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6200 Uptown Blvd., NE Suite 400

Albuquerque, NM 87110

505 338 0800 office riccipa.com

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

**Independent Accountant's
Report on
Tier 4 – Agreed Upon
Procedures**

Year Ended December 31, 2018

**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
Vacant	Vice President
Donna Agnew	Secretary
Dianna Andrews	Treasurer
Chris Hennigh	Board Member At Large
Tina Cordova	Board Member At Large

Administrative Staff

None



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Independent Accountant's Report on Applying Agreed Upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by the Rutheron 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, 2018. 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 30, 2019

AGREED UPON PROCEDURES

**STATE OF NEW MEXICO
RUTHERON MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2018**

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, 2018. 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 five (5) 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 41% of the bank reconciliations which revealed that all were accurate and properly reconciled to the trial balance. However, the cash balance on the first quarterly report to Department of Finance and Administration Local Government Division (DFA-LGD) did not agree with the Association's bank reconciliations and general ledger. See Finding #2017-001.

- 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
December 31, 2018**

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 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 and there were no capital asset additions during 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 45% 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
December 31, 2018**

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 35% 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, 2018.

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 three 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
December 31, 2018**

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 journals entries were approved at the board meetings, 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 2018 budget and traced the budget approval to the November 26, 2017 Board of Director minutes and to the resolution 02-2018-01. There were no budget adjustments (BAR) for 2018. We also reviewed the stamped DFA-LGD approval dated February 20, 2018 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
December 31, 2018**

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 noted no instances of actual or alleged fraud or non-compliance. We did note one instance of an internal control deficiency which is reported as finding 2017-001.

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, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Water Service Fees	\$ 64,583	64,583	65,700	1,117
Membership Fees	2,520	2,520	-	(2,520)
Interest Income	18	18	130	112
Total Revenues	67,121	67,121	65,830	(1,291)
Expenditures				
Bank Service Charges	852	852	756	96
Gross Receipts Tax	3,523	3,523	-	3,523
NM Water Conservation Fee	63	63	-	63
Property Taxes	190	190	173	17
Loan Interest	1,991	1,991	1,859	132
Contact Work	2,210	2,210	500	1,710
Office Supplies	589	589	1,248	(659)
Storage Rental	640	640	620	20
Computer Equipment/Internet	756	756	-	756
System Maintenance & Repairs	2,500	2,500	1,169	1,331
System Maintenance & Updates	1,500	1,500	1,586	(86)
System Operator	23,580	23,580	19,906	3,674
System Parts and Supplies	3,730	3,730	3,019	711
Professional Fees	17,733	17,733	17,402	331
Training	368	368	-	368
Insurance	3,300	3,300	780	2,520
Loan Principal Payment	-	-	32	(32)
Membership Dues	600	600	355	245
Postage and Shipping	598	598	238	360
Utilities	2,000	2,000	2,124	(124)
Depreciation Expense	10,448	10,448	15,051	(4,603)
Water Testing	-	-	238	(238)
Total Expenditures	77,171	77,171	67,056	10,115
Excess (Deficiency) of Revenues Over Expenditures	(10,050)	(10,050)	(1,226)	11,406

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

Rutherford Water Association
 PO Box 204, Los Ojos, NM 87551
 barguello@accountingnewmexico.com
 505-205-1900

Calendar Year
 2018

	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	1,471							
Savings	123,830							
CDs								
Investments								
Beginning Balance TOTAL	\$ 125,301							
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	4,711					0	4,711	0%
Vehicle Expenses						0	0	-
Office and Administrative Expenses	4,936					0	4,936	0%
Professional Services - Accounting, Engineering, Legal	17,733					0	17,733	0%
Insurance	3,300					0	3,300	0%
Dues, Fees, Permits and Licenses	600					0	600	0%
Taxes - Gross Receipts Tax, Water Conservation Fee	3,777					0	3,777	0%
Training	364					0	364	0%
Miscellaneous	1,992					0	1,992	0%
Loans								
Annual debt service - Loan 1	10,448					0	10,448	0%
Annual debt service - Loan 2						0	0	-
TOTAL	\$ 77,171	-	-	-	-	-	77,171	0%
Ending Balance	115,251					125,301		
LESS: Operating Reserve								
Emergency Reserve								
Capital Improvement Reserve								
Debt Reserve								
Ending Available Cash Balance	\$ 115,251					\$ 125,301		

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.

 President/Chairperson

 Date

APPROVED PURSUANT TO
 SECTION 6-6-2(CA) NMSA 1978 COMP.
 LOCAL GOVERNMENT DIVISION
 DATE 2/20/18
 BY Brian S. Sorenson
 DEPARTMENT OF FINANCE AND ADMINISTRATION

**STATE OF NEW MEXICO
RUTHERON MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2018**

Prior Year Report Findings

2016-002 – No Written Procurement Policies and Procedures - Resolved

2016-003 – No review procedure for Journal entries - Resolved

2017-001 – Inaccurate Cash Balance Reported to DFA-LGD – Repeated and Modified

2017-002 – Missing Expense Records – Resolved

Current Year Report Findings

2017-001 – Inaccurate Cash Balance Reported to DFA-LGD – Repeated and Modified

**STATE OF NEW MEXICO
RUTHERON MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2018**

**Finding 2017-001 Inaccurate Cash Balance Reported to DFA-LGD-(Other-Noncompliance)
(Repeated and modified)**

Condition

The cash balance on the first quarterly report to Department of Finance and Administration Local Government Division (DFA-LGD) did not agree with the Association's bank reconciliations and general ledger. The reconciled balance was \$137,126 and the reported balance was \$129,867, cash balance was underreported by \$7,259.

Inaccurate reporting was provided by previous accountant which has since been rectified by the present accountants. The last three quarters in 2018 have been accurately reported.

Criteria

As required by section 6-6-2. F NMSA 1978, the association should submit accurate quarterly reports to DFA-LGD

Effect

Inaccurate reports could be misleading to its users as they do not present correct financial information.

Cause

Prior accountant's oversight of not including NMFA Cash balance.

Recommendation

Accountant should submit reports that accurately state cash balances in the manner recommended by DFA-LGD.

Management response

This item was an error by a previous accountant and was resolved as quickly as practical. We are using a new bookkeeping company and anticipate that similar problems are unlikely to occur.

Responsible official

The Association's President

Timeline to correct

Corrected as of the second quarterly report through the year end 2018.

**STATE OF NEW MEXICO
RUTHERON MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
EXIT CONFERENCE
December 31, 2018**

An exit conference was held on May 30, 2019 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