

STATE OF NEW MEXICO

**REGINA
MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION**

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

FOR THE YEAR-ENDED JUNE 30, 2019



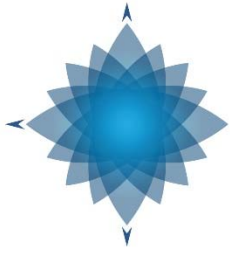
**STATE OF NEW MEXICO
REGINA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
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FOR THE YEAR ENDED JUNE 30, 2019**

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**REGINA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2019**

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

Principal Employees	
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. Brian S. Colon, 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, 2019. 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

February 18, 2020

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FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019 were \$104,772. Based on this information, the Association was properly determined to be a Tier 4 entity for FY19 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, 2019 cash balances to the year-end cash reconciliation submitted to DFA-LGD since, currently, there is no DFA-LGD required cash reporting format.

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FOR THE YEAR ENDED JUNE 30, 2019**

- 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, 2019.

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 (65.59% of total revenue) from a total of 39 deposits for the year. For the sample selected, the amount recorded in the general ledger agreed with the supporting documentation and the bank statement.

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FOR THE YEAR ENDED JUNE 30, 2019**

- 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 thirty (30) disbursements (39.40% of total expenses) out of a total of 176 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).

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FOR THE YEAR ENDED JUNE 30, 2019**

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 2019 original proposed and final budget was approved by the Association's governing body through resolution 2018-01 on June 5, 2018. Correspondence from the DFA-LGD indicated submission and approval. There was one budget adjustment that was approved by the governing body through resolution 2018-05 on October 10, 2018.
- b) Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control.

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FOR THE YEAR ENDED JUNE 30, 2019**

- 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, 2019 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. However, see the Schedule of Findings and Responses for a noncompliance issue related to Late Contract (Finding 2019-001) and Late Report (2019-002).

STATE OF NEW MEXICO
REGINA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (CASH BASIS) AND ACTUAL
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Operations	\$			
Water Service Fees	101,400	101,400	101,934	534
New Meter Installs	1,312	1,312	-	(1,312)
Meter Deposit	240	240	421	181
Meter X-fer, Line Fees	360	360	210	(151)
Water Rights Fees	1,680	1,680	-	(1,680)
Tax and late fees	840	840	956	116
Interest income	1,227	1,227	1,252	25
Miscellaneous income				-
Total revenues	<u>107,059</u>	<u>107,059</u>	<u>104,772</u>	<u>(2,286)</u>
Expenditures				
Current:				
General government				
Operations & Maintenance	33,066	73,066	63,085	9,981
Payroll expense	43,346	43,346	43,224	122
Professional services-Accounting, Engineering, Legal	11,345	11,345	16,025	(4,680)
Taxes, licenses and permits	6,192	6,192	6,197	(5)
Insurance	9,190	9,190	8,826	364
Tools	1,200	1,200	531	669
Other	160	160	2,125	(1,966)
Debt service	2,108	2,108	2,108	-
Total expenditures	<u>106,607</u>	<u>146,607</u>	<u>142,120</u>	<u>4,487</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ <u>452</u>	<u>(39,548)</u>	<u>(37,348)</u>	<u>2,200</u>
Budgeted cash carryover	<u>191,910</u>	<u>191,910</u>		
Net change in fund balance	\$ <u>192,362</u>	<u>152,362</u>		

REGINA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION, INC.
PROFIT AND LOSS BUDGET VS ACTUAL
JULY 2018 THROUGH JUNE 2019

MDWCA Name : Regina MDWCA
Mailing Address :
Email Address :
Phone Number :

