



MACIAS, GUTIERREZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESPANOLA, NEW MEXICO
www.mgandc.com

STATE OF NEW MEXICO

**LUMBERTON MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION**

Independent Accountants' Report on Applying
Agreed-Upon Procedures – Tier 4

Year Ended December 31, 2015

STATE OF NEW MEXICO

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WATER CONSUMERS ASSOCIATION**

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Agreed-Upon Procedures – Tier 4**

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LUMBERTON MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

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

**Official Roster
at December 31, 2015**

| <u>Name</u> | | <u>Title</u> |
|----------------------------------|--|----------------|
| <u>Board of Directors</u> | | |
| Joey Valdez | | President |
| Joel Valdez | | Vice-President |
| Mary Jane Maestas | | Secretary |
| Chris Romnes | | Treasurer |
| Ray Tafoya | | Member |
| <u>Staff</u> | | |
| Edward Ainsworth | | Bookkeeper |
| Dennis Martinez | | Operator |
| Steven Herrera | | Meter Reader |



Macias, Gutierrez
& Co., P.C.

*Certified Public Accountants
Member AICPA, NMSCPA*

1302 Calle De La Merced, Suite A
Española, New Mexico 87532
505.747.4415
Fax 505.747.4417

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES – Tier 4

To: Joey Valdez, President
Lumberton Mutual Domestic Water Consumers Association #3255
and
Honorable Timothy Keller
New Mexico State Auditor

We have performed the procedures enumerated below for the Lumberton Mutual Domestic Water Consumers Association (LMDWCA), for the year ended December 31, 2015 solely to assist LMDWCA in demonstrating compliance with a Tier 4 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978, Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978, as set forth in the accompanying Exhibits A, B and C. The procedures were agreed to by the LMDWCA through the Office of the New Mexico State Auditor. The Lumberton Mutual Domestic Water Consumers Association's management is responsible for the organization's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. Our procedures and findings are as follows:

1. Cash

Procedures

- a) Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand.
- b) Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to the Department of Finance and Administration-Local Government Division (DFA-LGD).
- c) Determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

Findings

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

- b) Random tests of bank reconciliations revealed no exceptions. The reconciliations were accurate and agreed with supporting documentation. Ending balances agree with required quarterly financial reports submitted to DFA-LGD and at year-end.
- c) The three bank accounts described in a) above are in one financial institution. Cumulative bank account balances never exceeded uninsured limits and therefore, pledged collateral was not required on any uninsured deposits.

2. Capital Assets

Procedures

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

Findings

The LMDWCA performed a yearly inventory as required by Section 12-6-10 NMSA 1978.

3. Revenue

Procedures

Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

- a) Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

Select a sample of revenue based on auditor judgment using the following attributes:

- b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
- c) Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

Findings

- a) An analytical review of prior-year to current-year revenue revealed no unexplained or unusual variations. The test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed no exceptions.
- b) We requested supporting documentation for twelve (12) deposits (60% of total revenue) from a total of 33 deposits for the year. For the sample selected, amounts recorded on excel spreadsheets agreed with supporting documentation and the bank statements without exception.
- c) Amounts were properly recorded on a cash basis as to classification, amount and period per review of supporting documentation without exception.

4. Expenditures

Procedures

Select a sample of cash disbursements based on auditor judgment using the following attributes:

- a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and cancelled check, as appropriate.

- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Findings

- a) We requested supporting documentation for 30 disbursements (25 original and five additional, 32% of total expenditures) from a total of 164 disbursements for the year. For the sample selected, amounts recorded as disbursed agreed to supporting documentation. Amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and photocopied cancelled check, as appropriate.
- b) Disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c) The bid process (or request for proposal process, if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

5. Journal Entries

Procedures

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

- a) Journal entries appear reasonable and have supporting documentation.
- b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

Findings

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

6. Budget

Procedures

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

- a) Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.
- b) Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.
- c) From the original and final approved budgets and general ledger, prepare a schedule of revenues and expenditures – budget and actual on the budgetary basis used by the local public body (cash, accrual or modified accrual basis) for each individual fund.

Findings

- a) A review of Board minutes indicated that the 2015 budget was approved by the Board and was submitted to DFA-LGD for approval. There was one subsequent budget adjustment approved by the Board and submitted to DFA-LGD for approval.
- b) Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control.
- c) The LMDWCA submitted an actual revenue and expenditures compared to budgeted revenues and expenditures report for the year ended December 31, 2015 to DFA-LGD (herein Exhibit C). A schedule of revenues and expenditures – budget and actual was prepared from that report and other LMDWCA records on the cash budgetary basis. This schedule is included herein as Exhibit A.

