

# Leasburg Mutual Domestic Water Consumers Association

## Independent Auditors' Report On Applying Agreed-Upon Procedures For the Year Ended December 31, 2014

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

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

**OFFICIAL ROSTER  
DECEMBER 31, 2014**

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**Board of Directors**

Tom Austin	President
Kathy Kasperek	Vice President
Mary Anne Owen	Secretary/Treasurer
Esther Armijo	Director
Jim Harvey	Director



## **INDEPENDENT AUDITORS' REPORT ON APPLYING AGREED-UPON PROCEDURES**

Timothy Keller, State Auditor  
and the Board of Directors of  
the  
Leasburg Mutual Domestic Water Consumers Association  
Dona Ana County, New Mexico

We have performed the procedures enumerated below, which were agreed to by the Leasburg Mutual Domestic Water Consumers Association, (the Association) and the New Mexico State Auditor, for the year ended December 31, 2014. 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. The procedures were agreed to by the Association through the Office of the New Mexico State Auditor. Leasburg Mutual Domestic Water Consumers Association's management is responsible for the Association'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.

In accordance with Tier 4 of the Audit Act - Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC, the 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. [For purposes of performing these procedures "timely" means completion of the bank reconciliations within one month after the last day of the reporting month and "complete" means that statements for bank and investment accounts are all accounted for by the Association.]
- 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. [For the purpose of performing these procedures, "accuracy" means that reconciling items agree to deposit slips and subsequent bank statements.]
- 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 1(a) - 1(c)**

- a) We obtained the bank statements and corresponding bank reconciliations for the Association's bank accounts. We determined that bank reconciliations are performed in a timely manner and that all bank statements for the fiscal year are complete and on hand. The following are the Association's

bank accounts and related bank balances at December 31, 2014; First National Rio Grande - Operating - \$63,722.58; First National Rio Grande - Reserve - \$42,520.11; and Wells Fargo - Investment - \$161,552.03. All bank and investment reconciliations are performed on a timely basis and all were complete and on-hand.

- b) We selected a random sample of 2 months of the bank reconciliations and verified that the reconciliations were accurate by selecting the largest reconciling items on the bank reconciliations and agreeing the items to deposit slips and/or subsequent bank statements. We also traced ending balances to the general ledger and supporting documentation. All bank reconciliations tested revealed no exceptions.
- c) We inquired whether the Association's financial institution provided it with 50% pledged collateral on uninsured deposit balances. Bank account balances did not exceed the uninsured limits during the year ended December 31, 2014 and, therefore, pledged collateral was not required for any bank account.

## **2. 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 Procedure 2**

Leasburg Mutual Domestic Water Consumers Association maintains a detail of capital assets and performed an inventory of capital assets for the year ended December 31, 2014.

## **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. [For purposes of performing analytical procedures, we inquired of the Association's management for explanations of all variances of budget to actual of more than 5%.]

Select a sample of revenues based on auditor judgment [for purposes of procedures in 3(b) and 3(c), we selected a random sample of recorded revenue transactions to achieve a minimum of 30% coverage] and test 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 3(a) - 3(c)

- a) Analytical review and test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed an under budget of total revenues at the end of the year as the result of lower water usage.

Type	Amount	Budgeted Amount	Variance	Percentage
800-Water Usage Fees	\$127,589.95	\$135,000.00	(\$7,410.05)	5%
802-Connection Fees	\$850.00	\$1,000.00	(\$150.00)	15%
804-Damages/Service Calls	\$472.25	\$1,000.00	(\$527.75)	53%
805-Installation Fees	\$415.00	\$830.00	(\$415.00)	50%
806-Membership Fees	\$325.00	\$200.00	\$125.00	63%
807-Parity Fees	\$1,000.00	\$1,000.00	-	-
808-Certified Letter Fees	\$1,375.00	\$1,200.00	\$175.00	15%
809-Late Fees	\$2,872.38	\$2,400.00	\$472.38	20%
810-Returned Check Fees	\$45.00	\$30.00	\$15.00	50%
825-Unclaimed Customer Refunds	-	\$100.00	(\$100.00)	100%
850-Interest Income	\$699.91	\$250.00	\$449.91	180%
815-Rebates	\$158.63	-	\$158.63	100%

The following items were selected for procedures 3(b) - 3(c):

