
STATE OF NEW MEXICO
Big Mesa Mutual Domestic Water Consumers Association

Independent Accountants' Report on
Applying Agreed-Upon Procedures
May 31, 2016

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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, 2016

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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, 2016

Association Supervisors

Gayle Donathan	President
David Artery	Vice-President
Tim Isengaurd	Secretary
Jeff Strom	Treasurer
Lanny Ross	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, 2016. 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, 2016, 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 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 48 of 48 bank reconciliations (100%) prepared for FY 5/2016 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 20 of 48 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 2016-001 and 2016-003
- c. Bank account balances did not exceed uninsured limits as of May 31, 2016 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 2016-002

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 one (1) outstanding loan with New Mexico Finance Authority on May 31, 2016. 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 36 revenue items, which totaled 31% 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 2016-001

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 20 cash disbursements, approximately 30% 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, contract and canceled check, as appropriate.
- b. Judgmentally selected 20 cash disbursements, approximately 30% of all disbursements, and determined authorization was not documented on any of the disbursements. The Association did not submit the budget to DFA-LGD for approval. Finding 2016-003 and 2016-004
- c. Judgmentally selected 20 cash disbursements, approximately 30% all disbursements, and when applicable, I determined that the bid process (or request for proposal process if applicable), 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). The sample revealed one (1) disbursement totaling \$15,770 without bid documentation. Finding 2016-009

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 2016-005

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 2016-003

- b. On the budget presented with the financial statements total actual expenditures exceeded the final budget at the fund level (\$59,326), the legal level of budgetary control for Mutual Domestic Water Consumers Association's. 2016-006
- 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 revealed 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 state-funded 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 state-funded 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 2016-007 and 2016-008

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, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue				
Charges for services	\$ 293,000	\$ 293,000	\$ 338,821	\$ 45,821
Total revenue	293,000	293,000	338,821	45,821
Expenses				
Current				
Public works	173,750	173,750	103,702	70,048
Personal	120,200	120,200	141,502	(21,302)
Total expenditures	293,950	293,950	245,204	48,746
Excess (deficiency) revenues over (under) expenditures	(950)	(950)	93,617	94,567
Other financing sources (uses):				
Late charges	3,500	3,500	3,305	(195)
Fees	1,250	1,250	1,610	360
Other	500	500	584	84
Interest	1,290	1,290	1,431	141
(Gain) loss sale of assets	(200)	(200)	2,064	2,264
Returns and allowances	-	-	-	-
Loan administration fees	(50)	(50)	(32)	18
Capital outlay	-	-	(78,572)	(78,572)
Debt service				
Principal	-	-	-	-
Interest	(750)	(750)	(522)	228
Bad debts	-	-	(29,746)	(29,746)
Operating transfers net	-	-	-	-
Designated cash	-	-	-	-
Total other financing sources (uses)	5,540	5,540	(99,878)	(105,418)
Net change in cash balances	4,590	4,590	(6,261)	(10,851)
Cash balance, beginning	-	-	262,382	262,382
Cash balance, ending	\$ 4,590	\$ 4,590	\$ 256,121	\$ 251,531

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, 2016

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
 Scope of Procedures and Results
 For the Year Ended May 31, 2016

Prior Year Findings

2015-001	Missing Records	Repeated
2015-002	Annual Inventory Certification	Repeated
2015-003	Non-compliance with Budget Laws and Regulations	Repeated
2015-004	Expenditures	Repeated
2015-005	Adjusting Journal Entries	Repeated
2015-006	Exceeded Budgetary Authority	Repeated
2015-007	Late Tier System Contract	Repeated
2015-008	Late Agreed Upon Procedure Report	Repeated

Current Year Findings

2016-001 (2010-001)
 Missing Record
 Material Weakness

Condition

The Association was unable to provide a detailed general ledger for FY 5/2016. 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. No progress has been made correcting this finding.

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
Scope of Procedures and Results
For the Year Ended May 31, 2016

2016-002 (2010-002)
Annual Inventory Certification
Other Compliance

Condition

The Association had a capital asset/depreciation schedule for FY 5/2016 however, the Association failed to perform a physical inventory count and certify the schedules correctness at the end of the fiscal year. No progress has been made correcting this finding.

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 FY 5,2019

STATE OF NEW MEXICO
Big Mesa Mutual Domestic Water Consumers Association
Scope of Procedures and Results
For the Year Ended May 31, 2016

2016-003 (2010-003)

Non-compliance with Budget Laws and Regulations
Other Compliance

Condition

The Association did not prepare and submit a FY 5/2016 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 5/2016 quarterly financial reports to DFA-LGD. No progress has been made correcting this finding.

