



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

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**STATE OF NEW MEXICO**

**RUTHERON WATER ASSOCIATION**

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

Year Ended December 31, 2015

**STATE OF NEW MEXICO**

**RUTHERON WATER ASSOCIATION**

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

**Year Ended December 31, 2015**

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**STATE OF NEW MEXICO  
RUTHERON WATER ASSOCIATION**

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December 31, 2015**

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**STATE OF NEW MEXICO  
RUTHERON WATER ASSOCIATION**

**Official Roster  
at December 31, 2015**

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<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
Tina Cordova	Member



Macias, Gutierrez  
& Co., P.C.

*Certified Public Accountants  
Member AICPA, NMSCPA*

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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**

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

We have performed the procedures enumerated below for the Rutheron Water Association (RWA), for the year ended December 31, 2015, 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, C and D. 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. 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](http://www.osanm.org) under "Tiered System Reporting Main Page."

We verified RWA's revenue calculation and tier determination. RWA's cash basis revenue was between the **Tier 4** lower and upper limits and had no state capital outlay.

### **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) 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.

### **Results of Procedures Performed**

- a) At year end, the RWA has two checking accounts (Operating and Construction) (a Reserve savings account was transferred in the Construction account in April), in one financial institution, and utilizes Quickbooks to record cash transactions. We determined that all bank statement reconciliations are performed on a timely basis and 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, 2015 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.

### **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 RWA maintained a capital assets inventory listing and performed a yearly inventory as required by Section 12-6-10 NMSA 1978.

### **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 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.

#### **Results of Procedures Performed**

- a) An analytical review of prior-year to current-year revenue revealed no unexplained or unusual variations. 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 (37% of total revenue) from a total of 80 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.

## 5. 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 ).

### Results of Procedures Performed

- a) We requested supporting documentation for 30 disbursements (33% of total expenses) from a total of 154 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.
- 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 RWA utilizes Quickbooks to record cash transactions. There were no journal entries recorded for the year ended December 31, 2015.

## 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) The Board prepared a budget for the year ended December 31, 2015 and submitted it to DFA-LGD for approval. There were no subsequent budget adjustments.
- b) Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control.
- c) The RWA records include a Profit and Loss compared to Budget statement for the year ended December 31, 2015. 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.

**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 internal control deficiencies. However, see the Schedule of Findings and Responses for a noncompliance issue related not submitting the IPA Recommendation Form, Agreed-upon procedures contract and the agreed-upon procedures report to the Office of the State Auditor by the required due dates (See Finding 2015-001 on page 8).

\* \* \* \* \*

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, C and D. 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 New Mexico 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  
September 21, 2016



**STATE OF NEW MEXICO**  
**RUTHERON WATER ASSOCIATION**  
**Schedule of Revenues and Expenses-Budget and Actual (Modified Accrual Basis)**  
**Year Ended December 31, 2015**

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues:</b>				
Water Payments	\$ 41,470	\$ 41,470	\$ 51,983	\$ 10,513
Membership Fee	-	-	12,627	12,627
Interest Income	100	100	56	(44)
Total revenues	<u>41,570</u>	<u>41,570</u>	<u>64,666</u>	<u>23,096</u>
Cash balance budgeted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and cash balance budgeted	<u>41,570</u>	<u>41,570</u>	<u>64,666</u>	<u>23,096</u>
<b>Expenses:</b>				
Bank Services Charges	400	400	647	(247)
Credit Card Fees	-	-	12	(12)
Contract Work	-	-	2,106	(2,106)
Computer Equipment/Internet	850	850	597	253
Storage Rental	600	600	610	(10)
Dues and Subscriptions	600	600	236	364
Officers and Directors	-	-	1,047	(1,047)
Liability Insurance	3,500	3,500	1,832	1,668
Interest Paid	1,021	1,021	1,992	(971)
NM Gross Receipts Tax	3,220	3,220	2,793	427
NM Water Conservation Fee	100	100	53	47
Office Supplies	1,000	1,000	561	439
Postage and Shipping	400	400	570	(170)
Travel, Training and Conference	-	-	347	(347)
Professional Fees	14,500	14,500	10,400	4,100
Property Taxes	-	-	181	(181)
System Oversight	21,560	21,560	15,623	5,937
System Maintenance and Repairs	9,400	9,400	1,825	7,575
Utilities-Electric	2,200	2,200	1,130	1,070
Total expenses	<u>59,351</u>	<u>59,351</u>	<u>42,562</u>	<u>16,789</u>
<b>Excess revenues over (under) expenses</b>	<u>\$ (17,781)</u>	<u>\$ (17,781)</u>	<u>\$ 22,104</u>	<u>\$ 39,885</u>

