



**PENDARIES VILLAGE MUTUAL
DOMESTIC WATER CONSUMERS ASSOCIATION**

**COMPILATION REPORT OF INDEPENDENT
ACCOUNTANTS AND FINANCIAL STATEMENTS**

OCTOBER 31, 2013

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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PENDARIES VILLAGE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

OFFICIAL ROSTER

October 31, 2013

Board of Directors

Karoline Swan	President
Sue Kirtland	Vice President
Winston Greene	Secretary
Otis Parchman	Treasurer
Denise Franken	Member

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COMPILATION REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Pendaries Village Mutual Domestic Water Consumers Association
And
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have compiled the accompanying Statement of Net Position of Pendaries Village Mutual Domestic Water Consumers Association (the "Association") as of October 31, 2013 and the related Statement of Revenues, Expenses and Changes in Net Position for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit the statement of cash flows required by accounting principles generally accepted in the United States of America. If the omitted statement of cash flows were included in the financial statements, they might influence the user's conclusions about the Association's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Management has omitted management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Moss Adams LLP

Albuquerque, New Mexico
March 31, 2014

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**PENDARIES VILLAGE MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
STATEMENT OF NET POSITION**

ASSETS		October 31, 2013
CURRENT ASSETS		
Cash		\$ 19,664
Replacement reserve funds		18,520
Accounts receivable, net		<u>1,467</u>
Total current assets		<u>39,651</u>
PROPERTY AND EQUIPMENT, at cost		
Equipment		31,313
Production		104,058
Storage tanks		196,332
Water Distribution		<u>611,732</u>
		943,435
Accumulated depreciation		<u>(72,518)</u>
		<u>870,917</u>
RESTRICTED CASH FUNDS		<u>4,678</u>
LOAN COSTS		<u>5,675</u>
Total assets		<u>\$ 920,921</u>
CURRENT LIABILITIES		
Accounts payable		\$ 662
Accrued liabilities		1,183
Current portion of long-term debt		<u>67,738</u>
Total current liabilities		<u>69,583</u>
LONG-TERM LIABILITIES		
Long-term debt, less current portion		<u>576,472</u>
Total long-term liabilities		<u>576,472</u>
NET POSITION		
Net investment in capital assets		226,707
Unrestricted		<u>48,159</u>
Total Net Position		<u>274,866</u>
Total liabilities and net position		<u>\$ 920,921</u>

**PENDARIES VILLAGE MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
STATEMENT OF REVENUE, EXPENSES, & CHANGES IN NET POSITION**

	October 31, 2013
OPERATING REVENUES	
Water sales	\$ 39,349
Late fees, penalties, & interest	71
Assessments	228,718
Total Operating Revenues	268,138
 OPERATING EXPENSES	
Payroll expenses	31,983
Utilities	20,897
Repairs and maintenance	6,043
Equipment charges	7,225
Insurance	9,240
Interest/fee expense	21,457
Taxes - property	1,183
Travel expense	356
Outside services	918
Other Expenses	41,320
Uncollected assessments	10,057
Depreciation	72,518
Total Operating Expenses	223,197
TRANSFERRED IN FROM PVCA	229,925
CHANGE IN NET POSITION	274,866
 NET POSITION	
Beginning of year	-
End of year	\$ 274,866

PENDARIES VILLAGE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION NOTES TO FINANCIAL STATEMENTS

Note 1 - Nature of Organization

Organization - Pendaries Village Mutual Domestic Water Consumers Association (Association) a corporation began its operations in November 2012 for the purpose of forming a non-profit association in accordance with the provisions of the Sanitary Projects Act, Sections 3-29-1 through 3-29-21, NMSA 1978, as amended. The Association maintains and operates a water system for the supplying and distribution of water for domestic users.

Note 2 - Summary of Significant Accounting Policies

Basis of accounting - The financial statements of the Association are prepared on the basis of an enterprise fund as defined by the Governmental Accounting Standards Board (GASB). Enterprise funds are used to account for operations (a) that are financial and operated in a manner similar to private business enterprises where the intent of the entity is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the entity has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Association's government-wide financial statements are designed to be corporate-like in that all business-type activities are consolidated into one column, and consist of Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position. No component units exist in which the organization has any oversight responsibilities, which would require inclusion in the Organization's financial statements. It has neither fiduciary funds nor component units that are fiduciary in nature.

Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenue is recorded when earned, and expenses are recorded at the time liabilities are incurred.

Enterprise funds distinguish operating revenues and expenses from non-operating items. All of the Association's revenue streams and expenses are considered operating in nature.

When both restricted and unrestricted net position are available to cover designated expense, it is the Association's policy to use restricted resources first, then unrestricted resources as they are needed.

Uses of estimates - The accompanying financial statements have been prepared in conformity with generally accepted accounting principles. This requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates and assumptions made by management include the reserve for delinquent assessments and useful lives of property and equipment.

**PENDARIES VILLAGE MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

Note 2 – Summary of Significant Accounting Policies (continued)

Cash and cash equivalents - The Association maintains cash accounts with federally insured financial institutions, and such deposits do not exceed federally insured limits. The Association considers all highly liquid temporary investments of cash to be cash equivalents.

Accounts receivable - Accounts receivable consist of amounts due from members and others who have used the Association's water system. Management has not recorded an allowance as the receivables are considered to be fully collectible.

Delinquent assessments receivable – members - Association members are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from property owners. The Association's credit risk is minimized by its policy of retaining legal counsel and placing liens on the lots of members whose assessments are 120 or more days delinquent. Interest at the rate of 15% per annum is also added to the delinquent assessments for any account delinquent more than 120 days. The Association recorded a full reserve of \$10,057 for October 31, 2013, against the delinquent assessments receivable.

The Association assesses dues annually in November for the following year. In 2013, annual assessments are \$590 for improved lots and \$154 for unimproved lots.

Capital assets - All acquisitions of capital assets in excess of \$500 and all expenses for repairs, maintenance and betterments that materially prolong the useful lives of assets are capitalized at cost. Capital assets were transferred in from the Pendaries Village Community Association on November 1, 2012 at their estimated fair value which approximated the cost less accumulated at October 31, 2012. Depreciation is provided principally on the straight-line method over the assets estimated useful lives, which range from five to forty years.

Valuation of long-lived assets - The Association periodically evaluates the carrying value of long-lived assets to be held and used, including intangible assets, when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such an asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized in the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved.

Subsequent events - Subsequent events are events or transactions that occur after year end but before the financial statements are issued. The Association recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the financial statements, including the estimates inherent in the process of preparing the financial statements. The Association's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the financial statements but arose after the financial statement date and before the financial statements are issued. The Association has evaluated subsequent events for potential recognition and disclosure through March 31, 2014, the date the financial statements were issued.

**PENDARIES VILLAGE MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

Note 3 – Capital Assets

	Balance 11/1/2012	Transfers in	Additions	Deletions	Balance 10/31/2013
Equipment	\$ -	\$ -	\$ 31,313	\$ -	\$ 31,313
Production	-	100,918	3,140	-	104,058
Storage tanks	-	196,332	-	-	196,332
Water Distribution	-	611,732	-	-	611,732
	-	908,982	34,453	-	943,435
Accumulated depreciation	-	-	(72,518)	-	(72,518)
Capital assets, net	<u>\$ -</u>	<u>\$ 908,982</u>	<u>\$ (38,065)</u>	<u>\$ -</u>	<u>\$ 870,917</u>

Note 4 - Long-term Debt

Long-term debt consists of the following:

	<u>2013</u>
New Mexico Finance Authority, payable monthly at \$7,283 per month until April 1, 2022, including interest at 2.75% and administrative fees of 0.25%. Pledged revenues are required to be maintained sufficient to pay an amount representing 130% of the combined maximum Aggregate Annual Debt Service. Requirements due in the subsequent year.	<u>\$ 644,210</u>
	644,210
Current portion of long-term debt	<u>(67,738)</u>
	<u>\$ 576,472</u>

Principal payments are due as follows for the years ended October 31:

2014	\$ 67,738
2015	69,775
2016	71,874
2017	74,035
2018	76,262
2019 and thereafter	<u>284,526</u>
	<u>\$ 644,210</u>

**PENDARIES VILLAGE MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

Note 4 – Long-term Debt (continued)

On November 1, 2012 Pendaries Village Community Association (PVCA) conveyed, at PVCA book values, to the Association the related indebtedness, evidenced by Drinking Water State Revolving Fund Loan Agreement dated August 16, 2002 by and between the New Mexico Finance Authority (“NMFA”) as lender and PVCA as borrower, with the remaining unpaid balance of approximately \$710,000, and secured by pledged revenues of PVCA assessments to its members, along with an adequate amount of PVCA assessments to provide for the ongoing operation and maintenance of the Pendaries Village Water System (PVWS). The indebtedness was previously presented on PVCA’s financial statements.

