

STATE OF NEW MEXICO

**REGINA
MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION**

**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED UPON PROCEDURES**

FOR THE YEAR-ENDED JUNE 30, 2018



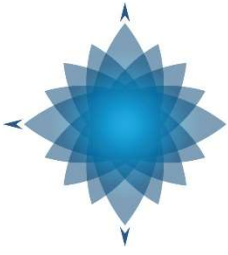
**STATE OF NEW MEXICO
REGINA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Page</u>
Table of contents	i
Official roster	ii
Independent accountant's report on applying agreed upon procedures	1-6
Schedule of revenues, expenditures, and changes in fund balance – budget (non-GAAP budgetary basis) and actual	7
Copy of Year-end Financial Report Submitted to DFA	8-10
Schedule of Findings and Responses	11
Exit conference	12

**REGINA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Board of Directors</u>	<u>Title</u>
George Latham	President
Armand Groffman	Vice President
Clay Chase	Secretary/Treasurer
Ken Fuchs	Director
Richard McDonald	Director

<u>Principal Employees</u>	
Rory Rieck	Manager/Operator
Gerald Udem	Assistant Manager
Troy C. Green	Operator
Jeanette Linville	Member



**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED UPON PROCEDURES**

To Management
Regina Mutual Domestic Water Consumers Association
Regina, New Mexico
and
To Mr. Wayne Johnson, State Auditor

We have performed the procedures enumerated below, which were agreed to by the Regina Mutual Domestic Water Consumers Association (Association) and the New Mexico State Auditor's Office, solely to assist in determining if the Association is in compliance with New Mexico State Audit Rule, Tier 4, as of June 30, 2018. The Association is the responsible party and the subject matter is the responsibility of the Association. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the America 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 representations regarding the sufficiency of the procedures described below either for the purposes for which this report has been requested or for any other purpose.

The procedures we performed, and the associated findings are included in this report.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Tier 4 agreed upon procedures. Accordingly, we do not express such an opinion or conclusion. 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 management and others within the Association, the State Auditor, the Department of Finance and Administration – Local Government Division, and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Integrity Accounting + Consulting, LLC

Integrity Accounting & Consulting, LLC
Albuquerque, NM

November 21, 2018

**STATE OF NEW MEXICO
REGINA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2018**

Our procedures and findings are as follows:

1. Verify Tier

Procedures

- a. 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

- a. Based on a review of the Association's general ledger, total revenues for the fiscal year ending June 30, 2018 were \$103,957. Based on this information, the Association was properly determined to be a Tier 4 entity for FY18 since their total revenues were between \$50,000 and \$250,000 during the fiscal year.

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 the 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. The Association has one checking account and one savings account and three certificates of deposit (CD's), held at the same financial institution, and utilizes QuickBooks to record cash transactions. We obtained the bank statements and corresponding bank reconciliations for the Association's bank accounts. We determined that bank reconciliations are performed on a timely basis and all were on-hand for the fiscal year.
- b. We tested 66% reconciliations which were accurate, and the ending balances on the bank reconciliations agreed with the supporting documentation. We traced the June 30, 2018 cash balances to the year-end cash reconciliation submitted to DFA-LGD since, currently, there is no DFA-LGD required cash reporting format.

**STATE OF NEW MEXICO
REGINA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2018**

- c. We determined that none of the Association's cash accounts exceeded FDIC coverage during the year; therefore, additional procedures were not performed.

3. Capital Assets

Procedures

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

Results of Procedures Performed

- a. The Association maintains a capital asset inventory listing in Microsoft Excel and performed a yearly inventory for the fiscal year ending June 30, 2018.

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 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

- a. An analytical review of actual revenue compared to budgeted revenue revealed no unexplained or unusual variations.
- b. We requested supporting documentation for twenty-four (24) deposits (80% of total revenue) from a total of 35 deposits for the year. For the sample selected, the amount recorded in the general ledger agreed with the supporting documentation and the bank statement.

**STATE OF NEW MEXICO
REGINA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2018**

- c. Per review of supporting documentation for the transactions tested, amounts were properly recorded on a cash basis as to classification, amount and period.

5. Expenditures

Procedures

Select a sample of cash disbursements equal 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) We requested supporting documentation for fifty (50) disbursements (40% of total expenses) out of a total of 169 disbursements for the year. The amounts recorded as disbursed agreed with the supporting documentation. The amount, payee, date and description of the purchase agreed with the vendor's invoice, contract and canceled check. The District does not use purchase order forms.
- b) For the sample selected, 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).

