



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

STATE OF NEW MEXICO

**REGINA MUTUAL DOMESTIC WATER
CONSUMERS ASSOCIATION**

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

Year Ended June 30, 2016

STATE OF NEW MEXICO

**REGINA MUTUAL DOMESTIC WATER
CONSUMERS ASSOCIATION**

**Independent Accountants' Report on Applying
Agreed-Upon Procedures (Tier 4)**

Year Ended June 30, 2016

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

**Table of Contents
June 30, 2016**

		<u>Page</u>
Title Page		i
Table of Contents		ii
Official Roster		iii
Independent Accountants' Report on Applying Agreed-Upon Procedures (Tier 4)		iv-viii
	<u>Exhibit</u>	
Schedule of Revenues and Expenditures – Budget and Actual (Cash Basis)	A	1-3
Copy of year-end Profit and Loss budget vs. actual statement submitted to DFA	B	4-6
Schedule of Findings and Responses		7-8
Exit Conference		9

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

**Official Roster
at June 30, 2016**

<u>Name</u>	<u>Title</u>
<u>Board of Directors</u>	
Manuel Medrano	President
George Latham	Vice-President
Clay Chase	Secretary
Jared Taylor	Director
Ken Fuchs	Director
<u>Staff</u>	
Rory Rieck	Manager/Operator
Donald Buttry	Assistant Manager
Troy C. Green	Operator



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: George Latham, President
Regina Mutual Domestic Water Consumers Association #3327
and
Wayne A. Johnson
New Mexico State Auditor

We have performed the procedures enumerated below, which were agreed to by the Regina Mutual Domestic Water Consumers Association (RMDWCA) and the Office of the State Auditor on the Tier Verification, Cash, Capital Assets, Revenue, Expenditures, Journal Entries, Budget and Other as of and for the year ended June 30, 2016, included in the accompanying information provided to us by management of the RMDWCA. The RMDWCA is responsible for the Tier Verification, Cash, Capital Assets, Revenue, Expenditures, Journal Entries, Budget and Other as of and for the year ended June 30, 2016, included in the accompanying information provided to us by management of the RMDWCA. 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. The procedures and associated findings (results of procedures performed) are as follows:

1. Before beginning the procedures below, the IPA must verify the local public body's revenue calculation and tier determination using the form provided at www.osanm.org under "Tiered System Reporting Main Page."

We verified Regina Mutual Domestic Water Consumers Association's revenue calculation and tier determination. Regina Mutual Domestic Water Consumers Association's cash basis revenue for the year ended June 30, 2016, was more than \$50,000 but less than \$250,000 which meets the criteria for **Tier 4 determination**.

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 (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) RMDWCA has one checking and one savings account and two certificates of deposit (CDs), all in one financial institution, and utilizes Quickbooks to record cash transactions. All bank reconciliations are performed on a timely basis and all bank statements for the year were complete and on-hand.
- b) We tested 33% of all bank reconciliations which revealed no exceptions. The reconciliations were accurate and agreed with supporting documentation. We traced the June 30, 2016 cash balances to the year-end cash reconciliations submitted to DFA-LGD since, currently, there is no DFA-LGD required cash reporting format.
- c) Cumulative single-institution bank account balances never exceeded uninsured limits and therefore, pledged collateral was not 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 RMDWCA performed a yearly inventory as required by Section 12-6-10 NMSA 1978 and maintains a capital asset listing.

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 revenues equal to at least 30% of the total dollar amount and test 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 unusual or unexplained 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 fifteen (15) deposits (32% of total revenue) from a total of 51 deposits for the year. For the sample selected, amounts recorded on Quickbooks 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.

5. Expenditures

Procedures

Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test 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 thirty-one (31) disbursements (40% of total expenses) out of a total of 186 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 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

The RMDWCA 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) A review of minutes and correspondence revealed that the FY 2016 original proposed and final budget was approved by the RMDWCA governing body through resolution. The DFA-LGD final approval was granted on July 23, 2015. The RMDWCA did not make any subsequent budget adjustments during the year.
- b) Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control.
- c) A schedule of revenues and expenditures – budget and actual (Exhibit A) was prepared from RMDWCA records on the cash budgetary basis, the basis used by RMDWCA. RMDWCA submitted a Profit and Loss budget vs. actual report for the year ended June 30, 2016 to DFA-LGD which is included herein (Exhibit B).