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Accrual Basis

**RutheronWaterAssociation**  
**Balance Sheet**  
As of December 31, 2015

	<u>Dec 31, 15</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
1000 · Community Bank Operational	14,890.35
1010 · Long Term Reserve Funds	<u>121,659.82</u>
<b>Total Checking/Savings</b>	<u>136,550.17</u>
<b>Total Current Assets</b>	136,550.17
<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	<u>-207,081.07</u>
<b>Total Fixed Assets</b>	562,498.37
<b>Other Assets</b>	
1740 · Office Equipment	126.60
1760 · Radio Read Meters	<u>41,330.71</u>
<b>Total Other Assets</b>	<u>41,457.31</u>
<b>TOTAL ASSETS</b>	<b><u>740,505.85</u></b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
2000 · Accounts Payable	<u>52.72</u>
<b>Total Accounts Payable</b>	<u>52.72</u>
<b>Total Current Liabilities</b>	52.72
<b>Long Term Liabilities</b>	
2010 · Gallery Land Loan-1307	30,729.23
2020 · System Restoration Loan-2697	<u>65,294.01</u>
<b>Total Long Term Liabilities</b>	<u>96,023.24</u>
<b>Total Liabilities</b>	96,075.96
<b>Equity</b>	
3000 · Opening Bal Equity	612,750.00
3900 · Retained Earnings	9,575.57
Net Income	<u>22,104.32</u>
<b>Total Equity</b>	<u>644,429.89</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>740,505.85</u></b>

**RutheronWaterAssociation**  
**Profit & Loss**  
 January through December 2015

	<u>Jan - Dec 15</u>
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
4010 · Water Fees	
4012 · Water Payments	32,559.69
4014 · Water Payments ACH	18,800.86
4010 · Water Fees - Other	622.45
<b>Total 4010 · Water Fees</b>	<u>51,983.00</u>
4030 · Interest Earned	56.40
4040 · Membership Fee	12,626.99
<b>Total Income</b>	<u>64,666.39</u>
<b>Gross Profit</b>	64,666.39
<b>Expense</b>	
6221 Credit card fees	1.50
Fee	10.51
6210 · Bank Service Charges	
6215 Electronic Transaction Fee	110.64
6212 · Returned NSF checks	0.00
6220 · Wire Transfer fees	42.00
6223 · ACH FEE	156.85
6210 · Bank Service Charges - Other	337.00
<b>Total 6210 · Bank Service Charges</b>	<u>646.49</u>
6222 · NM Gross Receipts Tax	2,792.66
6230 · NM Water Conservation Fee	53.18
6235 · Rio Arriba Prop Tax	180.96
6270 · Interest Paid	
6271 · Interest NM FA 2697	1,991.74
<b>Total 6270 · Interest Paid</b>	<u>1,991.74</u>
6400 · Contract work	2,105.45
6560 · Office Supplies	561.05
6561 · Office materials Storage rental	610.00
6564 · Computer Equipment/ Internet	597.43
6600 · System Maintenance & Repairs	1,825.28
6610 · System Oversight	
6665 Software Maint & updates	694.00
6612 · System Operator	14,547.74
6615 · System Supplies	381.33
<b>Total 6610 · System Oversight</b>	<u>15,623.07</u>
7100 · Professional Fees	
7110 · Accounting / Billing	2,820.22
7115 · Accountant, Auditor CPA	5,558.53
7140 · Legal Fee/Water Rights	321.38
7100 · Professional Fees - Other	1,700.00
<b>Total 7100 · Professional Fees</b>	<u>10,400.13</u>
7200 · Insurance	
7210 · Liability Insurance	1,832.00
7215 · Officers/Directors	1,047.00
<b>Total 7200 · Insurance</b>	<u>2,879.00</u>
7300 · Travel, Training and Conference	347.00
7650 · Membership Dues-Subscriptions	236.00
7840 · Postage/and Shipping	570.18