Long-term liabilities for the year ended October 31, 2013 were as follows:

	Balance <u>11/1/2012</u>	Transferred <u>in</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>10/31/2013</u>
NMFA Note	<u>\$ -</u>	<u>\$ 709,970</u>	<u>\$ -</u>	<u>\$ (65,760)</u>	<u>\$ 644,210</u>

Note 5 – Related Parties

A new entity, Pendaries Village Mutual Domestic Water Consumers Water Association (PVMD) was incorporated by the Pendaries Village Community Association (PVCA) Board of Directors on July 10, 2012. The PVCA water system assets and related indebtedness were conveyed, at PVCA book values, to PVMD on November 1, 2012, at which time the operation of the water system was assumed by PVMD.

PVCA and PVMD entered into a cost sharing agreement on November 1, 2012. According to the agreement all costs and expenses for the operation of the separate entities, that can be separately identified will be billed to and paid by each entity. Certain expenses, necessary for the effective and efficient operation of each, will continue to be paid by PVCA, and the portion of such costs and expenses incurred for the benefit of PVMD, will be billed to and reimbursed by PVMD on a monthly basis. PVCA billed PVMD \$36,979 for administrative costs during the fiscal year ending October 31, 2013.

PVCA and PVMD entered into a Water Service Agreement on November 1, 2012 setting forth terms for the sale of water by PVMD to PVCA for 1) the production of water to PVCA Laguna and Spring Lake Reservoirs for golf course irrigation, and 2) the providing of water to PVCA’s commercial facilities, pro-shop, snack bar, restaurant and bar, and lodge and community center. Water produced for golf course irrigation purposes was separately metered from wells #2 and 3 and was billed on a monthly basis at a rate of \$.00075 per gallon. Water produced for domestic commercial use was billed at a flat monthly rate of \$150 for the pro-shop, \$100 for the snack bar, \$150 for the restaurant and bar, and \$150 for the lodge and community center. PVMD billed PVCA \$24,135 for golf course irrigation sales during the fiscal year ending October 31, 2013. PVMD billed PVCA \$3,750 for domestic commercial use during the fiscal year ended October 31, 2013.

**PENDARIES VILLAGE MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

Note 5 – Related Parties (continued)

PVMD and PVCA entered into an agreement on November 1, 2012 for water assessments on PVCA owned lots. Under the agreement PVMD shall bill PVCA the annually established amount of \$154 for water assessments to members, on each undeveloped lot PVCA has listed for sale. PVMD billed PVCA \$2,772 during the fiscal year ended October 31, 2013.

PVMD and PVCA entered into a water rights lease on October 18, 2012. PVCA leased to PVMD the exclusive right to the use of certain water rights as evidenced by Declaration of Owner of Underground Water Right No. CR-2380, No. CR-2381, No. CR-2382 and No. CR-2382 all dated March 31, 1993. The ownership of such rights remained with PVCA, PVMD was entitled to the full benefit from the use of the Declared Water Rights in the operation of the Pendaries Village Water System in accordance with the terms of the Agreement for Conveyance of Pendaries Village Water System, Assignment of the PVCA/RPI water rate agreement and the Cost Sharing Agreement, during the term of the lease. The term of the lease is ten (10) years, but may be revoked by PVCA for good cause, which may include, but not be limited to failure to uphold the provisions of the Agreement for Conveyance of Pendaries Village Water System, Assignment of the PVCA/RPI Water Rate Agreement, the Costs Sharing Agreement or any other action which places PVCA water rights in jeopardy with the OSE. The lease may be extended for additional ten (10) year terms.



