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

**Independent Accountants'
Report on
Tier 4 – Agreed Upon
Procedures
December 31, 2019**

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

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

OFFICIAL ROSTER

Board of Directors

<u>Name</u>	<u>Title</u>
Michael Rife	President
Diana Andrews	Treasurer
Donna Agnew	Director
Alonzo Padilla	Director
Henry Schelton	Director



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Independent Accountants' Report on Applying Agreed Upon Procedures

Brian S. Colón, Esq.
New Mexico State Auditor
and
The Board of Directors
Rutherford Mutual Domestic Water Consumers Association
Rutherford, New Mexico

We have performed the procedures enumerated below, which were agreed to by the Rutherford Mutual Domestic Water Consumers Association (the 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 December 31, 2019. The Association is responsible for compliance with New Mexico State Audit Rule, Tier 4. The sufficiency of these procedures is solely the responsibility of the parties specified in this 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 the associated findings are included in a supplemental attachment.

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 review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with New Mexico State Audit Rule, Tier 4. 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.

Ricci & Company, LLC

Albuquerque, New Mexico
May 22, 2020

AGREED UPON PROCEDURES

**STATE OF NEW MEXICO
RUTHERON MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
Year Ended December 31, 2019**

PROCEDURES PERFORMED AND RELATED RESULTS

We have performed the procedures enumerated below for the Rutherford Mutual Domestic Water Consumers Association (the Association), for the year ended December 31, 2019. The Association was determined to be a Tier 4 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC.

1. We have used the tiered system reporting worksheet provided by the New Mexico State Auditor's Office to recalculate the tiered system reporting calculation prepared by the Association. Our procedures confirmed that the Association should have Tier 4 procedures.

2. Cash

- 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.

We determined the Association has two bank accounts and utilizes QuickBooks to record and process activity. From our random test of eight (8) bank reconciliations, we noted that the selected bank reconciliations were consistently performed in a timely manner and, all were 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.

We tested over 33% of the bank reconciliations which revealed that all were accurate and properly reconciled to the trial balance. The cash balance on all four (4) quarterly reports to Department of Finance and Administration Local Government Division (DFA-LGD) agreed with the Association's bank reconciliations and general ledger.

- c) Determine whether the local public body's financial institutions have provided it with 50% pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

All deposits were insured by the FDIC. We also determined that pledged collateral was not required for the deposits as there were no times during the year that the bank balances exceeded the FDIC limits.

**STATE OF NEW MEXICO
RUTHERON MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
Year Ended December 31, 2019**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

3. Capital Assets

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

We obtained the certification of the inventory count performed at year end as required by Section 12-6-10 NMSA 1978. The Association maintains a capital asset listing to track all assets that meet the capitalization threshold. We obtained and verified the accuracy of the supporting documents for the one capital asset addition in the fiscal year.

4. Revenue

Identify the nature and amount of revenue from all 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.

Revenues appeared to be consistent with budgeted amounts and were also consistent with prior year revenues. No unexpected fluctuations were noted.

Select a sample of revenues 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.

We tested over 31% of revenues by selecting a sample of four (4) months billings and compared those to collections recorded in the general ledger, and agreed the amounts to the supporting documentation. We noted no significant variances.

- 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.

Revenues were properly coded and classified in the general ledger on the cash basis. The amounts tested were recorded in the proper amounts and period.

**STATE OF NEW MEXICO
RUTHERON MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
Year Ended December 31, 2019**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

5. Expenditures

Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test the following attributes:

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

A sample of twenty-five (25) cash disbursements was selected for testing which accounts for approximately 34% of total expenditures. We noted that all were supported by adequate documentation. Furthermore, all agreed to the amount, payee, date and description on the supporting documentation.

- b) Determine that the disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

All items tested were approved for payment by authorized personnel and in accordance to the budget, legal requirements and the Association's 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).

There were no requests for proposals solicited during the year, other procurement(s) subject to the New Mexico Procurement Code, or transactions subject to the Per Diem and Mileage Act for the year ending December 31, 2019.

6. Journal Entries

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.

We inspected all journal entries and noted that they were supported by appropriate documentation and were not indicative of fraud or misappropriation.

**STATE OF NEW MEXICO
RUTHERON MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
Year Ended December 31, 2019**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

6. Journal Entries (Continued)

- b) The local public body has policies and procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

We noted that the journal entry was approved at a board meeting, as journal entries are submitted with the monthly financials.

7. Budget

Obtain the original fiscal year budget and all budget adjustments made throughout the fiscal year and perform the following test work:

- 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 the Department of Finance and Administration-Local Government Division (DFA-LGD).

We obtained the 2019 budget and traced the budget approval to the November 18, 2018 Board of Director minutes. There were no budget adjustments (BAR) for 2019. We also reviewed the stamped DFA-LGD approval dated March 18, 2019 and inspected the DFA-LGD approved budget.

- b) Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if the answer is yes, report a compliance finding.

The legal level of budgetary control is at the fund level; actual expenditures did not exceed budget for the Association at the fund level.

- 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.

See attached Statement of Revenues and Expenditures - Budget and Actual – Proprietary Fund.

**STATE OF NEW MEXICO
RUTHERON MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
Year Ended December 31, 2019**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

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 all required content detailed in Section 2.2.2.10(L) NMAC.