Type	Date	Name	Memo	Amount
Payments	1/7/2014	Client Fees	Revenue-Water	\$1,897.54
Payments	2/12/2014	Client Fees	Revenue-Water	\$2,443.77
Payments	3/12/2014	Client Fees	Revenue-Water	\$1,194.94
Payments	3/26/2014	Client Fees	Revenue-Water	\$2,910.19
Payments	4/9/2014	Client Fees	Revenue-Water	\$677.83
Payments	4/30/2014	Client Fees	Revenue-Water	\$2,639.31
Payments	5/21/2014	Client Fees	Revenue-Water	\$3,617.94
Payments	5/28/2014	Client Fees	Revenue-Water	\$2,454.74
Payments	6/11/2014	Client Fees	Revenue-Water	\$1,137.66
Payments	6/30/2014	Client Fees	Revenue-Water	\$3,911.74
Payments	7/23/2014	Client Fees	Revenue-Water	\$3,515.93
Payments	7/30/2014	Client Fees	Revenue-Water	\$6,266.82
Payments	8/6/2014	Client Fees	Revenue-Water	\$1,737.64
Payments	9/4/2014	Client Fees	Revenue-Water	\$4,362.50
Payments	12/17/2014	Client Fees	Revenue-Water	\$2,399.21

- b) Amounts recorded in the general ledger agreed with supporting documentation and the bank statements.
- 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 [for purposes of steps 4(b) and (c), we randomly selected a sample of cash disbursements to achieve 15% of total expenditures] and test 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 cancelled check, as appropriate.
- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures. [For purposes of performing these procedures, disbursements were considered to be properly authorized if they contained evidence of review such as sign off on invoices or approval through correspondence.]
- 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 4(a) - 4(c)**

The following cash disbursements were selected and the procedures described in 4(a) - 4(c) above were performed:

<b>Date</b>	<b>Check #</b>	<b>Description</b>	<b>Amount</b>
1/13/2014	2861	Membership; Quarterly Usage	\$86.63
1/13/2014	2864	Electric	\$26.77
1/13/2014	2865	Contractor - Operation and Main	\$2,110.35
1/14/2014	2866	BOD Workshop	\$150.00
2/10/2014	ACH	Gross Receipts	\$406.55
2/10/2014	2867	Customer Refund	\$58.00
2/10/2014	2871	Contractor - Operation and Main	\$2,110.35
03/10/2014	2879	Accounting Services	\$2,739.69
4/14/2014	2884	Monthly Policy Payment	\$184.00
4/14/2014	2888	Cell Phone - Ted Reyes	\$155.53
4/14/2014	2890	Supplies	\$24.05
5/12/2014	2898	Supplies - Baca Lateral	\$5,688.87
5/12/2014	2899	Improvements - Labor Only - Fossil View Rd	\$7,798.28
5/12/2014	2901	Water Conservation Fee	\$143.82
6/9/2014	2909	Accounting Services	\$2,491.44
6/9/2014	2910	Supplies	\$1,412.66
7/14/2014	2911	Water conservation fee	\$172.31
8/11/2014	2917	Customer Refund	\$14.00
8/21/2014	2926	Backhoe Maintenance	\$807.41
9/8/2014	2928	PO box rental	\$122.00
9/8/2014	2933	Supplies - Drum Granular Chlorine	\$772.09
9/8/2014	2935	Accounting Services	\$2,506.35
10/13/2014	2941	Contractor - Operation and Main	\$2,136.91
11/10/2014	2943	Insurance	\$5,552.00
12/8/2014	2959	Backup generator maintenance	\$1,018.53

- a) The amounts recorded as disbursed agreed to supporting documentation: amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and cancelled check, as appropriate.
- b) All disbursements were properly authorized and approved in compliance with the budget, legal requirements, and established policies and procedures. The sample tested was representative of the population.
- 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.[A journal entry is considered reasonable if: i. explanation is consistent with the nature of the adjustment and the general ledger accounts affected. ii. supporting documentation {invoices, contracts, correspondence, calculations, etc.} agrees with the journal entry details.]
- 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 5(a) - 5(b)**

The following journal entries were selected and the procedures described in 5(a) - 5(b) above were performed:

<u>Date</u>	<u>Description</u>	<u>Account</u>	<u>Debit</u>	<u>Credit</u>
1/01/2014	Close 2013 Net Income to Unrestricted	Unrestricted Net Assets	278,650.67	
	Close 2013 Net Income to Unrestricted	Retained Earnings		278,650.67
1/31/2014	Monthly Depreciation Expense	Depreciation Expense	9,157.86	
	Monthly Depreciation Expense	Accumulated Depreciator		9,157.86

- a) Journal entries appear reasonable and have supporting documentation.
- b) The Leasburg Mutual Domestic Water Consumers Association has a review process for journal entries and the journal entries tested have evidence of review.