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, or any internal control deficiencies. However, see the Schedule of Findings and Responses for a noncompliance issue related to Late Report (Finding 2016-001, p. 8).

* * * * *

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were 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, Revenue, Expenditures, Journal Entries, Budget or Other of Regina Mutual Domestic Water Consumers Association as of and for the year ended June 30, 2106, included in the accompanying information provided to us by management of the RMDWCA. 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 Regina Mutual Domestic Water Consumers Association, the New Mexico State Auditor's Office, the Department of Finance and Administration, Local Government Division, the NM 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.
Española, New Mexico
February 19, 2018

STATE OF NEW MEXICO
REGINA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Schedule of Revenues and Expenditures-Budget and Actual (Cash Basis)
Year Ended June 30, 2016

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Water Service Fees	\$ 94,800	\$ 94,800	\$ 97,429	\$ 2,629
Insurance Reimbursement	-	-	-	-
Interest	1,161	1,161	913	(248)
New Meter Installs	2,625	2,625	2,625	-
Water Rights Fees	3,360	3,360	3,360	-
Meter Deposit	600	600	1,314	714
Late Fees, Penalties, Etc.	696	696	637	(59)
Meter X-fer , Line Fee, Etc.	600	600	1,940	1,340
Total revenues	<u>103,842</u>	<u>103,842</u>	<u>108,218</u>	<u>4,376</u>
Cash balance budgeted	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
Total revenues and cash balance budgeted	<u>123,842</u>	<u>123,842</u>	<u>108,218</u>	<u>(15,624)</u>
Expenditures:				
OPERATIONS & MAINTENANCE				
Audit	4,379	4,379	4,017	362
Backhoe O & M	1,200	1,200	1,869	(669)
Internet Charges	240	240	220	20
Mileage	1,380	1,380	862	518
Office & Computer Supplies	1,320	1,320	829	491
Postage, Freight	1,800	1,800	1,248	552
Printing and Copying	384	384	-	384
Repair Parts	9,600	9,600	8,801	799
Telephone Charges	167	167	153	14
Training, Motels, Meals, Etc.	1,500	1,500	719	781
Treating	1,200	1,200	379	821
Truck Expense	5,400	5,400	3,185	2,215
Utilities	10,800	10,800	7,399	3,401
Total operation and maintenance	<u>39,370</u>	<u>39,370</u>	<u>29,681</u>	<u>9,689</u>
PAYROLL EXPENSES				
Federal Payroll Withholding	3,180	3,180	2,688	492
Medicare	1,200	1,200	976	224
Monthly Payroll	36,000	36,000	27,934	8,066
NM Payroll Withholding	540	540	430	110
Social Security	5,340	5,340	4,173	1,167
Unemployment Tax to NM	360	360	90	270
Workers Com. Tax Fee to NM	86	86	64	22
Total payroll expenses	<u>46,706</u>	<u>46,706</u>	<u>36,355</u>	<u>10,351</u>

STATE OF NEW MEXICO
REGINA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Schedule of Revenues and Expenditures-Budget and Actual (Cash Basis)
Year Ended June 30, 2016

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
OUTSIDE SERVICES				
Catering	\$ 1,140	\$ 1,140	\$ 1,100	\$ 40
Legal Fees	480	480	-	480
One-Call Service	240	240	187	53
Other Outside Services	13,000	13,000	7,760	5,240
Total outside services	14,860	14,860	9,047	5,813
NON-SUFFICIENT FUNDS				
Non Sufficient Fund Fee	40	40	-	40
Non Sufficient Funds	425	425	-	425
Total non sufficient funds	465	465	-	465
TAXES				
CRS Tax to NM	5,820	5,820	4,639	1,181
Water Use Tax	300	300	206	94
Total taxes	6,120	6,120	4,845	1,275
LICENSES, PERMITS & DUES				
US Forest Service (Use Permit)	715	715	715	-
NM Rural Water Association	264	264	264	-
PRC Corporation Bureau Fee	10	10	-	-
Licenses, Permits, Dues - Other	35	35	35	-
Total licenses, permits & dues	1,024	1,024	1,014	-
INSURANCE				
Insurance (Workmans Comp.)	2,280	2,280	1,071	1,209
Insurance (PL & PD Pkg.)	6,269	6,269	6,057	212
W/C Audit	180	180	-	180
Total insurance	8,729	8,729	7,128	1,601
DEBT SERVICE				
Water Well Payment	2,500	2,500	2,500	-
Loan Payment--RIP 97-02	2,108	2,108	2,108	-
Total debt service	4,608	4,608	4,608	-

