



MACIAS, GUTIERREZ & CO., P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
ESPANOLA, NEW MEXICO  
[www.mgandc.com](http://www.mgandc.com)

---

**STATE OF NEW MEXICO**

**RUTHERON WATER ASSOCIATION**

Independent Accountants' Report on Applying  
Agreed-Upon Procedures

Year Ended December 31, 2014

**STATE OF NEW MEXICO**

**RUTHERON WATER ASSOCIATION**

**Independent Accountants' Report on Applying  
Agreed-Upon Procedures**

**Year Ended December 31, 2014**

---

**STATE OF NEW MEXICO  
RUTHERON WATER ASSOCIATION**

**Table of Contents  
December 31, 2014**

---

		<b><u>Page</u></b>
Title Page		i
Table of Contents		ii
Official Roster		iii
Independent Accountants' Report on Applying Agreed-Upon Procedures		iv-vii
	<b><u>Exhibit</u></b>	
Schedule of Revenues and Expenses – Budget and Actual (Modified Accrual Basis)	A	1
Cash Report submitted at year-end to DFA-LGD -Balance Sheet	B	2
Profit and Loss Report (October to December 2014 only) Submitted at year-end to DFA-LGD	C	3
Schedule of Findings and Responses		4-5
Exit Conference		6

**STATE OF NEW MEXICO  
RUTHERON WATER ASSOCIATION**

**Official Roster  
at December 31, 2014**

---

<u>Name</u>	<u>Title</u>
<b><u>Board of Directors</u></b>	
Michael Rife	President
Vacant	Vice- President
Donna Agnew	Secretary
Tim Andrews	Treasurer
Kathy Larson	Member
Lonnie Hennigh	Member



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

---

To: Michael A. Rife, President  
Rutherford Water Association  
and  
Honorable Timothy Keller  
New Mexico State Auditor

We have performed the procedures enumerated below for the Rutherford Water Association (RWA), for the year ended December 31, 2014, 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 Exhibits A, B and C. The procedures were agreed to by the RWA through the Office of the New Mexico State Auditor. The Rutherford 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 Department of Finance and Administration-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 a Reserve savings account, in one financial institution, and utilizes Quickbooks to record cash transactions. We could not determine that not all bank statement reconciliations are performed on a timely basis. Some reconciliations provided for review indicate they were performed a few months after the bank statement date. However, all bank statements were complete and on-hand for the entire year.

- b) Random tests of bank reconciliations revealed no exceptions. The reconciliations were accurate and agreed with supporting documentation. We traced the December 31, 2014 cash balances to a year-end financial report submitted to DFA-LGD. The RWA submitted a Quickbooks balance sheet where the cash account balances agreed with the general ledger and supporting documentation. Currently, there is no DFA-LGD required cash balance reporting format.
- c) Cumulative, single-institution bank account balances never exceeded uninsured limits and, therefore, pledged collateral was not required on uninsured deposits 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

The RWA maintained a capital assets inventory listing and performed 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) An analytical review of prior-year to current-year revenue revealed no unexplained or unusual variations. The RWA did not submit a 2014 budget to DFA-LGD for approval but adopted a budget for internal use only. The test of actual revenue compared to budgeted revenue for the year for each revenue type revealed no unexplained exceptions.
- b) We requested supporting documentation for twenty (20) deposits from a total of 139 deposits for the year. For the sample selected, amounts recorded on Quickbooks general ledger agreed with deposit tickets, other supporting documentation provided 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.

## 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) We requested supporting documentation for 25 disbursements from a total of 144 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 check clearing amount, as appropriate.
- b) Disbursements were authorized and approved, as described below, in compliance with the legal requirements and established policies and procedures. Although individual invoices are not approved, the board minutes demonstrate blanket approval for the month's expenses as part of the Treasurer's profit and loss report. The internal use budget only was not submitted to DFA-LGD for approval so that is reported herein as an instance of noncompliance.
- 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 recorded for the year ended December 31, 2014.

