



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

**LUMBERTON MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION**

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

Year Ended December 31, 2016

STATE OF NEW MEXICO

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WATER CONSUMERS ASSOCIATION**

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

**Official Roster
at December 31, 2016**

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



Macias, Gutierrez
& Co., P.C.

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

To: Joey Valdez, President
Lumberton Mutual Domestic Water Consumers Association #3255
and
Honorable Timothy M. 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, 2016 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 and B. 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. 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."

We verified LMDWCA's revenue calculation and tier determination. LMDWCA cash basis revenue was between the **Tier 4** lower and upper limits and had no state capital outlay.

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) 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.

Results of Procedures Performed

- a) The LMDWCA has one checking and two savings accounts and utilizes Quickbooks to record cash transactions. All bank reconciliations are performed on a timely basis and all bank statements were complete and on-hand for the entire year.
- 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 never required on any uninsured deposits.

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

4. 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.

Results of Procedures Performed

- a) An analytical review of prior-year to current-year revenue revealed no unexplained or unusual variations. The test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed no exceptions.
- b) We requested supporting documentation for ten (10) deposits (45% of total revenue) from a total of 23 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.

5. 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).

Results of Procedures Performed

- a) We requested supporting documentation for 32 disbursements (30 original and two additional, 35% of total expenditures) from a total of 148 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).

6. 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.

Results of Procedures Performed

- a) The LMDWCA implemented Quickbooks on January 1, 2016 and only prepared five correcting journal entries during the year. The journal entries appear reasonable and have supporting documentation.
- b) The LMDWCA requires journal entries to be approved and there is evidence that the reviews are being approved through monthly financial statement review and approval.

7. 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.

Results of Procedures Performed

- a) A review of Board minutes indicated that the 2016 budget was approved by the Board and was submitted to DFA-LGD for approval. There were no subsequent budget adjustments made.
- 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, 2016 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 accrual budgetary basis. This schedule is included herein as Exhibit A.

8. 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.

Results of Procedures Performed

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 and B. 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
 January 18, 2017

STATE OF NEW MEXICO
LUMBERTON MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Schedule of Revenues and Expenditures-Budget and Actual (Accrual Basis)
Year Ended December 31, 2016

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Water Service & Fees	\$ 62,500	\$ 62,500	\$ 59,192	\$ (3,308)
Taxes-Gross Receipts Tax	2,500	2,500	-	(2,500)
Taxes-Water Conserv. Fund	95	95	-	(95)
Insurance Proceeds	-	-	2,606	2,606
Interest	5	5	5	-
Total revenues	65,100	65,100	61,803	(3,297)
Cash balance budgeted	36,970	36,970	36,970	-
Total revenues and cash balance budgeted	102,070	102,070	98,773	(3,297)
Expenditures:				
Debt Service-Principal	3,757	3,757	4,530	(773)
Debt Service-Interest	4,284	4,284	3,511	773
Professional services, CPA	3,500	3,500	3,474	26
Insurance	4,100	4,100	4,078	22
Facility Rental	400	400	270	130
Office Supplies and postage	1,750	1,750	1,207	543
Bad Debt	-	-	289	(289)
Taxes	2,600	2,600	-	2,600
Contract Labor	38,500	38,500	28,778	9,722
Parts, Chemicals, Lab Test	5,000	5,000	4,495	505
Utilities	10,000	10,000	6,866	3,134
Miscellaneous	750	750	785	(35)
Total expenditures	74,641	74,641	58,283	16,358
Excess revenues over (under) expenditures	\$ 27,429	\$ 27,429	\$ 40,490	\$ 13,061

Lumberton MDWCA

4th Quarter (Oct 1, 2016 - Dec 31, 2016)

Approved Budget \$36,970 Jan 1 - Dec 31, 2016 Amount Over/Under Budget % of Budget

Beginning Cash Balance on Jan 1, 2016:

Revenue	Approved Budget	Jan 1 - Dec 31, 2016	Amount Over/Under Budget	% of Budget
Water Service and Fees	\$62,500.00	\$59,191.87	-\$3,308.13	94.71%
Taxes-Gross Receipts Tax	\$2,500.00	\$0.00	-\$2,500.00	0.00%
Interest Income	\$4.50	\$4.67	\$0.17	103.78%
Taxes-Water Conservation Fee	\$95.00	\$0.00	-\$95.00	0.00%
Insurance Proceeds	\$0.00	\$2,606.67	\$2,606.67	-
	\$0.00	\$0.00	\$0.00	-
	\$0.00	\$0.00	\$0.00	-
	\$0.00	\$0.00	\$0.00	-
Total Revenue	\$65,099.50	\$61,803.21	-\$3,296.29	94.94%

Expenditures

Utilities	\$10,000.00	\$6,866.28	-\$3,133.72	68.66%
Contract Labor	\$38,500.00	\$28,778.33	-\$9,721.67	74.75%
Professional Services, CPA	\$3,500.00	\$3,474.00	-\$26.00	99.26%
Office Supplies and postage	\$1,750.00	\$1,206.62	-\$543.38	68.95%
Insurance	\$4,100.00	\$4,078.00	-\$22.00	99.46%
Facility Rental	\$400.00	\$270.00	-\$130.00	67.50%
Taxes	\$2,600.00	\$0.00	-\$2,600.00	0.00%
Parts, Chemicals, Lab Test	\$5,000.00	\$4,495.26	-\$504.74	89.91%
Miscellaneous	\$750.00	\$784.75	\$34.75	104.63%
Debt Service-Principal	\$4,283.32	\$4,529.58	\$246.26	105.75%
Debt Service-Interest	\$3,757.26	\$3,511.00	-\$246.26	93.45%
Bad Debt	\$0.00	\$288.69	\$288.69	-
	\$0.00	\$0.00	\$0.00	-
	\$0.00	\$0.00	\$0.00	-
	\$0.00	\$0.00	\$0.00	-
	\$0.00	\$0.00	\$0.00	-
	\$0.00	\$0.00	\$0.00	-
	\$0.00	\$0.00	\$0.00	-
	\$0.00	\$0.00	\$0.00	-
	\$0.00	\$0.00	\$0.00	-
Total Expenditures	\$74,640.58	\$58,282.51	-\$16,358.07	78.08%

Estimated Ending Cash Balance on Dec 31, 2016:

\$27,428.49

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

**Schedule of Findings and Responses
Year Ended December 31, 2016**

	<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, 2016**

EXIT CONFERENCE

The report contents were discussed at a telephonic exit conference held on January 24, 2017, 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