Other

Procedures

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, disclose in the report as required by Section, 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10 (I) (3) (C) NMAC.

Findings

No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud, illegal acts, noncompliance or any internal control deficiencies.

* * * * *

We were not engaged to, and did not conduct an audit of financial statements or any part thereof, the objective of which would be the expression of an opinion on the financial statements or any part thereof, including the accompanying Exhibits A, B and C. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Lumberton Mutual Domestic Water Consumers Association, the New Mexico State Auditor's Office and the Department of Finance and Administration-Local Government Division and the New Mexico Legislature and is not intended to be and should not be used by anyone other than those specified parties.

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

Macias, Gutierrez & Co., CPAs, P. C.
Espanola, New Mexico
May 9, 2016

STATE OF NEW MEXICO
LUMBERTON MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Schedule of Revenues and Expenditures-Budget and Actual (Cash Basis)
Year Ended December 31, 2015

| | Budgeted Amounts | | Actuals | Variance |
|--|------------------|------------------|------------------|----------------------------|
| | Original | Final | | Favorable (Unfavorable) |
| Revenues: | | | | |
| Water Service & Fees | \$ 56,208 | \$ 56,208 | \$ 61,752 | \$ 5,544 |
| Taxes-Gross Receipts Tax | 2,397 | 2,397 | 2,664 | 267 |
| Taxes-Water Conserv. Fund | 93 | 93 | 83 | (10) |
| USDA Grants | - | 13,500 | 13,173 | (327) |
| Insurance Proceeds | - | 35,000 | 22,641 | (12,359) |
| Interest | 5 | 5 | 3 | (2) |
| | <u>58,703</u> | <u>107,203</u> | <u>100,316</u> | <u>(6,887)</u> |
| Total revenues | | | | |
| Cash balance budgeted | <u>38,516</u> | <u>38,516</u> | <u>38,516</u> | <u>-</u> |
| Total revenues and cash balance budgeted | <u>97,219</u> | <u>145,719</u> | <u>138,832</u> | <u>(6,887)</u> |
| Expenditures: | | | | |
| USDA Loan | 5,125 | 5,125 | 5,124 | 1 |
| NMED RIP | 2,925 | 2,925 | 2,916 | 9 |
| Bank Checks, Charges & Fees | 35 | 35 | 43 | (8) |
| Bookkeeping/Billing/Secretarial | 5,200 | 5,200 | 5,220 | (20) |
| Professional services | 3,500 | 3,500 | 3,474 | 26 |
| Dues & Subscriptions (NMRWA) | 50 | 50 | 276 | (226) |
| Insurance | 4,000 | 4,000 | 3,653 | 347 |
| Office Equipment and Hall Rental | 400 | 400 | 330 | 70 |
| Office Supplies | 500 | 500 | 488 | 12 |
| Permits, Fees, Registration | 75 | 75 | 100 | (25) |
| Postage | 600 | 600 | 893 | (293) |
| Printing and Copying | 200 | 200 | - | 200 |
| Taxes-Gross Receipts | 2,397 | 2,397 | 2,670 | (273) |
| Taxes-Water Conservation Fee | 93 | 93 | 145 | (52) |
| Telephone & Internet | 1,750 | 1,750 | 1,525 | 225 |
| Contract Labor-Operator | 16,000 | 18,500 | 16,570 | 1,930 |
| Contract Labor-Meter Reader | 2,750 | 2,750 | 3,125 | (375) |
| Lab Tests | 500 | 500 | 109 | 391 |
| Repairs & Maintenance | 10,000 | 65,000 | 45,000 | 20,000 |
| Utilities: Electricity & Propane | 8,500 | 8,500 | 6,145 | 2,355 |
| Critical-Parts Reserve | 4,500 | 4,500 | 3,710 | 790 |
| Miscellaneous | 500 | 500 | 329 | 171 |
| | <u>69,600</u> | <u>127,100</u> | <u>101,845</u> | <u>25,255</u> |
| Total expenditures | | | | |
| Excess revenues over (under) expenditures | <u>\$ 27,619</u> | <u>\$ 18,619</u> | <u>\$ 36,987</u> | <u>\$ 18,368</u> |