STATE OF NEW MEXICO
REGINA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
Schedule of Revenues and Expenditures-Budget and Actual (Cash Basis)
Year Ended June 30, 2016

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
OTHER TYPES OF EXPENSES	\$ 50	\$ 50	\$ 1,064	\$ (1,014)
TOOLS	960	960	13,174	(12,214)
BUSINESS EXPENSES	-	-	61	(61)
REFUND	100	100	-	100
Total expenditures	122,992	122,992	106,977	16,005
Excess revenues over expenditures	\$ 850	\$ 850	\$ 1,241	\$ (31,629)

Regina Mutual Domestic Water Consumers Association, Inc.
Profit & Loss Budget vs. Actual
July 2015 through June 2016

11:52 AM
07/02/16
Cash Basis

	Jul '15 - Jun '16	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
Cash Reserve	0.00	20,000.00	-20,000.00	0.0%
Interest				
Interest on CD	828.88	1,080.00	-251.12	76.7%
Interest on Checking Account	80.67	76.80	3.87	105.0%
Interest on Savings Account	3.44	4.60	-1.16	74.8%
Total Interest	912.99	1,161.40	-248.41	78.6%
Late Fee, Penalties, Etc.	636.72	696.00	-59.28	91.5%
Meter Deposit	1,313.70	600.00	713.70	219.0%
Meter X-fer, Line Fee, Etc.	1,940.00	600.00	1,340.00	323.3%
New Meter Installs	2,625.00	0.00	0.00	100.0%
Water Right Fees	3,360.00	3,360.00	0.00	100.0%
Water Sales & Service	97,429.29	94,800.00	2,629.29	102.8%
Total Income	108,217.70	123,842.40	-15,624.70	87.4%
Gross Profit	108,217.70	123,842.40	-15,624.70	87.4%
Expense				
Business Expenses				
Bank Charges	26.40			
Fines, Penalties, Judgments	35.00			
Total Business Expenses	61.40			
Debt Service				
RIP 97-02 Loan	2,107.70	2,107.70	0.00	100.0%
Water Well # 1 Payment	2,500.00	2,500.00	0.00	100.0%
Total Debt Service	4,607.70	4,607.70	0.00	100.0%
Insurance				
Insurance, Combined Auto, PL/PP	6,057.00	6,269.50	-212.50	96.6%
Workermans Comp.	1,071.00	2,280.00	-1,209.00	47.0%
Workers Comp Audit	0.00	180.00	-180.00	0.0%
Total Insurance	7,128.00	8,729.50	-1,601.50	81.7%
Licenses, Permits, Dues				
NM PRC	0.00	10.00	-10.00	0.0%
NM Rural Water Dues	264.00	264.00	0.00	100.0%
US Forest Service	714.65	715.00	-0.35	100.0%
Licenses, Permits, Dues - Other	35.00	35.00	0.00	100.0%
Total Licenses, Permits, Dues	1,013.65	1,024.00	-10.35	99.0%
Non Sufficient Fund Fee	0.00	40.00	-40.00	0.0%
Non Sufficient Funds	0.00	425.00	-425.00	0.0%

Regina Mutual Domestic Water Consumers Association, Inc.
Profit & Loss Budget vs. Actual
July 2015 through June 2016