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 5/2016, 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 FY 5/2019

STATE OF NEW MEXICO
Big Mesa Mutual Domestic Water Consumers Association
Scope of Procedures and Results
For the Year Ended May 31, 2016

2016 004 (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. No progress has been made correcting this finding.

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.

Employee Responsible: Water Business Manager
Time Frame: FY 5/2019

STATE OF NEW MEXICO
Big Mesa Mutual Domestic Water Consumers Association
Scope of Procedures and Results
For the Year Ended May 31, 2016

2016 005 (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. No progress has been made correcting this finding.

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.

Employee Responsible: Water Business Manager
Expected Correction Date: FY 5/2019

STATE OF NEW MEXICO
Big Mesa Mutual Domestic Water Consumers Association
Scope of Procedures and Results
For the Year Ended May 31, 2016

2016 006 (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 (\$59,326). The Association prepared a budget and presented it with the monthly financial statements. However, the budget was not submitted to DFA-LGD for approval. No progress has been made correcting this finding.

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.

Employee Responsible: Water Business Manager
Timeframe FY5/2019

STATE OF NEW MEXICO
Big Mesa Mutual Domestic Water Consumers Association
Scope of Procedures and Results
For the Year Ended May 31, 2016

2016-007 (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. No progress has been made correcting this finding.

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: FY 5/2019

STATE OF NEW MEXICO
Big Mesa Mutual Domestic Water Consumers Association
Scope of Procedures and Results
For the Year Ended May 31, 2016

2016-008 (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. No progress has been made correcting this finding.

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: FY 5/2019

STATE OF NEW MEXICO
Big Mesa Mutual Domestic Water Consumers Association
Scope of Procedures and Results
For the Year Ended May 31, 2016

2016-009
Procurement Code Compliance
Other Compliance

Condition

Association did not maintain documentation to demonstrate compliance with the bid process (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. The Association purchased items that cost exceeded \$5,000 but were less \$20,000, but they did not request quotes for the items.

Criteria

NMAC Title 1, Chapter 4, Section 1.15 states "All procurement shall be achieved by competitive scaled bids except procurement achieved pursuant to the following methods: small purchases; procurement under existing contracts. Section 1.51, Small Purchases, states quotations are to be obtained for the purchases of tangible personal property having a value exceeding \$5,000 but not exceeding \$20,000, no fewer than three businesses shall be solicited to submit written quotations that are recorded and placed in the procurement file."

Effect

The Association is in violation of State Procurement Code Regulations. 13-1-196 NMSA 1978 states that "any person, firm or corporation that knowingly violates any provision of the Procurement Code is subject to a civil penalty of not more than one thousand dollars (\$1,000) for each procurement in violation of any provision of the Procurement Code."

Cause

The Association could not provide any procurement documentation related to the purchase of purchases exceeding \$5,000.

Recommendation

The Association should keep all required procurement documentation in procurement files or attached to related invoices for purchases.

Response:

The Association has retained a Procurement officer for future need and has created a file to track all documents for purchases exceeding \$5,000. All Purchases over \$5,000 will have proper approval documentation attached to related invoices.

Employee Responsible: Water Business Manager

Expected Correction Date: FY 5/2019

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.

STATE OF NEW MEXICO
Big Mesa Mutual Domestic Water Consumers Association

Compilation Report of Independent Accountant
and
Compiled Financial Statements
May 31, 2016

*Sandra Rush CPA PC
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Clovis, New Mexico 88101*

STATE OF NEW MEXICO
BIG MESA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
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May 31, 2016

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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, 2016

Association Supervisors

Dave Artery	President
Gayle Donathan	Vice-President
Tim Isengaurd	Secretary
Jeff Strom	Treasurer
Larry Ross	Supervisor

Compilation Report of Independent Public Accountant

Brian Colón, New Mexico State Auditor
Board of Supervisors
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, 2016 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, 2016

	Water Operations & Trash Collections 501
ASSETS	
Current assets	
Cash in banks	\$ 43,065
Accounts receivable	51,827
Inventory	62,000
	<hr/>
Total current assets	156,892
Noncurrent assets	
Capital assets	823,620
Less accumulated depreciation	(561,652)
	<hr/>
Total noncurrent assets	261,968
Other assets	
Water rights	60,825
Bank of New York Mellon	9,154
NMFA debt service fund	14,058
Restricted cash-system & equipment renewal & replacement	189,844
Loan origination costs	1,993
Less accumulated amortization	(1,644)
	<hr/>
Total other assets	274,230
	<hr/>
Total assets	<u>\$ 693,090</u>
LIABILITIES AND NET POSITION	
Current liabilities	
Accounts payables	\$ 30,012
Payroll taxes payable	2,328
Accrued interest payable	164
Current portion long-term debt	29,475
	<hr/>
Total current liabilities	61,979
Noncurrent liabilities	
Long-term debt	-
	<hr/>
Total liabilities	61,979
Net position	
Net invested in capital assets	232,493
Restricted	213,056
Unrestricted	185,562
	<hr/>
Total net position	631,111
	<hr/>
Total liabilities and net position	<u>\$ 693,090</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, 2016