We did not note any instances of actual or alleged fraud, non-compliance or findings.

STATE OF NEW MEXICO
RUTHERON MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL – PROPRIETARY FUND (Non-GAAP Cash Basis)
Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Water Service Fees	\$ 64,583	64,583	72,102	\$ 7,519
Membership Fees	2,520	2,520	-	(2,520)
Interest Income	18	18	166	148
Total Revenues	67,121	67,121	72,268	5,147
Expenditures				
Bank Service Charges	852	852	1,233	(381)
Gross Receipts Tax	3,524	3,524	-	3,524
NM Water Conservation Fee	63	63	144	(81)
Property Taxes	190	190	160	30
Loan Interest	2,500	2,500	1,814	686
Contact Work	2,211	2,211	5,259	(3,048)
Office Supplies	589	589	199	390
Storage Rental	640	640	650	(10)
Computer Equipment/Internet	756	756	314	442
System Maintenance & Repairs	12,789	12,789	13,127	(338)
System Maintenance & Updates	1,500	1,500	1,520	(20)
System Operator	23,580	23,580	18,506	5,074
System Parts and Supplies	3,730	3,730	8,409	(4,679)
Professional Fees	20,000	20,000	17,023	2,977
Training	500	500	-	500
Insurance	3,700	3,700	4,272	(572)
Loan Principal Payment	-	-	45	(45)
Membership Dues	1,000	1,000	354	646
Postage and Shipping	599	599	166	433
Utilities	2,000	2,000	2,032	(32)
Depreciation Expense	10,448	10,448	12,673	(2,225)
Total Expenditures	91,171	91,171	87,900	3,271
Excess (Deficiency) of Revenues Over Expenditures	\$ (24,050)	(24,050)	(15,631)	\$ 1,876

MDWCA Name:
Mailing Address:
Email Address:
Phone number:

Rutheron Water Association
 PO Box 204, Los Ojos, NM 87551
 lmmymac20@luno.com
 575-588-0607

Calendar Year
2019

	APPROVED BUDGET	1st QR: Jan - Mar	2nd QR: Apr - Jun	3rd QR: Jul - Sept	4th QR: Oct -Dec	Year to Date(YTD) Totals	YTD (over)/under BUDGET	% of Budget
Beginning balances:								
Cash	16,999							
Savings	123,874							
CDs								
Investments								
Beginning Balance TOTAL	\$ 140,873							
REVENUES								
Water Sales (Water Use Fees)	64,583					0	64,583	0%
Connection/Reconnection Charges						0	0	-
Membership and Meter Sales (Utility Service Fees)	2,520					0	2,520	0%
Late Fees and Penalties (Other Fines and Forfeits)						0	0	-
Gross Receipts Tax (Other State shared taxes)						0	0	-
Other Operating Revenue (miscellaneous - other)	18					0	18	0%
TOTAL	\$ 67,121	-	-	-	-	-	67,121	0%
EXPENDITURES								
Salaries - Operator, Bookkeeper, etc.	23,580					0	23,580	0%
Employee Benefits and Expenses						0	0	-
Electricity	2,000					0	2,000	0%
Other Utilities - Gas, Water, Sewer, Telephone						0	0	-
System Parts and Supplies	3,730					0	3,730	0%
System Repairs and Maintenance	15,000					0	15,000	0%
Vehicle Expenses						0	0	-
Office and Administrative Expenses	4,936					0	4,936	0%
Professional Services - Accounting, Engineering, Legal	20,000					0	20,000	0%
Insurance	3,700					0	3,700	0%
Dues, Fees, Permits and Licenses	1,000					0	1,000	0%
Taxes - Gross Receipts Tax, Water Conservation Fee	3,777					0	3,777	0%
Training	500					0	500	0%
Miscellaneous	2,500					0	2,500	0%
Loans								
Annual debt service - Loan 1	10,448					0	10,448	0%
Annual debt service - Loan 2						0	0	-
TOTAL	\$ 91,171	-	-	-	-	-	91,171	0%
Ending Balance	116,823					140,873		
LESS: Operating Reserve								
Emergency Reserve								
Capital Improvement Reserve								
Debt Reserve								
Ending Available Cash Balance	\$ 116,823					\$ 140,873		

I HEREBY CERTIFY THE CONTENTS IN THIS REPORT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND THAT THIS REPORT DEPICTS ALL FUNDS.

Michael Rife

President/Chairperson

3-16-2019

Date

APPROVED PURSUANT TO
 SECTION 6-6-2 NMSA 1978
 LOCAL GOVERNMENT DIVISION

DATE 3/18/19

BY *Brian G. Sump Rife*
 DEPARTMENT OF FINANCE AND ADMINISTRATION

**STATE OF NEW MEXICO
RUTHERON MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2019**

Prior Year Report Findings

Finding 2017-001 Inaccurate Cash Balance Reported to DFA-LGD - Resolved

Current Year Report Findings

None.

**STATE OF NEW MEXICO
RUTHERON MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
EXIT CONFERENCE
Year Ended December 31, 2019**

An exit conference was held on May 26, 2020 to discuss the agreed upon procedures. In attendance were the following:

Representing the Rutherford Mutual Domestic Water Consumers Association:
Mike Rife

Representing the Independent Auditor:
Mark Santiago, CPA, Senior Audit Manager
Esther Alejo, Senior Auditor