## **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 prepared an internal use only budget for the year ended December 31, 2014 and did not submit it to DFA-LGD for approval. The Board approved the FY 2014 budget at the February 9, 2014 board meeting. However, the RWA has submitted a 2015 budget that was approved by the DFA-LGD.
- b) Since the Board did not submit a 2014 budget for DFA-LGD approval, the comparison of actual expenditures to budget for the purposes of determining whether actual expenditures exceeded the final budget does not apply. However, for the internal use only budget, the total actual expenditures did not exceed the final budget as demonstrated in accompanying Exhibit A.
- c) The RWA records include a Profit and Loss compared to Budget statement for the year ended December 31, 2014. However, such a statement was not submitted for any quarter or at year-end to DFA-LGD, as required. A schedule of revenues and expenses – budget and actual was prepared from RWA records on the modified accrual 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 internal control deficiencies. However, see the Schedule of Findings and Responses for noncompliance issues related to the agreed-upon procedures for Budget Submission/Approval and Quarterly Financial Reports described above.

\* \* \* \* \*

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 Exhibits A, B and C. 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 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  
May 28, 2015



**STATE OF NEW MEXICO**  
**RUTHERON WATER ASSOCIATION**  
**Schedule of Revenues and Expenses-Budget and Actual (Modified Accrual Basis)**  
**Year Ended December 31, 2014**

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues:</b>				
Water Payments	\$ 41,470	\$ 41,470	\$ 65,765	\$ 24,295
System Funding	25,000	25,000	5,237	(19,763)
Miscellaneous	1,800	1,800	-	(1,800)
Refunds	-	-	364	364
Interest Income	100	100	77	(23)
Total revenues	<u>68,370</u>	<u>68,370</u>	<u>71,443</u>	<u>3,073</u>
Cash balance budgeted	-	-	-	-
Total revenues and cash balance budgeted	<u>68,370</u>	<u>68,370</u>	<u>71,443</u>	<u>3,073</u>
<b>Expenses:</b>				
Bank Services Charges	400	400	1,560	(1,160)
Credit Card Fees	-	-	2	(2)
Computer Equipment/Internet	1,200	1,200	702	498
Storage Rental	-	-	200	(200)
Dues and Subscriptions	1,440	1,440	364	1,076
System Equipment	-	-	480	(480)
Liability Insurance	3,500	3,500	2,434	1,066
Interest Paid	1,021	1,021	1,992	(971)
NM Gross Receipts Tax	3,220	3,220	2,229	991
NM Water Conservation Fee	100	100	59	41
Office Supplies	-	-	773	(773)
Postage and Shipping	360	360	372	(12)
Printing and Reproduction	120	120	25	95
Professional Fees	15,750	15,750	11,932	3,818
Property Taxes	-	-	171	(171)
System Oversight	16,760	16,760	13,835	2,925
System Maintenance and Repairs	2,400	2,400	1,892	508
Utilities-Electric	2,100	2,100	1,753	347
Total expenses	<u>48,371</u>	<u>48,371</u>	<u>40,775</u>	<u>7,596</u>
<b>Excess revenues over (under) expenses</b>	<u>\$ 19,999</u>	<u>\$ 19,999</u>	<u>\$ 30,668</u>	<u>\$ 10,669</u>

**Rutherford Water Association**  
**Balance Sheet**  
 As of December 31, 2014

	<b>Dec 31, 14</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
1000 · Community Bank Operational	11,893.44
1010 · Construction Acct. (Tank Proj)	78,961.96
1030 · Reserve Savings Community Bank	30,016.73
<b>Total Checking/Savings</b>	120,872.13
<b>Accounts Receivable</b>	
1110 · Accounts Receivable	12,451.58
<b>Total Accounts Receivable</b>	12,451.58
<b>Total Current Assets</b>	133,323.71
<b>Fixed Assets</b>	
1600 · Gallery Land	100,000.00
1610 · Water Rights	184,000.00
1640 · Gallery Equipment	30,000.00
1660 · System Fence Install	7,301.01
1700 · Tank, meters and water lines	350,000.00
1710 · System Improvements	98,278.43
1725 · Accumulated Depreciation	-189,399.09
<b>Total Fixed Assets</b>	580,180.35
<b>Other Assets</b>	
1740 · Office Equipment	126.60
1760 · Radio Read Meters	41,330.71
<b>Total Other Assets</b>	41,457.31
<b>TOTAL ASSETS</b>	<b>754,961.37</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
2000 · Accounts Payable	52.72
<b>Total Accounts Payable</b>	52.72
<b>Total Current Liabilities</b>	52.72
<b>Long Term Liabilities</b>	
2010 · Gallery Land Loan-1307	35,385.68
2020 · System Restoration Loan-2697	67,063.84
<b>Total Long Term Liabilities</b>	102,449.52
<b>Total Liabilities</b>	102,502.24
<b>Equity</b>	
3000 · Opening Bal Equity	612,750.00
3900 · Retained Earnings	9,041.13
Net Income	30,668.00
<b>Total Equity</b>	652,459.13
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>754,961.37</b>

