Fund  
 Statement of Revenues, Expenses, and Changes in Net Position  
 For the year ended May 31, 2010

	Water Operations & Trash Collections 501
Operating revenues	
Sales and services	<u>\$ 294,352</u>
Total operating revenues	<u>294,352</u>
Operating expenses	
Public works	126,087
Personnel	142,550
Depreciation	41,594
Amortization	<u>100</u>
Total operating expenses	<u>310,331</u>
Operating income (loss)	(15,979)
Non-operating revenues (expenses)	
Late charges	5,130
Fees	1,291
Other	2,537
Interest income	1,968
Loan administration fees	(177)
Interest expense	(5,416)
Bad debts	<u>(20,071)</u>
Total other financing sources (uses)	<u>(14,738)</u>
Change in net position	(30,717)
Net position, beginning	<u>627,563</u>
Net position, ending	<u>\$ 596,846</u>

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

**NOTE 1. ORGANIZATION**

The Big Mesa Mutual Domestic Water Consumers Association (the Association) was incorporated as a not-for profit entity in 1974 to exclusively associate its members together for the mutual interest and benefit and in that end, to acquire, construct, install, maintain and operate a water system for supplying and distribution of water for domestic use and to engage in any activity thereto.

In 1974, the Association received a determination letter exemption it from federal income tax under Section 501 (c) (12) of the Internal Revenue Code. As a result, no federal or state income taxes have been reflected on the financial statements.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Association's financial statements are prepared on a basis of accounting other than accounting principles generally accepted in the United State of America (GAAP) as applied to governmental entities. The Governmental Accounting Standard Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations) and applicable Financial Accounting Standards Board (FASS) pronouncements and Accounting Principal Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASS pronouncements.

**A. FINANCIAL REPORTING ENTITY**

The Association is a quasi-government created pursuant to its bylaws and is comprised of an elected Board of Directors. The Association is a governmental subdivision of the State of New Mexico and a body with all the powers of a public or quasi-municipal corporation and these financial statements include all funds and activities over which the Association's board of directors have oversight responsibility. The board of directors have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The Association is not included in any other governmental reporting entity as defined in the *Codification of Governmental Accounting and Financial Reporting Standards*.

**B. BASIC FINANCIAL STATEMENTS-GOVERNMENT-WIDE STATEMENTS**

Because the Association is a special-purpose government, with only a single fund, business-type activity, the basic financial statement does not include both government-wide (based on the Association as a whole) and fund financial statements. The new reporting model focus is on either the Association as a whole or major individual funds (within the fund financial statements). The Association is a single-program government that engages in only business-type activities and has no component units.

In the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, the business type activities are presented on the full accrual basis, flow of economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt obligation. The Association's net positions are reported in three parts - invested in capital assets, restricted net position and unrestricted net position. Business-type operating statement present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. Operating revenues and expenses are presented separately from non-operating items. The principal operating revenues reflect charges to customers for the supply of water. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses. Grant revenues are recognized when all the eligibility requirements have been met.

When both restricted and unrestricted resources are available for use, it is the Association's policy to use restricted sources first, then unrestricted resources as they are needed.

The Association applies all applicable Financial Accounting Standards Board Statements and Interpretations.

**C. BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Business-type activities are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**D. USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**E. ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Association.

**F. FINANCIAL STATEMENTS AMOUNTS**

**1. Cash**

For the purpose of the Statement of Net Position, "cash" includes all drawer cash, demand, savings accounts, certificates of deposit and money market accounts of the Association.

**2. Accounts Receivable**

Accounts receivable consists of revenue earned from sales to customers. The Association has the option of collecting delinquent receivable by filing a lien against properties with delinquent accounts or filing a civil action against the delinquent property owners. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**3. Restricted Assets**

Certain resources are set aside for replacement reserves, debt service, and emergencies, and are classified as restricted assets on the statement of net assets. The use of these monies is limited by the Association's by-laws.

