

# **Accounting & Auditing Services, LLC**

**Financial Audits + Agreed Upon Procedures + Tax + Consulting**

**Tesuque Mutual Domestic Water Association**

**Independent Accountant's Report on Applying Agreed-Upon Procedures**

**For the Fiscal Year Ending December 31, 2015**

**Tesuque Mutual Domestic Water Association  
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Fiscal Year Ending December 31, 2015**

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**Tesuque Mutual Domestic Water Association  
Official Roster  
Fiscal Year Ending December 31, 2015**

**Board of Directors**

Randy Buckley, President

P. Robert Martinez, Vice President

Marge Loehr, Treasurer

Allen Lewis, Secretary

Domenic De Santis, Board Member

**Administrative Staff**

Ana Berry, Bookkeeper

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Financial Audits + Agreed Upon Procedures + Tax + Consulting

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## Independent Accountant's Report on Applying Agreed-Upon Procedures

Randy Buckley, President  
Tesuque Mutual Domestic Water Association  
and  
Timothy Keller, New Mexico State Auditor

I have performed the procedures enumerated below for the Tesuque Mutual Domestic Water Association (Association) for the year ended December 31, 2015, solely to assist in determining compliance with the provisions of the Audit Act for a Tier 4 entity per Section 12-6-3 B (4) NMSA 1978, Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978. The procedures were agreed to by the Association through the New Mexico Office of the State Auditor. The Association's management is responsible for its accounting records and the subject matter. 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 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. Our procedures and findings are as follows

### 1. 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.

The bank reconciliations were performed on a monthly basis in a timely manner. All bank statements for the fiscal year were complete and on hand. As of December 31, 2015, the Association had one checking account and three savings accounts at the Los Alamos National Bank in Santa Fe, NM. The Association did not have any investment accounts.

- 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.

The randomly selected bank reconciliations were accurate, and the ending balances on the bank reconciliations agreed with the Association's general ledger, supporting documentation and the financial reports submitted to 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.

The bank account balances of the Association were fully insured by the FDIC. Pledged collateral was not required since the Association's bank balances were well below \$250,000 during the fiscal year.

## 2. Capital Assets

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

At the end of the fiscal year, the Association performed an inventory but the Association did not have any movable chattels and equipment costing more than \$5,000. No capital asset purchases during the fiscal year were noted during the agreed-upon procedures.

## 3. Revenue

- a. Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation. Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

The revenue sources of the Association consist of monthly water dues, membership fees, transfer fees and interest income. The variances between the actual FY14 revenue and the FY15 revenue were adequately explained by the Bookkeeper; no unusual or unexplained variances were noted.

The actual revenue compared to budgeted revenue for each type of revenue was reviewed. According to the Association's general ledger, actual revenues were \$110 more than budgeted revenues for FY15. No significant or unusual variances were noted.

- b. Select a sample of revenues based on auditor judgment and test using the following attributes:
  - i. Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.

A sample of cash receipts and deposits was judgmentally selected and tested which amounted to approximately 42.6% of total revenues. The amount

recorded in the general ledger agreed with the supporting documentation and the bank statement.

- ii. 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, modified accrual or accrual basis.

The cash receipts tested were properly classified and recorded in the general ledger on the cash basis of accounting.

#### 4. Expenditures

- a. Select a sample of cash disbursements based on auditor judgment and test using the following attributes:

- i. Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to vendor's invoice, purchase order, contract and canceled check, as appropriate.

A sample of cash disbursements were tested which amounted to approximately 73% of total expenses. The amounts recorded as disbursed agreed with the supporting documentation. The amount, payee, date and description of the purchase agreed with the vendor's invoice, contract and canceled check. The Association does not use purchase order forms.

- ii. Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

The cash disbursements tested were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

- iii. 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), State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

None of the cash disbursements tested exceeded the amounts requiring sealed bids or requests for proposals. The cash disbursements tested were

processed in accordance with applicable provisions of the State Procurement Code and State Purchasing Regulations.

## 5. Journal Entries

- a. If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

- i. Journal entries appear reasonable and have supporting documentation.

According to the Association's Bookkeeper, no non-routine journal entries were posted to the general ledger during the fiscal year, and none were noted during the agreed-upon procedures.

- ii. The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

The Association has procedures in place to ensure that non-routine journal entries posted to the general ledger by the Bookkeeper are reviewed and approved by the governing body.