	Water Operations & Trash Collections 501
Operating revenues	
Sales and services	<u>\$ 313,267</u>
Total operating revenues	<u>313,267</u>
Operating expenses	
Public works	130,534
Personnel	141,502
Depreciation	26,614
Amortization	<u>100</u>
Total operating expenses	<u>298,750</u>
Operating income (loss)	14,517
Non-operating revenues (expenses)	
Late charges	3,305
Fees	1,610
Other	584
Interest income	1,431
(Gain) loss on scrap	(176)
Returns and allowances	
Bad debt	(29,746)
Loan administration fees	(32)
Interest expense	<u>(684)</u>
Total other financing sources (uses)	<u>(23,708)</u>
Change in net position	(9,191)
Net pension, beginning	<u>640,302</u>
Net position, ending	<u><u>\$ 631,111</u></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 in accordance with 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, 2016 were insured. The carrying amount of the Association's deposits with financial institutions was \$235,536 and the balance per the banks was \$235,536, and is shown as follows:

	Citizens Tucumcari, NM	Type
Total amount on deposit on June 30, 2016		
Big Mesa MDWCA	\$ 45,694	Checking
Big Mesa MDWCA	89,214	Savings/CD
Big Mesa MDWCA	50,314	Savings/CD
Big Mesa MDWCA	50,314	Savings/CD
Total deposited	<u>235,536</u>	
Less FDIC Insurance	<u>(235,536)</u>	
Total uninsured public funds	<u>-</u>	
50% collateral requirement as per Section 6-10-17, NMSA 1978	<u>-</u>	
Pledged securities		
Schedule below	<u>-</u>	
Over (under)	<u>\$ -</u>	

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, 2016, none of the Association's bank balance of \$235,536 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, 2016, was as follows:

	Beginning Balances	Increase	Adjustments/ Decrease	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 79,052	\$ 16,947	\$ -	\$ 95,999
Capital assets being depreciated				
Public Works	681,288	61,625	(15,292)	727,621
Total assets being depreciated	681,288	61,625	(15,292)	727,621
Less accumulated depreciation				
Public Works	(548,266)	(26,614)	13,228	(561,652)
Total accumulated depreciation	(548,266)	(26,614)	13,228	(561,652)
Governmental activity capital assets, net	\$ 212,074	\$ 51,958	\$ (2,064)	\$ 261,968

Depreciation expense was \$26,614 for the year ended May 31, 2016

4. PAYABLE and LONG-TERM OBLIGATIONS

During the year ended May 31, 2016 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	\$ 33,857	\$ -	\$ (8,092)	25,765	\$ 25,765
Morper, Wiegel, Quintana	9,398	-	(5,688)	3,710	3,710
	\$ 43,255	\$ -	\$ (13,780)	\$ 29,475	\$ 29,475

Notes payable outstanding at May 31, 2016, 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%	\$ 25,765	\$ 25,765
John deere Credit	10/27/2006	19,360	7.75%	-	-
Morper, Wiegel, Quintana	4/23/2007	40,000	9.25%	3,710	3,710
				\$ 29,475	\$ 29,475

The annual requirements to amortize the Long-term Debt as of May 31, 2016, including interest payments are as follows.

Year Ended June 30,	Principal	Interest	Total
2015	29,475	708	30,183
	\$ 29,475	\$ 708	\$ 30,183

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, 2016 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, 2016 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, 2016

Schedule of Depositories

Fund	Account Type	Amount Per Bank	Outstanding Deposits	Outstanding Checks	Balance Per Books
Proprietary Fund					
	Checking	\$ 45,694	4,606	(7,240)	43,060
	Petty Cash	5	-	-	5
	Money Market	89,214	-	-	89,214
	Money Market	50,315	-	-	50,315
	Money Market	50,315	-	-	50,315
	Savings	9,154	-	-	9,154
	Savings	14,058	-	-	14,058
		<u>\$ 258,755</u>	<u>\$ 4,606</u>	<u>\$ (7,240)</u>	<u>\$ 256,121</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.