



MACIAS, GUTIERREZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESPANOLA, NEW MEXICO
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STATE OF NEW MEXICO

RUTHERON WATER ASSOCIATION

Independent Accountants' Report on Applying
Agreed-Upon Procedures

Year Ended December 31, 2011

STATE OF NEW MEXICO

RUTHERON WATER ASSOCIATION

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Agreed-Upon Procedures**

Year Ended December 31, 2011

**STATE OF NEW MEXICO
RUTHERON WATER ASSOCIATION**

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**STATE OF NEW MEXICO
RUTHERON WATER ASSOCIATION**

**Official Roster
at December 31, 2011**

<u>Name</u>	<u>Title</u>
<u>Board of Directors</u>	
Kathleen Galbraith	President
Mike Rife	Vice-President
Dianna Andrews	Secretary/Treasurer
Leonard Horan	Member
Marla Ulibarri	Member



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To: Kathleen Galbraith, President
Rutheron Water Association
and
Honorable Hector H. Balderas
New Mexico State Auditor

We have performed the procedures enumerated below for the Rutheron Water Association (RWA), for the year ended December 31, 2011, solely to assist RWA in demonstrating compliance with a Tier 4 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978, Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978, as set forth in the accompanying Exhibit A. The procedures were agreed to by the RWA through the Office of the New Mexico State Auditor. The Rutheron Water Association's management is responsible for the organization's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American 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 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. Our procedures and findings are as follows:

1. 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) Perform a random test of 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.

Findings

- a) The RWA has two checking accounts (Operating and Construction) and utilizes Quickbooks to record cash transactions. Since no formal bank reconciliations were provided for the entire year, we were unable to determine if bank reconciliations are performed on a timely basis. Except for the June 2011 construction account statement and all other bank statements were complete and on-hand for the entire year.

- b) We could not perform random tests of bank reconciliations. However, from markings on the bank statements, bank activity was being compared to Quickbooks activity reports and various notations were made. Both bank accounts have very little activity each month and it appears that most months ending bank balance was also the book balance. For both accounts, the December 31 bank balance equals the book balance. Also, since required quarterly financial cash reports were not submitted to DFA-LGD at any time during the year or at year-end, we could not trace ending cash balances to those reports.
- c) Collective bank account balances never exceeded uninsured limits and, therefore, pledged collateral was not required on any bank account at any time during the year.

2. Capital Assets

Procedures

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

Findings

Although there are several capital assets groupings shown on the balance sheet, the RWA did not maintain a capital assets inventory listing and, therefore, did not perform a yearly inventory as required by Section 12-6-10 NMSA 1978.

3. 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 based on auditor judgment 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.

Findings

- a) A budget was not adopted so we could not perform analytical reviews and test of actual revenue compared to budgeted revenue for the year for each revenue type.
- b) Amounts recorded on Quickbooks general ledger agreed with deposit tickets, other supporting documentation provided and the bank statements, with no exception.
- c) Amounts were properly recorded on a cash basis as to classification, amount and period per review of supporting documentation.

4. Expenditures

Procedures

Select a sample of cash disbursements based on auditor judgment 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 check clearing amount (cancelled checks not returned), 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).

Findings

- a) Our tests of transactions revealed that amounts recorded as disbursed agreed to supporting documentation, with no exceptions. Amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and check clearing amount, as appropriate.
- b) Disbursements were properly authorized and approved in compliance with the legal requirements and established policies and procedures. There was no budget prepared to determine compliance.
- 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).

5. 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.

Findings

The RWA utilizes Quickbooks to record cash transactions. There were no journal entries posted to the general ledger during the year.

6. 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.

Findings

- a) The Board did not prepare a budget for the year ended December 31, 2011, and therefore was not submitted to DFA-LGD for approval
- b) No budget was prepared so we could not compare budget to total actual revenues and expenditures.
- c) The RWA prepared a Profit and Loss statement for the year ended December 31, 2011. A schedule of revenues and expenses – budget (no budgeted amounts) and actual was prepared from RWA records on the cash budgetary basis. This schedule is included herein as Exhibit A.

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.

Findings

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 noncompliance issues related to the Cash, Capital Assets, and Budget findings described above and Late Report.

* * * * *

We were not engaged to, and did not conduct an audit of financial statements or any part thereof, the objective of which would be the expression of an opinion on the financial statements or any part thereof, including the accompanying Exhibit A. Accordingly, we do not express such an opinion. 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 the Rutherford Water Association, the New Mexico State Auditor's Office and the Department of Finance and Administration, Local Government Division 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
December 7, 2012

STATE OF NEW MEXICO
RUTHERON WATER ASSOCIATION
Schedule of Revenues and Expenses-Budget and Actual (Modified Accrual Basis)
Year Ended December 31, 2011

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Water Payments	\$ -	\$ -	\$ 48,432	\$ 48,432
System Funding	-	-	55,723	55,723
Interest Income	-	-	173	173
Total revenues	-	-	104,328	104,328
Cash balance budgeted	-	-	-	-
Total revenues and cash balance budgeted	-	-	104,328	104,328
Expenses:				
990 Tax Return	-	-	803	(803)
Administrative	-	-	301	(301)
Bank Fees	-	-	81	(81)
Bookkeeping	-	-	617	(617)
Computer Equipment	-	-	158	(158)
Dues and Subscriptions	-	-	129	(129)
Electric	-	-	1,559	(1,559)
Financial Loan	-	-	5,196	(5,196)
Gross Receipts Tax	-	-	(84)	84
Insurance, Business	-	-	2,297	(2,297)
Irrigation Fee	-	-	94	(94)
NM Gross Receipts Tax	-	-	2,119	(2,119)
Petty Cash Account	-	-	200	(200)
Postal Box Rental	-	-	42	(42)
Shipping	-	-	65	(65)
Snow Removal-Pump House	-	-	97	(97)
System Oversight	-	-	21,895	(21,895)
System Restoration	-	-	23,699	(23,699)
Travel	-	-	61	(61)
Water Conservation Fee	-	-	46	(46)
Water Leak	-	-	916	(916)
Water Testing	-	-	100	(100)
Web Page	-	-	566	(566)
Total expenses	-	-	60,957	(60,957)
Excess revenues over (under) expenses	\$ -	\$ -	\$ 43,371	\$ 43,371