## 6. Budget

- a. Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

- i. 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.

The Association's Board of Directors adopted a formal budget during a board meeting on November 11, 2014 which was approved by DFA-LGD in a letter to the Association dated January 20, 2015. The Association did not have any budget adjustments in FY15.

- ii. Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.

Total expenditures for FY15 did not exceed the final approved budget. According to the Association's general ledger, actual expenditures for FY15 were \$1,730 less than budgeted expenditures.

- iii. 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, modified accrual or accrual basis) for each individual fund.

Based on the Association's general ledger, the Schedule of Revenues and Expenditures was prepared on the cash basis of accounting. See Exhibit 1 on p. 7.

## 7. Other

- a. 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.

No findings were noted during the agreed-upon procedures.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the Tier 4 agreed upon procedures. 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 management and others with the Association, the New Mexico 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.

*Accounting & Auditing Services, LLC*

Accounting & Auditing Services, LLC

Santa Fe, New Mexico

May 11, 2016

**Tesuque Mutual Domestic Water Consumers Association  
Schedule of Findings and Responses  
Fiscal Year Ending December 31, 2015**

**Status of Prior Year Findings**

Finding 2010-2. Incomplete Capital Asset Inventory Listing and No Board Certification of Inventory at Fiscal Year-End – Resolved.

Finding 2010-3. Late Submission of Firm Recommendation Form and Agreed-Upon Procedures Contract – Resolved.

**Current Year Findings**

None.

**Tesuque Mutual Domestic Water Association**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP Cash Basis)**  
**For the Fiscal Year Ending December 31, 2015**

**Exhibit 1**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Membership Fees	\$ -	\$ -	\$ -	\$ -
Transfer Fee	1,000	1,000	500	(500)
Water Bills	63,019	63,019	60,923	(2,096)
Bank Interest	96	96	122	26
Refunds	-	-	2,679	2,679
<b>Total Revenues</b>	<b>\$ 64,115</b>	<b>\$ 64,115</b>	<b>\$ 64,225</b>	<b>\$ 110</b>
<b>Expenditures:</b>				
Accounting Services	\$ 541	\$ 541	\$ 487	\$ 54
Attorney Fees	-	-	5,997	(5,997)
Audit	3,800	3,800	2,672	1,128
Bounced Check/Service Charges	-	-	840	(840)
Emergency Reserve Funds	12,000	12,000	-	12,000
Insurance	2,250	2,250	1,516	734
NMED Loan Principal	4,102	4,102	-	4,102
NMED Loan Interest	-	-	748	(748)
Meeting Space	252	252	-	252
Bookkeeping	9,170	9,170	10,613	(1,443)
Annual Meeting Supplies	150	150	799	(649)
Office Supplies	480	480	799	(319)
PO Box Rental	122	122	-	122
Postage	588	588	588	-
Storage Unit	600	600	650	(50)
Dues and Corporate Filing Fees	20	20	149	(129)
Line Locates	244	244	174	70
Materials	2,400	2,400	2,467	(67)
Water Operator	9,134	9,134	14,593	(5,459)
Water Testing	520	520	898	(378)
Well Repairs	1,392	1,392	3,138	(1,746)
Remote Sensors	132	132	316	(184)
Software Support	350	350	399	(49)
System Maintenance Repairs	1,200	1,200	407	793
Gross Receipts Taxes	3,336	3,336	2,973	363
Water Conservation Fee	216	216	121	95
Website	-	-	215	(215)
Utilities - Electricity	2,376	2,376	2,084	292
<b>Total Expenditures</b>	<b>\$ 55,374</b>	<b>\$ 55,374</b>	<b>\$ 53,644</b>	<b>\$ 1,730</b>