	Jul '15 - Jun 16	Budget	\$ Over Budget	% of Budget
Operations & Maintenance				
Audit	4,016.81	4,378.66	-361.85	91.7%
Backhoe O & M	1,868.77	1,200.00	668.77	155.7%
Internet Charges	220.00	240.00	-20.00	91.7%
Mileage	862.33	1,380.00	-517.67	62.5%
Office & Computer Supplies	828.86	1,320.00	-491.14	62.8%
Postage, Freight	1,248.10	1,800.00	-551.90	69.3%
Printing and Copying	0.00	384.00	-384.00	0.0%
Repair Parts	8,801.36	9,600.00	-798.64	91.7%
Telephone Charges	153.12	167.04	-13.92	91.7%
Training, Motels, Meals, Etc.	719.53	1,500.00	-780.47	48.0%
Treating	378.88	1,200.00	-821.12	31.6%
Truck Expense	3,184.71	5,400.00	-2,215.29	59.0%
Utilities	7,398.92	10,800.00	-3,401.08	68.5%
Total Operations & Maintenance	29,681.39	39,369.70	-9,688.31	75.4%
Other Types of Expenses				
Other Costs	1,064.32	50.00	1,014.32	2,128.6%
Total Other Types of Expenses	1,064.32	50.00	1,014.32	2,128.6%
Outside Services				
Catering	1,100.00	1,140.00	-40.00	96.5%
Legal Fees	0.00	480.00	-480.00	0.0%
One-Call Service	187.24	240.00	-52.76	78.0%
Other Outside Services	7,759.92	13,000.00	-5,240.08	59.7%
Total Outside Services	9,047.16	14,860.00	-5,812.84	60.9%
Payroll Expenses				
Federal Payroll Withholding	2,688.49	3,180.00	-491.51	84.5%
Medicare	975.99	1,200.00	-224.01	81.3%
Monthly Payroll	27,933.73	36,000.00	-8,066.27	77.6%
NM Payroll Withholding	430.16	540.00	-109.84	79.7%
Social Security	4,173.22	5,340.00	-1,166.78	78.2%
Unemployment Tax to NM	89.71	360.00	-270.29	24.9%
Workers Com. Tax Fee to NM	64.50	86.00	-21.50	75.0%
Total Payroll Expenses	36,355.80	46,706.00	-10,350.20	77.8%
Taxes				
CRS Tax to NM	4,638.56	5,820.00	-1,181.44	79.7%
Water Use Tax	206.55	300.00	-93.45	68.9%
Total Taxes	4,845.11	6,120.00	-1,274.89	79.2%
Tools				
	13,173.52	960.00	12,213.52	1,372.2%
Total Expense	106,978.05	122,891.90	-15,913.85	87.1%
Net Ordinary Income	1,239.65	950.50	289.15	130.4%

5

Regina Mutual Domestic Water Consumers Association, Inc.
Profit & Loss Budget vs. Actual
 July 2015 through June 2016

	Jul '15 - Jun '16	Budget	\$ Over Budget	% of Budget
Other Income/Expense				
Other Expense				
Refund	0.00	100.00	-100.00	0.0%
Total Other Expense	0.00	100.00	-100.00	0.0%
Net Other Income	0.00	-100.00	100.00	0.0%
Net Income	<u>1,239.65</u>	<u>850.50</u>	<u>389.15</u>	<u>145.8%</u>

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

**Schedule of Findings and Responses
Year Ended June 30, 2016**

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current Year Findings: Late Report	D	N/A	2016-001
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
REGINA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**Schedule of Findings and Responses
Year Ended June 30, 2016**

2016-001

Late Report

Criteria

Office of the State Auditor, Rule 2016, 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.

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, 2016 was submitted after December 15, 2016.

Cause

Regina Mutual Domestic Water Consumers Association did not submit the IPA recommendation or AUP contract to the State Auditor by the deadline and was unable to provide the IPA appropriate documents to perform the Tier 4 agreed-upon procedures engagement in a timely manner.

Effect

Regina Mutual Domestic Water Consumers Association has not complied with Office of the State Auditor, Rule 2016, Section 2.2.2.16.G.

Recommendation

We recommend that Regina Mutual Domestic Water Consumers Association complete the IPA recommendation and contract forms and submit all future agreed-upon procedures reports by the required deadlines.

Entity Response

“Regina water plans to complete the engagements on time, as long as the procedures to do so don’t change any time soon. We still need to complete the 2017 engagement once we find someone we can afford.”

IPA Response

The former Association Manager passed away during fiscal year 2016 and the new Manager/Operator is doing his best to keep current on all the duties/responsibilities of the Manager/Operator. Unfortunately, he has fallen behind on required agreed-upon procedures IPA recommendations and contracting.

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

**Exit Conference
Year Ended June 30, 2016**

EXIT CONFERENCE

The report contents were discussed at a telephonic exit conference held March 12, 2018 with the following:

Regina Mutual Domestic Water Consumers Association

By telephone:

George Latham, Current Board President
Rory Rieck, Manager/Operator

Accounting Firm

James R. (Jim) Macias, CPA