**STATE OF NEW MEXICO
REGINA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2018**

6. 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

The Association utilizes QuickBooks to record cash transactions only and does not prepare journal entries.

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) From a review of board minutes and correspondence, we determined that the fiscal year 2018 original proposed and final budget was approved by the Association's governing body through resolution 2018-001 on September 5, 2017. Correspondence from the DFA-LGD indicated submission and approval.
- b) Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control.

**STATE OF NEW MEXICO
REGINA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2018**

- c) A schedule of revenues and expenditures – budget and actual (page 8) was prepared from RMDWCA records on the cash budgetary basis. RMDWCA submitted a Profit and Loss budget vs. actual report for the year ended June 30, 2018 to DFA-LGD which is included herein (Page 8).

8. Other

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.

Result 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.

STATE OF NEW MEXICO
REGINA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED CASH BASIS BASIS) AND ACTUAL
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Operations	\$			
Water Service Fees	103,200	103,200	100,785	(2,415)
New Meter Installs	1,313	1,313	-	(1,313)
Meter Deposit	1,680	1,680	310	(1,370)
Meter X-fer, Line Fees	2,400	2,400	418	(1,982)
Other operating revenue				-
Water Rights Fees	3,360	3,360	-	(3,360)
Tax and late fees	648	648	938	290
Interest income	1,209	1,209	1,239	30
Miscellaneous income	-	-	267	267
Total revenues	<u>113,810</u>	<u>113,810</u>	<u>103,957</u>	<u>(9,853)</u>
Expenditures				
Current:				
General government				
Operations & Maintenance	33,036	33,036	31,912	1,124
Payroll expense	44,534	44,534	43,074	1,460
Outside services	12,100	12,100	12,663	(563)
Taxes, licenses and permits	6,526	6,526	5,855	671
Insurance	8,061	8,061	9,581	(1,520)
Other	2,635	2,635	1,569	1,066
Debt service	4,608	4,608	2,108	2,500
Total expenditures	<u>111,500</u>	<u>111,500</u>	<u>106,762</u>	<u>4,738</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ <u>2,310</u>	<u>2,310</u>	<u>(2,805)</u>	<u>(5,115)</u>
Budgeted cash carryover	<u>195,009</u>	<u>195,009</u>		
Net change in fund balance	\$ <u>197,319</u>	<u>197,319</u>		

**Regina Mutual Domestic Water Consumers
Association, Inc.
Profit & Loss Budget vs. Actual
July 2017 through June 2018**

	Total			
	<u>Jul '17 - Jun 18</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income				
Cash Reserve	0	195,009.17	-195,009.17	0.00%
Insurance Reimbursement	267			
Interest				
Interest on CD	1,154.26	1,130.20	24.06	102.13%
Interest on Checking Account	80.46	74.40	6.06	108.15%
Interest on Savings Account	4.57	4.58	-0.01	99.78%
Total Interest	<u>1,239.29</u>	<u>1,209.18</u>	<u>30.11</u>	<u>102.49%</u>
Late Fee, Penalties, Etc.	937.74	648.00	289.74	144.71%
Meter Deposit	310.00	1,680.00	-1,370.00	18.45%
Meter X-fer, Line Fee, Etc.	417.50	2,400.00	-1,982.50	17.40%
New Meter Installs	-	1,312.50	-1,312.50	0.00%
Water Right Fees	-	3,360.00	-3,360.00	0.00%
Water Sales & Service	100,785.37	103,200.00	-2,414.63	97.66%
Total Income	<u>103,956.90</u>	<u>308,818.85</u>	<u>-204,861.95</u>	<u>33.66%</u>
Gross Profit	103,956.90	308,818.85	-204,861.95	33.66%
Expense				
Business Expenses				
Bank Charges	14.05	26.40	-12.35	53.22%
Fines, Penalties, Judgments	9.17	35.00	-25.83	26.20%
Total Business Expenses	<u>23.22</u>	<u>61.40</u>	<u>-38.18</u>	<u>37.82%</u>
Debt Service				
RIP 97-02 Loan	2,107.70	2,107.70		100.00%
Water Well # 1 Payment	-	2,500.00	-2,500.00	0.00%
Total Debt Service	<u>2,107.70</u>	<u>4,607.70</u>	<u>-2,500.00</u>	<u>45.74%</u>
Insurance				
Insurance, Combined Auto, PL/PD	7,539.00	6,057.00	1,482.00	124.47%
Workermans Comp.	2,042.00	2,004.00	38.00	101.90%