Fiscal Year : 2018-2019

	APPROVED BUDGET	1st QR: June - Aug	2nd QR: Sept - Nov	3rd QR: Dec - Feb	4th QR: Mar - May	Year to Date(YTD) Totals	YTD (over)/under BUDGET	% of Budget
Beginning balances:								
Cash	191,910							
Savings								
CDs								
Investments								
Beginning Balance TOTAL	191,910							
REVENUES								
Water Sales (Water Use Fees)		28,052	24,958	24,745	24,180	101,935	(101,935)	-
Connection/Reconnection Charges		179	173	67	105	524	(524)	-
Membership and Meter Sales (Utility Service Fees)		0	0	53	52	105	(105)	-
Late Fees and Penalties (Other Fines and Forfeits)		270	261	218	208	957	(957)	-
Gross Receipts Tax (Other State shared taxes)		0	0	0		0	0	-
Other Operating Revenue (miscellaneous - other)		319	320	307	306	1,252	(1,252)	-
TOTAL	0	28,820	25,712	25,389	24,851	104,772	(104,772)	-
EXPENDITURES								
Salaries - Operator, Bookkeeper, etc.		10,404	10,795	10,716	11,309	43,224	(43,224)	-
Employee Benefits and Expenses		53	21	0		57	(57)	-
Electricity		998	285	1,090	1,003	3,376	(3,376)	-
Other Utilities - Gas, Water, Sewer, Telephone		102	102	102	102	408	(408)	-
System Parts and Supplies		124	165	1,037	89	1,415	(1,415)	-
System Repairs and Maintenance		108	501	219	133	961	(961)	-
Vehicle Expenses		1,602	36,719	3,470	1,907	43,698	(43,698)	-
Office and Administrative Expenses		1,989	1,352	1,222	2,016	6,579	(6,579)	-
Professional Services - Accounting, Engineering, Legal		7,161	7,830	5,253	3,285	23,529	(23,529)	-
Insurance		3,575	1,904	3,021	326	8,826	(8,826)	-

Dues, Fees, Permits and Licenses		0	1,026	0	0	1,026	(1,026)	-
Taxes - Gross Receipts Tax, Water Conservation Fee		1,391	1,224	1,248	1,307	5,170	(5,170)	-
Training		0	29	375	443	847	(847)	-
Miscellaneous		71	351	21	454	897	(897)	-
Loans								
Annual debt service - Loan 1		0	0	2,107		2,107	(2,107)	-
Annual debt service - Loan 2		0	0			0	0	-
TOTAL		0	27,578	62,304	29,881	22,374	142,120	(142,120)
Ending Balance	191,910					154,562		
LESS: Operating Reserve								
Emergency Reserve								
Capital Improvement Reserve								
Debt Reserve								
Ending Available Cash Balance	191,910					154,562		

**STATE OF NEW MEXICO
REGINA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

Status of Prior Year Findings

PRIOR YEAR FINDINGS - None

CURRENT YEAR FINDINGS

2019-001 – Late Audit Contract

Condition – The IPA recommendation and AUP contract were not received by the Office of the State Auditor by the required due date of May 1, 2019. The IPA recommendation and audit contract were not submitted to the Office of the State Auditor until January 16, 2020.

Criteria - Paragraph (8f) of Subsection F of 2.2.2.8 NMAC requires the contract be received by the Office of the State Auditor by May 15, 2019.

Cause – Regina Mutual Domestic Water Consumers Association did not submit the annual AUP contract by the due date.

Effect – Regina Mutual Domestic Water Consumers Association is not compliant with state statute.

Recommendation – RMDWCA should ensure that the annual AUP contract is submitted by the required due date.

Entity response

We will review applicable due dates and will make sure that the contract is signed by the due date. The Operating manager will monitor for compliance with an expected completion date of June 2020.

2019-002 – Late Report

Condition – Regina Mutual Domestic Water Consumers Association has a June 30 year end but the agreed upon procedures report for the year ended June 30, 2019 was submitted after December 15, 2019.

Criteria – Office of the State Auditor, Rule 2017, Section 2.2.2.16 G, states that local public bodies with a June 30 fiscal year-end must submit the agreed upon procedures report no later than December 15.

Cause – Regina Mutual Domestic Water Consumers Association did not submit the IPA recommendation or AUP contract to the State Auditor until January 2020.

Effect – Regina Mutual Domestic Water Consumers Association has not complied with Office of the State Auditor, Rule 2017, Section 2.2.2.16 G.

Recommendation – We recommend that Regina Mutual Domestic Water Consumers Association ensure its agreed upon procedures engagements are completed timely and submitted to the Office of the State Auditor in accordance with state statute.

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SCHEDULE OF FINDINGS AND RESPONSES
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Entity Response – We understand the need to comply with state statute. The Operating Manager will monitor for compliance with an expected completion date of June 2020.

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REGINA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
OTHER DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2019**

EXIT CONFERENCE

The contents of the report for the Regina Mutual Domestic Water Consumers Association were discussed on February 18, 2020. 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