**PENDARIES VILLAGE MUTUAL
DOMESTIC WATER CONSUMERS ASSOCIATION**

**REPORT OF INDEPENDENT ACCOUNTANTS
ON THE APPLICATION OF
AGREED-UPON PROCEDURES**

OCTOBER 31, 2013

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

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ASSOCIATION**

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PENDARIES VILLAGE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

**OFFICIAL ROSTER
October 31, 2013**

Board of Directors

Karoline Swan	President
Sue Kirtland	Vice President
Winston Greene	Secretary
Otis Parchman	Treasurer
Denise Franken	Member

Report of Independent Accountants on the Application of Agreed-Upon Procedures

To the Board of Directors
Pendaries Village Mutual Domestic Water Consumers Association
and
Mr. Hector Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have performed the procedures enumerated below, which were agreed to by Pendaries Village Mutual Domestic Water Consumers Association (Association) and the New Mexico State Auditor (the specified parties), solely to assist you in evaluating the Association's financial reporting relating to its Cash, Capital Assets, Debt, Revenue, Expenditures, Journal Entries, Budget and Capital Outlay Appropriations information for compliance with Section 12-6-3B (6) NMSA 1978 and Section 2.2.2.16 NMAC, as of and for the year ended October 31, 2013. The Association is responsible for its financial reporting to and compliance with the State Auditor rules as described above.

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.

In accordance with Tier 6 of the Audit Act – Section 12-6-3 B (6) NMSA 1978 and Section 2.2.2.16 NMAC, the procedures and the associated 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. [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.]

To the Board of Directors
Pendaries Village Mutual Domestic Water Consumers Association
and
Mr. Hector Balderas
New Mexico State Auditor

- 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). [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 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)

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. Following is the Association’s bank accounts and related bank balances at October 31, 2013:

Community First	\$	19,664
Community First		18,520
Community First		4,678

We selected a random sample of 2 months (May 2013 and June 2013) of the bank reconciliations and found the reconciliations accurate by selecting the largest reconciling items on the bank reconciliations (up to at least 50% coverage of deposits in transit and outstanding checks) and agreeing the items to deposit slips and/or subsequent bank statements. We also traced ending balances to the general ledger and supporting documentation. The Association did not submit financial reports as required in procedure 1(b). See Schedule of Findings and Responses on page 15.

We requested whether the Association’s financial institution provided it with 50% of pledged collateral on uninsured deposit balances. The Association did not have any uninsured funds as of October 31, 2013.

To the Board of Directors
Pendaries Village Mutual Domestic Water Consumers Association
and
Mr. Hector Balderas
New Mexico State Auditor

2. Capital Assets

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

Results of Procedure 2

The Association did not complete a yearly inventory as required by Section 12-6-10 NMSA 1978. See Schedule of Findings and Reponses beginning on page 15.

3. Debt

If the local public body has any debt, verify that the required payments were made during the year. If the debt agreement requires reserves, verify that the local public body is in compliance with those requirements. To verify whether required payments on debt were made, we will compare the payment amount and date (interest and principal) per amortization schedule to the year-end statements with the New Mexico Finance Authority.

Results of Procedure 3(a)

We noted total interest payments in the amount of \$21,294 in accordance with the amortization schedule. No instances of noncompliance were noted as a result of performing the procedures described in 3(a).

4. Revenue

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 Association's management for explanations of all variances of budget to actual of more than 10%.]

To the Board of Directors
 Pendaries Village Mutual Domestic Water Consumers Association
 and
 Mr. Hector Balderas
 New Mexico State Auditor

Select a sample of revenues based on auditor judgment [for purposes of procedures in 4(b) and 4(c), we selected a random sample of recorded revenue transactions to achieve a minimum of 50% coverage], and test for 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 4(a) - 4(c)

It was noted that a budget was approved by the Board of Directors however a budget was not submitted to DFA-LGD. See Schedule of Findings and Reponses beginning on page 15. As a result of performing the analytical review procedures in 4(a), we noted the following variances of more than 10%:

Type	Amount	Budgeted Amount	Variance	Percentage	Inquiry
4400 – Late Fees, Penalties & Interest	\$ 70.62	\$ 1000	(\$ 929.38)	93%	Budgeted amount was based on expectations as this was PVMD’s first year of operations.
4700 – Irrigation Water Sales	\$ 24,136	\$ 18,750	5,386	29%	Budgeted amount was based on expectations as this was PVMD’s first year of operations.
4800 – PVCA Resort Water Sale	\$ 3,750	\$ 6,600	(\$ 2,850)	43%	Budgeted amount was based on expectations as this was PVMD’s first year of operations.