**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.

**Results of Procedures 6(a) - 6(c)**

- a) A review of Board minutes indicated that the budget was approved by the Board and by DFA.
- b) Total actual expenditures did not exceed the final budget approved for the Association at the legal



- level of budgetary control.
- c) A schedule of revenues and expenses – budget and actual was prepared from the Association's records on the cash budgetary basis.

## 7. Other

### Procedures

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 the required content per Section 2.2.2.10 (I) (3) (C) NMAC.

### Results of Procedures - Other

One compliance finding, 2014-001, was noted and detailed in the report.

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We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the Association's financial reporting to the State Auditor as described above. 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 Leasburg Mutual Domestic Water Consumers Association, the New Mexico State Auditor's Office, the DFA-LGD, and the New Mexico State Legislature. This report is not intended to be and should not be used by anyone other than those specified parties.

RPC CPAs + Consultants LLP

El Paso, Texas  
October 21, 2015

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

**SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (CASH BASIS)  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
Operating Income				
Water revenue	\$ 139,030	\$ 139,030	\$ 130,652	\$ (8,378)
Other income	3,730	3,730	4,292	562
Total operating income	<u>142,760</u>	<u>142,760</u>	<u>134,944</u>	<u>(7,816)</u>
Operating Expenses				
Professional fees	38,000	38,000	33,104	4,896
Interest expense	15,400	15,400	15,338	62
Depreciation	110,000	110,000	110,170	(170)
Office expenses	6,075	6,075	4,521	1,554
System supplies and maintenance	18,500	18,500	6,951	11,549
Salaries/contractors	27,000	27,000	25,388	1,612
Taxes and insurance	11,000	11,000	8,551	2,449
Utilities	<u>16,000</u>	<u>16,000</u>	<u>14,643</u>	<u>1,357</u>
Total operating expenses	<u>241,975</u>	<u>241,975</u>	<u>218,666</u>	<u>23,309</u>
Excess (deficiency) of revenues over expenditures	<u>(99,215)</u>	<u>(99,215)</u>	<u>(83,722)</u>	<u>15,493</u>
Nonoperating revenues and expenses				
Interest	250	250	700	450
Rebates	-	-	159	159
Capital improvement budgets	-	(13,600)	(13,534)	66
Total nonoperating revenues and expenses	<u>250</u>	<u>(13,350)</u>	<u>(12,675)</u>	<u>675</u>
Revenues over (under) expenses	<u>\$ (98,965)</u>	<u>\$ (112,565)</u>	<u>\$ (96,397)</u>	<u>\$ 16,168</u>
Beginning net position	<u>\$ 1,581,564</u>	<u>\$ 1,581,564</u>	<u>\$ 1,581,564</u>	<u>\$ -</u>
Ending net position	<u>\$ 1,482,599</u>	<u>\$ 1,468,999</u>	<u>\$ 1,485,167</u>	<u>\$ 16,168</u>