| FUND | CURRENT QUARTER | TO DATE | APPROVED BUDGET | % OF BUDGET |
|------------------------------------|--------------------|------------|--------------------|----------------|
| REVENUES: | | | | #DIV/0! |
| SALES (i.e. trees, seed) | 13104.25 | 61,752.39 | 56,208.00 | 1.098640585 |
| EQUIP RENTAL | | | | #DIV/0! |
| APPROPRIATIONS | | | | #DIV/0! |
| GRANTS | | 13,173.37 | 13,500.00 | 0.975805185 |
| INTEREST | 0.83 | 3.23 | 4.50 | 0.717777778 |
| Insurance proceeds | | 22,640.93 | 35,000.00 | 0.646883714 |
| Taxes-Gross receipts | 585.88 | 2,663.52 | 2,397.00 | 1.111188986 |
| Taxes-Water Conservation Fee | 18.82 | 82.57 | 93.00 | 0.887849462 |
| | | | | #DIV/0! |
| TOTAL REVENUE | 13,709.78 | 100,316.01 | 107,202.50 | 0.935761853 |
| TRANSFERS: IN/(OUT) | -6,000.00 | 2,113.76 | | #DIV/0! |
| from checking to savings | | | | #DIV/0! |
| NET TRANSFERS | -6,000.00 | 2,113.76 | 0 | #DIV/0! |
| EXPENDITURES: | | | | |
| USDA Loans | 1,281.00 | 5,124.00 | 5125.00 | 0.999804878 |
| NMED Loans | | 2,916.58 | 2925.00 | 0.997121368 |
| Bank Checks, Charges & Fees | 31.00 | 43.00 | 35.00 | 1.228571429 |
| Bookkeeping/Billing/Secretarial | 1,275.00 | 5,220.00 | 5200.00 | 1.003846154 |
| Professional services: CPA | | 3,474.00 | 3500.00 | 0.992571429 |
| Dues and Subscriptions (NMRWA) | 129.00 | 276.65 | 50.00 | 5.533 |
| Insurance | | 3,653.00 | 4000.00 | 0.91325 |
| Hall Rental | 60.00 | 330.00 | 400.00 | 0.825 |
| Office Supplies | 212.12 | 487.76 | 500.00 | 0.97552 |
| Permits, Fees, registration | 39.85 | 99.46 | 75.00 | 1.326133333 |
| Postage | 225.69 | 892.96 | 600.00 | 1.488266667 |
| Printing and copying | | | 200.00 | 0 |
| Taxes-Gross Receipts | 881.73 | 2,670.30 | 2397.00 | 1.114017522 |
| Taxes -Water Conservation Fee | 34.92 | 144.81 | 93.00 | 1.557096774 |
| Telephone and Internet | 408.70 | 1,524.65 | 1750.00 | 0.871228571 |
| Contract Labor-Operator | 4,541.67 | 16,570.00 | 18500.00 | 0.895675676 |
| Contract Labor-Meter Reader | 750.00 | 3,125.00 | 2750.00 | 1.136363636 |
| Lab Tests | | 109.52 | 500.00 | 0.21904 |
| Repairs & Maintenance | 432.50 | 44,999.86 | 65000.00 | 0.692305538 |
| Utilities: Electricity and Propane | 990.81 | 6,145.29 | 8500.00 | 0.722975294 |
| Critical-Parts/Checmicals | 380.25 | 3,709.71 | 4500.00 | 0.82438 |
| Miscellaneous | 111.55 | 328.74 | 500.00 | 0.65748 |
| Grant funds expended | | | | #DIV/0! |
| | | | | #DIV/0! |
| TOTAL EXPENDITURES | 11,785.79 | 101,845.29 | 127,100.00 | 0.801300472 |

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

**Schedule of Findings and Responses
Year Ended December 31, 2015**

| | <u>Type of Finding *</u> | <u>Prior Year Finding Number</u> | <u>Current Year Finding Number</u> |
|--|----------------------------------|--|--|
| Current Year Findings: None | N/A | N/A | N/A |
| Follow-up on Prior Year Findings: None | N/A | N/A | N/A |

*** Legend for Findings:**

- A. Fraud
- B. Illegal Act(s)
- C. Internal Control Deficiency(ies)
- D. Noncompliance

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

**Exit Conference
Year Ended December 31, 2015**

EXIT CONFERENCE

The report contents were discussed at a telephonic exit conference held on May 12, 2016 with the following:

Lumberton Mutual Domestic Water Consumers Association

By telephone:

Joey Valdez, President
Chris Romnes, Treasurer
Edward Ainsworth, Bookkeeper

Accounting Firm

James R. (Jim) Macias, CPA