**Rutherford Water Association**  
**Profit & Loss**  
 October through December 2014

	Oct - Dec 14
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
4010 · Water Fees	
4012 · Water Payments	7,654.99
4014 · Water Payments ACH	8,434.70
	16,089.69
<b>Total 4010 · Water Fees</b>	<b>16,089.69</b>
4030 · Interest Earned	15.22
	16,104.91
<b>Total Income</b>	<b>16,104.91</b>
<b>Expense</b>	
6221 Credit card fees	2.44
6210 · Bank Service Charges	
6215 Electronic Transaction Fee	45.61
6223 · ACH FEE	74.50
6210 · Bank Service Charges - Other	75.00
	195.11
<b>Total 6210 · Bank Service Charges</b>	<b>195.11</b>
6222 · NM Gross Receipts Tax	69.60
6235 · Rio Arriba Prop Tax	171.08
6270 · Interest Paid	
6271 · Interest NM FA 2697	498.21
	498.21
<b>Total 6270 · Interest Paid</b>	<b>498.21</b>
6560 · Office Supplies	13.90
6561 · Office materials Storage rental	150.00
6564 · Computer Equipment/ Internet	276.52
6610 · System Oversight	
6612 · System Operator	3,000.00
6615 · System Supplies	105.13
	3,105.13
<b>Total 6610 · System Oversight</b>	<b>3,105.13</b>
7100 · Professional Fees	1,309.80
7650 · Membership Dues-Subscriptions	27.41
7840 · Postage/and Shipping	6.49
8220 · Utilities all	
8222 · Electric Expense	178.41
	178.41
<b>Total 8220 · Utilities all</b>	<b>178.41</b>
<b>Total Expense</b>	<b>6,004.10</b>
<b>Net Ordinary Income</b>	<b>10,100.81</b>
<b>Net Income</b>	<b>10,100.81</b>

**STATE OF NEW MEXICO  
RUTHERON WATER ASSOCIATION**

**Schedule of Findings and Responses  
Year Ended December 31, 2014**

---

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
<b>Current Year Findings:</b>			
Budget Submission/Approval and Quarterly Financial Reports	D	2011-1	2011-001
<b>Follow-up on Prior Year Findings:</b>			
Budget Submission/Approval and Quarterly Financial Reports	D	2011-1	Revised, repeated
Capital Assets Inventory	D	2011-2	Resolved
Late Report	D	2011-3	Resolved
Supporting Documentation Unavailable and Lack of Approvals	C	2012-1	Resolved

**\* 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, 2014**

---

**2011-001**

**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.

**Condition**

The Rutherford Water Association (RWA) did not approve and submit the 2014 budget for DFA-LGD approval in a timely manner. The RWA approved the FY 2014 budget in the RWA Board meeting of February 9, 2014. Also, the RWA did not submit required quarterly budget to actual reports to the DFA-LGD at any time during the year.

**Cause**

The RWA did not have procedures to insure that the annual budget was prepared prior to December 1 in order to comply with submission requirements on a timely basis. Also, the RWA submitted only quarterly revenue and expense reports without any budget information that compared actual revenue and expenses to budget. The reports submitted were for a particular quarter only and did not include year-to-date amounts.

**Effect**

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

**Recommendation**

We again 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 year-to-date quarterly budget to actual revenue and expense reports, as required, to DFA-LGD.

**Entity Response**

“For the year 2014, the current board treasurer was tasked with, and developed a budget for the 2014 fiscal year, although it was not submitted, it was implemented and RWA was operated within it. The 2015 fiscal year budget was developed and submitted and approved. Quarterly reports have been completed and turned in thus far in 2015. Next year’s 2015 fiscal year review should reflect resolution of this issue.”

**STATE OF NEW MEXICO  
RUTHERON WATER ASSOCIATION**

**Exit Conference  
Year Ended December 31, 2014**

---

**EXIT CONFERENCE**

The report contents were discussed at an exit conference held on May 31, 2015 with the following in attendance:

Rutherford Water Association

Tim Andrews, Treasurer  
Kathy Larson, Board Member

Accounting Firm

James R. (Jim) Macias, CPA