Total Insurance	9,581.00	8,061.00	1,520.00	118.86%
Licenses, Permits, Dues				
NM Rural Water Dues	-	277.00	-277.00	0.00%
US Forest Service	720.37	730.00	-9.63	98.68%
Licenses, Permits, Dues - Other	25.00	35.00	-10.00	71.43%
Total Licenses, Permits, Dues	745.37	1,042.00	-296.63	71.53%
Non Sufficient Fund Fee	30.00	20.00	10.00	150.00%
Non Sufficient Funds	110.98	140.00	-29.02	79.27%
Operations & Maintenance				
Audit	4,030.69	4,016.81	13.88	100.35%
Backhoe O & M	2,230.93	2,160.00	70.93	103.28%
Internet Charges	220.00	240.00	-20.00	91.67%
Mileage	726.16	960.00	-233.84	75.64%
Office & Computer Supplies	422.67	960.00	-537.33	44.03%
Office Rent	3,192.96	3,192.00	0.96	100.03%
Postage, Freight	1,258.18	1,440.00	-181.82	87.37%
Repair Parts	10,558.63	8,280.00	2,278.63	127.52%
Telephone Charges	167.04	167.04	-	100.00%
Training, Motels, Meals, Etc.	802.17	940.00	-137.83	85.34%
Treating	337.02	600.00	-262.98	56.17%
Truck Expense	5,267.93	3,120.00	2,147.93	168.84%
Utilities	2,237.46	4,680.00	-2,442.54	47.81%
Total Operations & Maintenance	31,451.84	30,755.85	695.99	102.26%
Other Types of Expenses				
Other Costs	1,405.00	1,064.32	340.68	132.01%
Other Types of Expenses - Other	-	1,350.00	-1,350.00	0.00%
Total Other Types of Expenses	1,405.00	2,414.32	-1,009.32	58.19%
Outside Services				
Catering	625.00	1,100.00	-475.00	56.82%
One-Call Service	219.38	200.00	19.38	109.69%
Other Outside Services	11,819.00	10,800.00	1,019.00	109.44%
Total Outside Services	12,663.38	12,100.00	563.38	104.66%
Payroll Expenses				
Federal Payroll Withholding	3,024.77	3,384.00	-359.23	89.38%

Medicare	1,133.24	1,224.00	-90.76	92.59%
Monthly Payroll	33,371.34	34,800.00	-1,428.66	95.90%
NM Payroll Withholding	483.96	540.00	-56.04	89.62%
Social Security	4,845.60	4,380.00	465.60	110.63%
Unemployment Tax to NM	128.95	120.00	8.95	107.46%
Workers Com. Tax Fee to NM	86.00	86.00	-	100.00%
Total Payroll Expenses	43,073.86	44,534.00	-1,460.14	96.72%
Reconciliation Discrepancies	0.01			
Taxes				
CRS Tax to NM	4,824.73	5,220.00	-395.27	92.43%
Water Use Tax	285.50	264.00	21.50	108.14%
Total Taxes	5,110.23	5,484.00	-373.77	93.18%
Tools	460.14	2,280.00	-1,819.86	20.18%
Total Expense	106,762.73	111,500.27	-4,737.54	95.75%
Net Ordinary Income	(2,805.83)	197,318.58	-200,124.41	-1.42%
Net Income	(2,805.83)	197,318.58	-200,124.41	-1.42%

**STATE OF NEW MEXICO
REGINA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

Status of Prior Year Findings

PRIOR YEAR FINDINGS - RESOLVED

2016-001 – Late Report - Resolved

CURRENT YEAR FINDINGS

No current year findings.

**STATE OF NEW MEXICO
REGINA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
OTHER DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2018**

B. EXIT CONFERENCE

The contents of the report for the Regina Mutual Domestic Water Consumers Association were discussed on November 21, 2018. The following individuals were in attendance.

Regina Mutual Domestic Water Consumers Association's Officials

George Latham, Board President

Rory Rieck, Manager/Operator

Integrity Accounting & Consulting Personnel

Erick Robinson, CPA, CFE Partner