**Leasburg MDWCA**  
**Budget vs. Actual**  
 January through December 2014

	Jan - Dec 14	Budget	% of Budget
<b>Ordinary Income/Expense</b>			
<b>Income</b>			
<b>Operating Income</b>			
Water Usage Fees	127,580.95	135,000.00	94.5%
Connection Fees	860.00	1,000.00	85.0%
Damages/Service Calls	472.25	1,000.00	47.2%
Installation Fees	415.00	830.00	50.0%
Membership Fees	325.00	200.00	162.5%
Parity Fees	1,000.00	1,000.00	100.0%
<b>Total Operating Income</b>	<b>130,652.20</b>	<b>139,030.00</b>	<b>94.0%</b>
<b>Delinquency Charges</b>			
Certified Letter Fees	1,375.00	1,200.00	114.6%
Late Fees	2,872.38	2,400.00	119.7%
Returned Check Fees	45.00	30.00	150.0%
<b>Total Delinquency Charges</b>	<b>4,292.38</b>	<b>3,630.00</b>	<b>118.2%</b>
Unclaimed Customer Refunds	0.00	100.00	0.0%
<b>Total Income</b>	<b>134,944.58</b>	<b>142,760.00</b>	<b>94.5%</b>
<b>Gross Profit</b>	<b>134,944.58</b>	<b>142,760.00</b>	<b>94.5%</b>
<b>Expense</b>			
Bad Debt Expense	0.00	500.00	0.0%
Bank Service Charges	0.00	75.00	0.0%
Board Expenses	\$12.25	750.00	121.6%
Contract Services	0.00	1,000.00	0.0%
Depreciation Expense	110,170.38	110,000.00	100.2%
Dues and Subscriptions	259.87	500.00	52.0%
Equipment Rental	0.00	500.00	0.0%
Insurance	7,340.05	10,000.00	73.4%
Interest Expense	15,338.23	15,400.00	99.6%
Licenses/Other Taxes	1,211.36	1,000.00	121.1%
Office Expense	260.26	250.00	104.1%
<b>Professionals Fees</b>			
Accounting/Administrative	33,103.64	38,000.00	92.0%
Engineering	0.00	500.00	0.0%
Legal	0.00	1,500.00	0.0%
<b>Total Professional Fees</b>	<b>33,103.64</b>	<b>38,000.00</b>	<b>87.1%</b>
Repairs and Maintenance	1,525.94	1,000.00	182.6%
System Operator	25,387.51	26,000.00	97.5%
System Supplies & Chemicals	4,761.30	12,000.00	39.7%
Telephone	1,862.23	2,000.00	93.1%
Tools & Equipment (Non-Asset)	364.24	5,000.00	7.3%
Utilities	14,643.06	16,000.00	91.5%
Water Conservation Fees	1,185.72	1,500.00	79.0%
Water Laboratory	28.56	500.00	5.3%
<b>Total Expense</b>	<b>218,665.58</b>	<b>241,975.00</b>	<b>90.4%</b>
<b>Net Ordinary Income</b>	<b>-83,721.00</b>	<b>-99,215.00</b>	<b>84.4%</b>
<b>Other Income/Expense</b>			
<b>Other Income</b>			
Grant Revenue	0.00	0.00	0.0%
Interest Income	599.91	250.00	280.0%
Rebates	156.63	0.00	100.0%
<b>Total Other Income</b>	<b>656.54</b>	<b>250.00</b>	<b>343.4%</b>

Supplemental Information - For Management Use Only

Leasburg MDWCA  
Budget vs. Actual  
January through December 2014

	<u>Jan - Dec 14</u>	<u>Budget</u>	<u>% of Budget</u>
Other Expense			
Capital Improvements	13,534.42	13,600.00	99.5%
Total Other Expense	<u>13,534.42</u>	<u>13,600.00</u>	<u>99.5%</u>
Net Other Income	<u>-12,675.88</u>	<u>-13,350.00</u>	<u>95.0%</u>
Net Income	<u>-98,396.88</u>	<u>-112,685.00</u>	<u>85.6%</u>

Supplemental Information - For Management Use Only

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

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**2014-001 Late Submission of Report (Compliance Finding)**

<b>CONDITION</b>	The agreed upon procedures report for the fiscal year ended December 31, 2014 was originally submitted timely by May 31, 2015, as required, but required changes from the New Mexico State Auditor's Office, resulting in a late agreed upon procedures report.
<b>CRITERIA</b>	The due date of May 31, 2015 is established in Section 2.2.2.9 of the 2014 State Auditor Rule.
<b>EFFECT</b>	The report was not made available on a timely basis for use by the Legislature, the administration, or by other users.
<b>CAUSE</b>	The report required revision and the performance of additional agreed-upon procedures after being reviewed by the New Mexico State Auditor's Office.
<b>RECOMMENDATION</b>	Future required reports should be submitted on a timely basis..
<b>RESPONSE</b>	The Association will work closely with their IPA to ensure that all required reports are submitted in a timely manner.

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

**EXIT CONFERENCE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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The report contents were discussed at an exit conference held on April 2, 2015 with the following individuals in attendance:

Leasburg Mutual Domestic Water Consumers Association

Tom Austin	President
Doug Joens	Accountant

<u>White + Samaniego + Campbell, LLP</u>	
Roxie Samaniego	Partner