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Accrual Basis

**Rutherford Water Association**  
**Profit & Loss**  
January through December 2015

Exhibit C  
Page 2 of 2

	<u>Jan - Dec 15</u>
8220 · Utilities all	
8222 · Electric Expense	<u>1,130.44</u>
Total 8220 · Utilities all	<u>1,130.44</u>
 Total Expense	 <u>42,562.07</u>
 Net Ordinary Income	 <u>22,104.32</u>
 Net Income	 <u><u>22,104.32</u></u>

**Rutherford Water Association**  
**Profit & Loss Budget vs. Actual**  
**January through December 2015**

09/20/16

Accrual Basis

	Jan - Dec 15	TOTAL Budget	\$ Over Budget
<b>Ordinary Income/Expense</b>			
<b>Income</b>			
4010 · Water Fees			
4012 · Water Payments	32,559.69	33,110.00	-550.31
4014 · Water Payments ACH	18,800.86	8,360.00	10,440.86
4010 · Water Fees - Other	622.45		
<b>Total 4010 · Water Fees</b>	<b>51,983.00</b>	<b>41,470.00</b>	<b>10,513.00</b>
4030 · Interest Earned	56.40	100.00	-43.60
4040 · Membership Fee	12,626.99		
<b>Total Income</b>	<b>64,666.39</b>	<b>41,570.00</b>	<b>23,096.39</b>
<b>Gross Profit</b>	<b>64,666.39</b>	<b>41,570.00</b>	<b>23,096.39</b>
<b>Expense</b>			
6221 Credit card fees	1.50		
Fee	10.51		
6210 · Bank Service Charges			
6215 Electronic Transaction Fee	110.64	100.00	10.64
6212 · Returned NSF checks	0.00		
6220 · Wire Transfer fees	42.00		
6223 · ACH FEE	156.85	300.00	-143.15
6210 · Bank Service Charges - Other	337.00		
<b>Total 6210 · Bank Service Charges</b>	<b>646.49</b>	<b>400.00</b>	<b>246.49</b>
6222 · NM Gross Receipts Tax	2,792.66	3,220.00	-427.34
6230 · NM Water Conservation Fee	53.18	100.00	-46.82
6235 · Rio Arriba Prop Tax	180.96		
6270 · Interest Paid			
6271 · Interest NM FA 2697	1,991.74	880.11	1,111.63
6272 · Interest Paid NM FA 1307	0.00	140.76	-140.76
<b>Total 6270 · Interest Paid</b>	<b>1,991.74</b>	<b>1,020.87</b>	<b>970.87</b>
6400 · Contract work	2,105.45		
6560 · Office Supplies	561.05	1,000.00	-438.95
6561 · Office materials Storage rental	610.00	600.00	10.00
6564 · Computer Equipment/ Internet	597.43	850.00	-252.57
6600 · System Maintenance & Repairs	1,825.28	9,400.00	-7,574.72
6610 · System Oversight			
6665 Software Maint & updates	694.00	2,540.00	-1,846.00
6612 · System Operator	14,547.74	16,800.00	-2,252.26
6615 · System Supplies	381.33	2,220.00	-1,838.67
<b>Total 6610 · System Oversight</b>	<b>15,623.07</b>	<b>21,560.00</b>	<b>-5,936.93</b>
7100 · Professional Fees			
7110 · Accounting / Billing	2,820.22	6,000.00	-3,179.78
7115 · Accountant, Auditor CPA	5,558.53	5,500.00	58.53
7140 · Legal Fee/Water Rights	321.38	3,000.00	-2,678.62
7100 · Professional Fees - Other	1,700.00		
<b>Total 7100 · Professional Fees</b>	<b>10,400.13</b>	<b>14,500.00</b>	<b>-4,099.87</b>
7200 · Insurance			
7210 · Liability Insurance	1,832.00	3,500.00	-1,668.00
7215 · Officers/Directors	1,047.00		
<b>Total 7200 · Insurance</b>	<b>2,879.00</b>	<b>3,500.00</b>	<b>-621.00</b>
7300 · Travel, Training and Conference	347.00		
7650 · Membership Dues-Subscriptions	236.00	600.00	-364.00
7840 · Postage/and Shipping	570.18	400.00	170.18