To the Board of Directors
Pendaries Village Mutual Domestic Water Consumers Association
and
Mr. Hector Balderas
New Mexico State Auditor

The following items were selected for procedures 4(b) – 4(c), representing 51% coverage of revenues, as follows:

Type	Date	Name	Memo	Amount
General Journal	12/31/2012	Pendaries RV Resort	RPI Dec 2012	26.37
General Journal	2/28/2013	Pendaries RV Resort	RPI Water Sales	53.91
General Journal	5/8/2013	Pendaries RV Resort	Water billing April 2013	117.00
General Journal	6/30/2013	Pendaries RV Resort	Pendaries RV Park Water Usage	1,817.46
General Journal	7/31/2013	Pendaries RV Resort	Water Purchase July 2013	1,691.73
Deposit	1/31/2013	Interest	Interest	0.35
Deposit	2/28/2013	Interest	Interest	0.64
Deposit	2/28/2013	Interest	Interest	5.57
Deposit	3/31/2013	Interest	Interest	0.76
Deposit	4/30/2013	Interest	Interest	2.56
Deposit	5/31/2013	Interest	Interest	5.34
Deposit	6/30/2013	Interest	Interest	0.76
Deposit	7/31/2013	Interest	Interest	0.78
Deposit	8/31/2013	Interest	Interest	0.79
Deposit	8/31/2013	Interest	Interest	3.50
Deposit	9/30/2013	Interest	Interest	3.33
Deposit	10/31/2013	Interest	Interest	0.73
General Journal	11/30/2012		assessment	19,059.81
General Journal	2/28/2013		assessment	19,059.81
General Journal	3/31/2013		assessment	19,059.81
General Journal	6/30/2013		assessment	19,059.81
General Journal	8/31/2013		assessment	19,059.81
General Journal	10/31/2013		assessment	19,059.81
General Journal	2/28/2013		1758000 gallons of water @.00075	1,318.50
General Journal	4/30/2013		Golf Course water usage 6,449,800 @.00075 a gallon	4,837.35
General Journal	5/31/2013		water irrigation sales 6,045,800 @ .00075	4,534.35
General Journal	6/30/2013		water purchase 4,813,100 gal @.00075	3,609.83
General Journal	8/31/2013		2,091,200 gal @ .00075	1,568.40
General Journal	4/30/2013		Water Sales, Golf Shop	100.00
General Journal	4/30/2013		Water Sales, Lodge	100.00
General Journal	4/30/2013		Snack Bar	100.00
General Journal	5/31/2013		water sales golf shop	150.00
General Journal	5/31/2013		water sales lodge	150.00
General Journal	5/31/2013		water sales snack bar	100.00
General Journal	6/30/2013		water sales lodge	150.00
General Journal	6/30/2013		water sales snack bar	100.00
General Journal	8/31/2013		water sales lodge	150.00
General Journal	8/31/2013		water sales snack bar	100.00
General Journal	9/30/2013		water sales golf shop	150.00
General Journal	9/30/2013		water sales lodge	150.00
General Journal	1/30/2013			Jan-13 231.00
General Journal	2/28/2013			Feb-13 231.00
General Journal	4/30/2013			Apr-13 231.00
General Journal	8/31/2013			Aug-13 231.00

No other instances of noncompliance were noted as a result of performing the procedures described in 4(b) – 4(c).

To the Board of Directors
Pendaries Village Mutual Domestic Water Consumers Association
and
Mr. Hector Balderas
New Mexico State Auditor

5. Expenditures

Select a sample of cash disbursements based on auditor judgment [for purposes of steps 5(b) and (c), we randomly selected a sample of cash disbursements, to achieve 50% 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 canceled 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 13-1-199 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 5(a) – 5(c)

The following cash disbursements (representing 52% of the total expenditures) were selected and the procedures described in 5(a) – 5(c) above were performed:

To the Board of Directors
Pendaries Village Mutual Domestic Water Consumers Association
and
Mr. Hector Balderas
New Mexico State Auditor