**STATE OF NEW MEXICO
RUTHERON WATER ASSOCIATION**

**Schedule of Findings and Responses
Year Ended December 31, 2011**

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current Year Findings:			
Budget Submission/Approval and Quarterly Financial Reports	D	N/A	2011-1
Capital Assets Inventory	D	N/A	2011-2
Late Report	D	N/A	2011-3
Follow-up on Prior Year Findings:			
December 31, 2011 is a first-year report	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
RUTHERON WATER ASSOCIATION**

**Schedule of Findings and Responses
Year Ended December 31, 2011**

2011-1

Budget Submission/Approval and Quarterly Financial Reports

Criteria

Section 6-6-2 (A) NMSA, 1978 requires each local public body to furnish and file with the DFA-LGD, on or before December 1, of each year, a proposed budget for the next fiscal year. Upon receipt of any budget approved by the DFA-LGD, the local public body shall cause such budget to be made a part of the minutes of such body. Section 6-6-2 (B) NMSA, 1978 requires each local public body to submit periodic financial reports, at least quarterly, to the DFA-LGD. Section 6-6-3 NMSA, 1978 Compilation states that every local public body shall make all reports as may be required by the Department of Finance and Administration-Local Government Division (DFA-LGD) and conform to the rules and regulations adopted by the DFA-LGD. Section 6-6-6 NMSA 1978 states that when any budget for a local public body has been approved, it is binding upon all officials and governing authorities, and no governing authority or official shall allow or approve claims in excess thereof.

Condition

The Rutherford Water Association (RWA) did not submit a 2011 budget for DFA-LGD approval nor did they submit required quarterly financial cash activity and budget to actual reports to the DFA-LGD at any time during the year.

Cause

The RWA was not aware of all of the DFA-LGD requirements.

Effect

The RWA has not complied with Sections 6-6-2, 6-6-3 and 6-6-6 NMSA 1978.

Recommendation

We recommend that the RWA submit their proposed budget to DFA-LGD for approval, on or before December 1 of each year and that upon receipt of the approved budget cause such budget to be made a part of the minutes. We further recommend that the RWA submit quarterly financial cash and budget to actual reports, as required, to DFA-LGD.

Entity Response

"Budgets will be prepared, approved by the Board of Directors and submitted to DFA-LGD for approval. Quarterly reports will be submitted, as required."

**STATE OF NEW MEXICO
RUTHERON WATER ASSOCIATION**

**Schedule of Findings and Responses
Year Ended December 31, 2011**

2011-2

Capital Assets Inventory

Criteria

Section 12-6-10 NMSA, 1978 requires each local public body to, at the end of each fiscal year, conduct a physical inventory of capital assets costing more than five thousand dollars (\$5,000) and under control of the governing authority. The inventory shall list all capital assets and the date and cost of acquisition. Upon completion, the inventory shall be certified by the governing authority as to correctness. Each local public body shall maintain one copy in its files.

Condition

The Rutherford Water Association (RWA) has not maintained a capital asset listing or performed a yearly inventory as required by Section 12-6-10 NMSA 1978.

Cause

The RWA was not aware of all of the statute requirements.

Effect

The RWA has not complied with Section 12-6-10 NMSA 1978.

Recommendation

We recommend that the RWA develop a capital asset inventory listing and perform a yearly inventory as required by Section 12-6-10 NMSA 1978.

Entity Response

“Capital Assets inventory will be done annually.”

**STATE OF NEW MEXICO
RUTHERON WATER ASSOCIATION**

**Schedule of Findings and Responses
Year Ended December 31, 2011**

2011-3

Late Report

Criteria

Office of the State Auditor, Rule 2011, Section 2.2.2.16.H, requires that local public bodies with a fiscal year end other than June 30 must submit the agreed upon procedures report no later than five months after the fiscal year end.

Condition

The Rutherford Water Association (RWA) has a December 31 year end but the agreed upon procedures report was submitted more than five months after the end of the fiscal year.

Cause

The RWA did not provide the independent public accountant the required records for the agreed-upon procedures engagement in a timely manner.

Effect

The RWA has not complied with Office of the State Auditor, Rule 2011, Section 2.2.2.16.H.

Recommendation

We recommend that the RWA submit all future agreed-upon procedures reports by the required deadline.

Entity Response

“Future agreed-upon procedures reports will be submitted on a timely basis.”

**STATE OF NEW MEXICO
RUTHERON WATER ASSOCIATION**

**Exit Conference
Year Ended December 31, 2011**

EXIT CONFERENCE

The report contents were discussed at an exit conference held on December 16, 2012 with the following in attendance:

Rutheron Water Association

Dianna Andrews, Secretary/Treasurer
Arlene Valdez, Billing Manager

Accounting Firm

James R. (Jim) Macias, CPA