RutheronWaterAssociation  
**Profit & Loss Budget vs. Actual**  
January through December 2015

	<u>Jan - Dec 15</u>	<u>TOTAL Budget</u>	<u>\$ Over Budget</u>
8220 · Utilities all			
8222 · Electric Expense	1,130.44	2,200.00	-1,069.56
Total 8220 · Utilities all	1,130.44	2,200.00	-1,069.56
Total Expense	42,562.07	59,350.87	-16,788.80
Net Ordinary Income	22,104.32	-17,780.87	39,885.19
Net Income	<u>22,104.32</u>	<u>-17,780.87</u>	<u>39,885.19</u>

**STATE OF NEW MEXICO  
RUTHERON WATER ASSOCIATION**

**Schedule of Findings and Responses  
Year Ended December 31, 2015**

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	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
<b>Current Year Findings:</b>			
Late Submission of Firm Recommendation Form and Agreed-upon Procedures Contract and Late Agreed-upon Procedures Report	D	N/A	2015-001
<b>Follow-up on Prior Year Findings:</b>			
Budget Submission/Approval and Quarterly Financial Reports	D	2011-1	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, 2015**

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**2015-001**

**Late Submission of Firm Recommendation Form and Agreed-upon Procedures Contract and  
Late Agreed-upon Procedures Report**

**Criteria**

Office of the State Auditor, Rule 2015, Section 2.2.2.16. D (6), requires that local public bodies with a fiscal year other than June 30 fiscal year end must submit the IPA Recommendation Form and Contract one day after the end of the fiscal year.

Also, Office of the State Auditor, Rule 2015, Section 2.2.2.16.H, requires that local public bodies with a fiscal year other than June 30 fiscal year end must submit the agreed-upon procedures report no later than five months after the fiscal year end.

**Condition**

Rutheron Water Association has a December 31st year end but the IPA Recommendation Form and Contract was not submitted until July 2016 and the agreed-upon procedures report for the year ended December 31, 2015 was submitted more than five months after the fiscal year end.

**Cause**

Rutheron Water Association was not aware of the agreed-upon procedures IPA Recommendation Form and Contract form requirements until recently. Since the previously mentioned forms were not submitted until after the report due date, the report could not be completed timely.

**Effect**

Rutheron Water Association has not complied with Office of the State Auditor, Rule 2015, Sections 2.2.2.16 D (6) and 2.2.2.16.H.

**Recommendation**

We recommend that Rutheron Water Association submit all future agreed-upon procedures IPA Recommendation Forms and Contracts and reports by the required due dates.

**Entity Response**

“The Rutheron Water Association, specifically the President and Treasurer, will take appropriate measures to insure that, for future agreed-upon procedures engagements, the IPA recommendation, contract forms and report will be submitted by the required deadlines. In an effort to insure this, we have contracted an outside bookkeeping firm to assist in the process going forward.”



**STATE OF NEW MEXICO  
RUTHERON WATER ASSOCIATION**

**Exit Conference  
Year Ended December 31, 2015**

---

**EXIT CONFERENCE**

The report contents were discussed at a telephonic exit conference held on September 22, 2016 with the following:

Rutherford Water Association

By telephone:

Tim Andrews, Treasurer

Accounting Firm

James R. (Jim) Macias, CPA