Date	Description	Amount
12/1/2012	NMFA PPRF Project	1,855.52
12/28/2012	Depreciation	5,797.11
12/30/2012	Ramon & Randy Salary	2,351.61
1/28/2013	Depreciation	5,822.94
2/22/2013	Electricity	1,122.33
2/28/2013	Admin Allocation Feb 2013	2,967.00
2/28/2013	Depreciation	6,087.90
3/5/2013	Box 863 rent	106.00
3/20/2013	Payroll Randy Dominguez 3/15/13	106.44
3/31/2013	Payroll March 2013 Ramon Esquibel	725.60
3/31/2013	Admin Allocation March 2013	2,912.00
3/31/2013	Depreciation	6,087.90
4/3/2013	Electric	107.92
4/8/2013	1st Quarter Water Conservation	76.81
4/23/2013	Electricity	2,397.99
4/30/2013	Ramon Esquibel 4/30/13 PR	1,100.00
4/30/2013	Depreciation	6,087.90
5/16/2013	Ramon Esquibel 5/15/13	1,100.00
5/31/2013	5/31 Ramon Esquibel	1,100.00
5/31/2013	Admin Allocation May 2013	3,085.00
5/31/2013	Depreciation	6,087.90
6/1/2013	Interest	1,693.55
6/30/2013	Admin Allocation	3,219.00
6/30/2013	Depreciation	6,161.30
7/2/2013	Interest	1,693.55
7/8/2013	Water Conservation Fee, 2nd qtr	124.68
7/31/2013	Payroll 7/31/13, Randy Dominguez	174.13
7/31/2013	Payroll 7/31/13, Richard Martinez	12.01
7/31/2013	Loan Fees	53.58
7/31/2013	Depreciation	6,161.30
8/7/2013	Interest	1,693.55
8/15/2013	PR 8/15/13 Stanley Lucero	343.54
8/15/2013	PR 8/15/13 Richard Martinez	312.14
8/30/2013	Depreciation	6,180.95
8/31/2013	Admin Allocation	3,421.00
9/5/2013	repairs	19.12
9/15/2013	Richard Martinez payroll 9/15/13	48.03
9/16/2013	Electricity	1,160.92
9/20/2013	Repairs	54.42
9/28/2013	Insurance	770.00
9/30/2013	Hydrant	1,708.65
10/1/2013	Interest	1,693.55
10/4/2013	Repairs	14.19
10/8/2013	3rd Qtr Water Conservation Fee	129.63
10/21/2013	electricity	815.70
10/31/2013	Payroll Oct 31, Ramon Esquibel	1,100.00
10/31/2013	Adj to PY Assessments	10,057.00
10/31/2013	Depreciation	6,180.95
1/21/2013	Mora San Mi...	955.34
8/15/2013	PR 8/15/13 Ramon Esquibel	<u>1,100.00</u>
		114,137.65

To the Board of Directors
Pendaries Village Mutual Domestic Water Consumers Association
and
Mr. Hector Balderas
New Mexico State Auditor

No instances of noncompliance were noted as a result of performing the procedures described in 5(a) – 5(c).

6. Journal Entries

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 6(a) – 6(b)

All entries except those posted to transfer assets and long term debt from Pendaries Village Community Association to PVMD, were routine journal entries. The transfer of assets and long term debt was approved by the board. The journal entries were properly supported by the fixed asset listing and depreciation schedule as well as the long term debt agreement. QuickBooks is used for accounting processing, which was obtained and reviewed.

No instances of noncompliance were noted as a result of performing the procedures described in 6(a) – 6(b).

To the Board of Directors
Pendaries Village Mutual Domestic Water Consumers Association
and
Mr. Hector Balderas
New Mexico State Auditor

7. Budget

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 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 7(a) – 7(c)

It was noted that a budget was approved by the Board of Directors; however, a budget was not submitted to DFA-LGD. See Schedule of Findings and Reponses beginning on page 15. No other instances of noncompliance were noted as a result of performing the procedures described in 7(a)-7(c). See Schedule of Revenues and Expenditures – Budget and Actual (Cash Basis) on page 13 of this report.

8. Capital Outlay Appropriations

Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the fiscal year.

To the Board of Directors
Pendaries Village Mutual Domestic Water Consumers Association
and
Mr. Hector Balderas
New Mexico State Auditor

Test all capital outlay expenditures during the fiscal year to:

- a) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.
- b) Determine that the cash disbursements were properly authorized and approved in accordance 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 and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).
- d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.
- e) Verify that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.
- f) If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.
- g) If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.
- h) Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.
- i) Determine whether reimbursement requests were properly supported by costs incurred by the recipient.

Results of Procedures 8(a) - 8(i)

The Association did not expend any capital outlay for the year ended October 31, 2013. Hence, procedures for Capital Outlay Appropriations are not applicable.

To the Board of Directors
Pendaries Village Mutual Domestic Water Consumers Association
and
Mr. Hector Balderas
New Mexico State Auditor

Other

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 Procedure - Other

Schedule of Findings and Responses are included on pages 15 through 17 of this report.