**4. Capital Asset**

Capital assets purchased or acquired with an original cost of \$21 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, computer software and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis with no salvage value. The estimated useful life of the various classes of depreciable capital assets are follows.

Assets	Years
Building, improvements and infrastructure equipment	5 - 40

The Association does not own any assets acquired under capital leases.

In the proprietary fund, interest is capitalized on assets acquired with debt proceeds. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds being applied over the same period.

**5. Equity Classification**

Equity is classified as net position. Net position is the difference between assets and liabilities. Net position invested in capital assets represents the historical cost of assets or fair value on the date of receipt less accumulated depreciation on those assets. Net position is reported as restricted when there are legal limitations imposed on their use by the Association or external restriction by other governments, creditors or grantors. Unrestricted net position is all other net position that do not meet the definition of "restricted" or "invested in capital assets". When both restricted and unrestricted resources are available for use, it is the Association's policy to use restricted sources first, then unrestricted resources as they are needed.

**Note 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

By its nature as a government unit, the Association is subject to various laws and contractual regulation. An analysis of the Association's compliance with significant laws and regulation and demonstration of its stewardship over the Associations resources follows:

**A. BUDGETS AND BUDGETARY ACCOUNTING**

The Association is not adhering to the process of procedures that are promulgated by the Department of Finance and Administration-Local Government Division. These procedures are as follows:

- 1) Prior to June 1, the Association's staff submits to the Board of Directors a proposed operating budget for the fiscal year commencing June 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Prior to June 1, the budget is legally enacted through formal adoption by the Board and then submitted to the Local Government Division of the State Department of Finance and Administration for review and approval.
- 3) The Association's treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors and the State Department of Finance and Administration.
- 4) Formal budgetary integration is employed as a management control device during the year for the Enterprise funds.
- 5) The level of budget authority is at the fund level for Mutual Domestic Water Consumers Association.

**Note 4. DETAIL NOTES ON ACCOUNTS AND TRANSACTION CLASSES**

**1. CASH**

The Association's policy is to limit cash deposits to insured and/or collateralized demand deposit accounts, certificates of deposit and money market funds. All bank balances, as of May 31, 2010 were insured. The carrying amount of the Association's deposits with financial institutions was \$197,548 and the balance per the banks was \$197,548, and is shown as follows:

	Citizens Tucumcari, NM	Type
Total amount on deposit on June 30, 2010		
Big Mesa MDWCA	\$ 112,767	Checking
Big Mesa MDWCA	84,781	Savings/CD
Total deposited	197,548	
Less FDIC Insurance	(197,548)	
Total uninsured public funds	-	
50% collateral requirement		
as per Section 6-10-17, NMSA 1978	-	
Pledged securities		
Schedule below	-	
Over (under)	\$ -	

Reconciliation of cash balances per bank and per books on page 14.

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the Associations' deposits may not be returned to it. The Association does not have a deposit policy for custodial credit risk. As of May 31, 2010, none of the Association's bank balance of \$197,548 was exposed to custodial credit risk.

**2. ACCOUNTS RECEIVABLES**

The accounts receivable represents the amounts due from customers' water accounts. The allowance for doubtful accounts was \$0 at year end. There was no change in the allowance for doubtful accounts during the fiscal year and managements expects to collect 100% of the receivables.

**3. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended May 31, 2010, was as follows:

	Beginning Balances	Increase	Adjustments/ Decrease	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 77,852	\$ -	\$ -	\$ 77,852
Capital assets being depreciated				
Public Works	706,598	-	-	706,598
Total assets being depreciated	706,598	-	-	706,598
Less accumulated depreciation				
Public Works	(422,613)	(41,594)	-	(464,207)
Total accumulated depreciation	(422,613)	(41,594)	-	(464,207)
Governmental activity capital assets, net	\$ 361,837	\$ (41,594)	\$ -	\$ 320,243