# Copy of Year-End Financial Report Submitted to DFA-LGD

## Tesuque Domestic Mutual Water Consumers Association

### Balance Sheet

As of December 31, 2015

01/11/16

	Dec 31, 15
<b>ASSETS</b>	
<b>Current Assets</b>	
Checking/Savings	
LANB Capital Improvements	100,593.38
LANB Checking	17,913.22
LANB Insurance Reserve	2,759.41
LANB Operations & Maintenance	6,425.80
<b>Total Checking/Savings</b>	<b>127,691.81</b>
Accounts Receivable	
Accounts Receivable	320.02
<b>Total Accounts Receivable</b>	<b>320.02</b>
Other Current Assets	
NSF Checks	2,861.47
<b>Total Other Current Assets</b>	<b>2,861.47</b>
<b>Total Current Assets</b>	<b>130,873.30</b>
<b>Fixed Assets</b>	
Accumulated Depreciation	-107,683.00
Computer	1,097.11
Fencing 1	5,900.00
Handheld and Meters	32,373.18
Improvements 2007	12,432.04
Storage Tank	50,000.00
Well	20,000.00
<b>Total Fixed Assets</b>	<b>14,119.33</b>
<b>TOTAL ASSETS</b>	<b>144,992.63</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Other Current Liabilities	
NMED Current Portion	4,101.73
<b>Total Other Current Liabilities</b>	<b>4,101.73</b>
<b>Total Current Liabilities</b>	<b>4,101.73</b>
<b>Long Term Liabilities</b>	
N/P USDA	
USDA Interest	18.54
USDA Principle	6,768.19
<b>Total N/P USDA</b>	<b>6,786.73</b>
NMED Loan Payable	1,723.91
<b>Total Long Term Liabilities</b>	<b>8,510.64</b>
<b>Total Liabilities</b>	<b>12,612.37</b>
<b>Equity</b>	
Unrestricted Net Assets	121,000.73
Net Income	11,379.53
<b>Total Equity</b>	<b>132,380.26</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>144,992.63</b>

# Copy of Year-End Financial Report Submitted to DFA-LGD

## Tesuque Domestic Mutual Water Consumers Association

### Profit & Loss

January through December 2015

01/11/16

	Jan - Dec 15
<b>Ordinary Income/Expense</b>	
<b>Income</b>	
Transfer fee	500 00
Water bills	60,923 40
<b>Total Income</b>	61,423 40
<b>Gross Profit</b>	61,423 40
<b>Expense</b>	
Accounting Services	487.19
Attorney fees	5,997.24
Audit	2,671 88
Bank Service Charges	66.00
Bounced check	744 32
Bounced check charge	30 00
<b>Insurance Expense</b>	
Liability Insurance	1,416 00
Surety Bond	100 00
<b>Total Insurance Expense</b>	1,516 00
<b>Loans</b>	
NMED loan interest	747.75
NMED loan principal	0.00
<b>Total Loans</b>	747.75
<b>Office expenses</b>	
Annual meeting supplies	95.87
Bookkeeping	10,612.67
Corporate filing fees	20.00
Dues	129.00
Office Supplies	702 88
Postage	588 00
Storage unit	650 00
<b>Total Office expenses</b>	12,798 42
<b>Operations and Maintenance</b>	
Line locates	174 16
Materials	2,467.08
Water Operator	14,593 29
Water testing	898 48
Well repairs	3,137.94
<b>Total Operations and Maintenance</b>	21,270 95
Remote sensors	316.40
Software support	399.38
System Maintenance	406 88
<b>Taxes</b>	
Gross receipts	2,973 36
Water Conservation fee	120 88
<b>Total Taxes</b>	3,094.24
<b>Utilities</b>	
Electricity	2,083 86
<b>Total Utilities</b>	2,083 86
Web site expenses	214 68
<b>Total Expense</b>	52,845 19
<b>Net Ordinary Income</b>	8,578 21
<b>Other Income/Expense</b>	
<b>Other Income</b>	
Bank Interest	122 44
Insurance refund	7 00
Refund from Accountant	2,671 88
	2,671 88

# Copy of Year-End Financial Report Submitted to DFA-LGD

## Tesuque Domestic Mutual Water Consumers Association

### Profit & Loss

January through December 2015

	<u>Jan - Dec 15</u>
Total Other Income	<u>2,801.32</u>
Net Other Income	<u>2,801.32</u>
Net Income	<u><u>11,379.53</u></u>

**Tesuque Mutual Domestic Water Association**  
**Exit Conference**  
**Fiscal Year Ending December 31, 2015**

On May 11, 2016, an exit conference was held with the following individuals to discuss the results of the agreed upon procedures and the contents of this report:

Tesuque Mutual Domestic Water Association

Randy Buckley, President  
Ana Berry, Bookkeeper

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, Engagement Manager