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 the Association, Office of the State Auditor and the Department of Finance and Administration and is not intended to be and should not be used by anyone other than those specified parties.

Mess Adams LLP

Albuquerque, New Mexico
March 31, 2014

**PENDARIES VILLAGE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
 BUDGET AND ACTUAL (CASH BASIS) SCHEDULE
 GENERAL FUND
 Year Ended October 31, 2013**

It was noted that a budget was approved by the Board of Directors; however, it was not submitted to DFA-LGD.

See Schedule of Findings and Responses on page 15.

**PENDARIES VILLAGE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
 BUDGET TO ACTUAL (CASH BASIS) SCHEDULE
 Year Ended October 31, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Assessments	\$ 231,644	231,644	228,718	(2,926)
Water sales	35,350	35,350	39,420	4,070
Total revenues	<u>266,994</u>	<u>266,994</u>	<u>268,138</u>	<u>1,144</u>
Expenditures				
General government	235,200	235,200	223,197	12,003
Total expenditures	<u>235,200</u>	<u>235,200</u>	<u>223,197</u>	<u>12,003</u>
Net change in net position	31,794	31,794	44,941	13,147
Net position, beginning of year	-	-	-	-
Net position, end of year	<u>\$ 31,794</u>	<u>31,794</u>	<u>44,941</u>	<u>13,147</u>

**PENDARIES VILLAGE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
YEAR-END FINANCIAL REPORT SUBMITTED TO DFA**

It was noted that the Association did not submit a year-end financial report to DFA.

See Schedule of Findings and Responses starting on page 15.

**PENDARIES VILLAGE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended October 31, 2013**

2013-01 Year-End Financial Report

CONDITION

It was noted that the District did not submit financial reports to DFA-LGD.

CRITERIA

2013 Agreed Upon Procedures reflected in Tier 6 of the Audit Act stipulates that the Association submit financial reports to DFA-LGD.

CAUSE

The Association began operations in November 2013 and was unaware of the financial reporting requirement.

EFFECT

The Association is not in compliance with 2013 Agreed Upon Procedures reflected in Tier 6 of the Audit Act.

RECOMMENDATION

Management should submit year-end financial reports to DFA-LGD.

MANAGEMENT'S RESPONSE

This was the first year of operations for PVMD and management was unaware of the requirement. We will comply for the year ending October 31, 2014.

**PENDARIES VILLAGE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended October 31, 2013**

2013-02 Capital Assets

CONDITION

The Association did not complete an annual inventory as required by section 12-6-10 NMSA 1978.

CRITERIA

2013 Agreed Upon Procedures reflected in Tier 6 of the Audit Act stipulates that the local public must perform a yearly inventory as required by section 12-6-10 NMSA 1978.

CAUSE

The Association was not aware of the requirement to perform an annual inventory.

EFFECT

The Association is not in compliance 2013 Agreed Upon Procedures reflected in Tier 6 of the Audit Act.

RECOMMENDATION

Management should complete an annual inventory in accordance with section 12-6-10 NMSA 1978.

MANAGEMENT'S RESPONSE

This was the first year of operations for PVMD and management was unaware of the requirement. We will comply for the year ending October 31, 2014.

**PENDARIES VILLAGE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended October 31, 2013**

2013-03 Approval and Submission of Budget to DFA-LGD

CONDITION

It was noted that a budget was not approved by, nor submitted to DFA-LGD.

CRITERIA

2013 Agreed Upon Procedures reflected in Tier 6 of the Audit Act stipulates that a budget is to be approved and submitted to DFA-LGD.

CAUSE

The Association was not aware of the requirement to submit their annual budget to DFA-LGD.

EFFECT

The Association is not in compliance with 2013 Agreed Upon Procedures reflected in Tier 6 of the Audit Act.

RECOMMENDATION

Management should approve and submit an annual budget to the DFA-LGD.

MANAGEMENT'S RESPONSE

This was the first year of operations for PVMD and management was unaware of the requirement. We will comply for the year ending October 31, 2014.

**PENDARIES VILLAGE MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
EXIT CONFERENCE
Year Ended October 31, 2013**

An exit conference was held on March 31, 2014.

Attending were the following:

Representing Pendaries Village Mutual Domestic Water Consumers Association:

Ron Payne, General Manager

Representing Moss Adams LLP:

Scott Eliason, Partner