Depreciation expense was \$41,594 for the year ended May 31, 2010

**4. PAYABLE and LONG-TERM OBLIGATIONS**

During the year ended May 31, 2010 the following changes occurred in the liabilities reported in the Statement of Net Position:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
NMFA	\$ 70,908	\$ -	\$ (6,978)	63,930	\$ 7,187
John deere Credit	10,979	-	(4,324)	6,645	4,324
Morper, Wiegel, Quintana	33,894	-	(4,618)	29,276	4,618
	\$ 115,781	\$ -	\$ (15,920)	\$ 99,851	\$ 16,129

Notes payable outstanding at May 31, 2010, are comprised of the following:

Note	Date of Issue	Original Amount	Interest Rate	Balance	Due in One Year
NMFA	4/25/2001	119,873	0.25%	\$ 63,930	\$ 7,187
John deere Credit	10/27/2006	19,360	7.75%	6,645	4,324
Morper, Wiegel, Quintana	4/23/2007	40,000	9.25%	29,276	4,618
				\$ 99,851	\$ 16,129

STATE OF NEW MEXICO  
 BIG MESA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
 Notes to the Financial Statements  
 Year Ended May 31, 2010

The annual requirements to amortize the Long-term Debt as of May 31, 2010, including interest payments are as follows.

Year Ended June 30,	Principal	Interest	Total
2010	\$ 16,129	2,869	\$ 18,998
2011	14,425	2,026	16,451
2012	7,626	2,316	9,942
2013	18,416	1,563	19,979
2014	13,780	896	14,676
2015	29,475	708	30,183
	<u>\$ 99,851</u>	<u>\$ 10,378</u>	<u>\$ 110,229</u>

**Note 5. RISK MANAGEMENT**

The Association is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Association maintains insurance coverage to insure against potential losses and claims. The premiums are based on payroll and other expenditures and are not directly related to claims filed. The policies are retrospectively rated, and premiums may be adjusted after year end, based on the ultimate level of expenditures.

**Note 6. New Mexico Public Employees Retirement System**

As of the year ended May 31, 2010 the Association does not participate in the New Mexico Public Employees Retirement System.

**Note 7. New Mexico Retiree Health Care**

As of the year ended May 31, 2010 the Association does not participate in the New Mexico Retiree Health Care.

**Note 8. Income Tax**

The organization is organized as tax exempt under IRC 501 (c) (12) and file a federal form 990 annually. Accordingly, no provision for income tax has been made in the accompanying financial statements.



Supplementary Information

STATE OF NEW MEXICO  
 BIG MESA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
 Supplemental Information - Compiled Financial Statements  
 Year ended May 31, 2010

Schedule of Depositories

<u>Fund</u>	<u>Account Type</u>	<u>Amount Per Bank</u>	<u>Outstanding Deposits</u>	<u>Outstanding Checks</u>	<u>Balance Per Books</u>
Proprietary Fund					
	Checking	\$ 112,767	1,224	(8,314)	105,677
	Petty Cash	75	-	-	75
	Money Market	84,781	-	(1)	84,780
	Bank of New York Mellon	9,102	-	-	9,102
	NMFA Debt Service Fund	5,129	-	-	5,129
		<u>\$ 211,854</u>	<u>\$ 1,224</u>	<u>\$ (8,315)</u>	<u>\$ 204,763</u>

Financial Statement Preparation

Although it would be preferred and desirable for the District to prepare its own other than GAAP - basis financial statements, it is felt that the Association's personnel did not have the time to prepare them. Therefore, the outside auditor prepared the other than GAAP basis financial statements and footnotes for inclusion in the annual compilation report from the original books and records provided to them by the management of the Association. Management of the Association has reviewed and approved these financial statements and related notes and believes they are adequately supported by the books and records of the government.

Exit Conference

The contents of this report were discussed with, Steve Morgan Vice-President, Dana Romero Water Business Manager, and Sandra Rush CPA, in an exit conference on September 30, 2019.