

PICACHO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
AGREED-UPON PROCEDURES
DECEMBER 31, 2010

**PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
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DECEMBER 31, 2010**

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**PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
OFFICIAL ROSTER
DECEMBER 31, 2010**

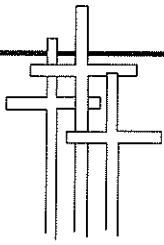
LARRY COVINGTON - PRESIDENT

FREDDIE COVINGTON - VICE-PRESIDENT

OPHELIA CHAVEZ - TREASURER/SECRETARY

ROSALEE CHAVEZ - MEMBER

LOUIS GRIJALVA - MEMBER



Clifford, Ross & Cooper, LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors and State Auditor
Picacho Mutual Domestic Water Consumers Association
P.O. Box 1468
Las Cruces, NM 88004

We have performed the procedures shown in Exhibit A, attached to this report, which were agreed to by Picacho Mutual Domestic Water Consumers Association, solely to assist you with respect to the compliance of the Tier 4 of the Audit Act – Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC of Picacho Mutual Domestic Water Consumers Association as of December 31, 2010. Picacho Mutual Domestic Water Consumers Association's management is responsible for the company'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. The compilation shown as Exhibit B, prepared by another accountant, is attached for exhibit purposes only to show the Organization had an outside accountant prepare its financials and was not relied upon to perform the work shown in Exhibit A.

Our procedures and findings can be found on Exhibit A, attached to 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 accounting records. 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 Picacho Mutual Domestic Water Consumers Association and New Mexico Office of the State Auditor and is not intended to be and should not be used by anyone other than those specified parties.

Clifford, Ross & Cooper, LLC

Las Cruces, New Mexico

April 29, 2011

PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

EXHIBIT A- SCOPE OF WORK

AGREED UPON PROCEDURES

Tier 4 of the Audit Act - Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC

	REVENUE (continued)								
	The Contractor shall test 50% of the total amount of revenues 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.							
		Procedure:							
		Deposit slips were obtained and traced to bank statement, general ledger and financial statements for 50% of all revenues, reviewed all supporting documentation for proper classification, amount and recording period.							
		Finding:							
		No discrepancies noted.							
4)	EXPENDITURES								
	The Contractor shall select a sample of cash disbursements and test at least 25 transactions and 50% of the total amount of expenditures for 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.							
	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).							
		Note: The sample must be representative of the population.							
		Procedure:							
		Tested 28 cash disbursements from the operating account.							
		Each cash disbursement was tested for adequate supporting documentation, verified amount, payee, date, and description agreed to vendor's invoice and cancelled check. Traced authorization to established policies and procedures and was approved and authorized by the Board of Directors and management.							
		Reviewed the bids for the current project and determined that the various contracts were in compliance with the New Mexico Procurement Code. Trace all disbursements to the requests for reimbursement sent to the State of New Mexico Department of Finance and Administration and reviewed for proper approval.							
		Finding:							
		No discrepancies noted.							
5)	JOURNAL ENTRIES								
	If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, the Contractor shall 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							
		Procedure:							
		Six months were tested for journal entries prepared by Mesilla Valley Accounting. The journal entries are presented to the Board each month for their review along with the financial statements.							
		Finding:							
		The journal entries are presented to the Board each month; however, there was no evidence on the journal entries that they were approved. No signatures or dates reviewed.							

PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION										
EXHIBIT A- SCOPE OF WORK										
AGREED UPON PROCEDURES										
Tier 4 of the Audit Act - Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC										
6)	BUDGET									
		The Contractor shall 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.								
		Procedure:								
		Obtain copy of overall budget for the local public body.								
		Obtain Minutes of the Board and review for approval of budget.								
		Noted the overall budget was approved by the Board.								
		Finding:								
		The Organization has never been required to send a budget for DFA approval. Mesilla Valley Accounting has requested guidance from DFA on the budgeting procedures and has not received a response back.								
	OTHER									
		If information comes to the Contractor'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 contract per Section 2.2.2.10(I)(3)(c) NMAC.								
		Finding:								
		No discrepancies noted.								
		See Finding Item 2010-2 for Late Report								

EXHIBIT B
Picacho MDWCA

Statement of Assets, Liabilities, and Net Assets

Modified Cash Basis

	Dec 31, 10
ASSETS	
Current Assets	
Checking/Savings	
Citizens Bank - Operating	17,400.38
Edward Jones	
Current Principal Balance	556,810.09
Trading Allowance	22,502.48
Total Edward Jones	579,312.57
Total Checking/Savings	596,712.95
Accounts Receivable	
Accounts Receivable	1,324.54
Allowance for Bad Debts	-250.00
Total Accounts Receivable	1,074.54
Other Current Assets	
Current Work in Progress	
Supplemental Well	39,653.43
Tank	3,435.76
Total Current Work in Progress	43,089.19
Prepaid Expenses	3,988.25
Undeposited Funds	1,497.84
Total Other Current Assets	48,575.28
Total Current Assets	646,362.77
Fixed Assets	
Buildings, Tanks, and Fencing	183,587.74
Land	3,932.37
Utility Lines, Meters	233,470.91
Well, Pumps	230,483.63
Accumulated Depreciation	-483,066.07
Total Fixed Assets	168,408.58
TOTAL ASSETS	814,771.35
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	6,494.66
Property Taxes Payable	259.10
Total Accounts Payable	6,753.76
Other Current Liabilities	
Gross Receipts Tax Payable	299.37
Total Other Current Liabilities	299.37
Total Current Liabilities	7,053.13
Total Liabilities	7,053.13
Equity	
Board Designated Reserves	
Capital Reserve	400,000.00
Emergency Reserve	6,505.00
New Tank Reserve	300,000.00
Operating Reserve	22,200.00
Supplemental Well Reserve	250,000.00
Total Board Designated Reserves	978,705.00

EXHIBIT B
Picacho MDWCA
Statement of Assets, Liabilities, and Net Assets
Modified Cash Basis

	<u>Dec 31, 10</u>
Unrestricted Fund Balance	
Fixed Assets	185,174.26
Unrestricted Fund Balance - Other	<u>-478,881.00</u>
Total Unrestricted Fund Balance	-293,706.74
Retained Earnings	91,790.19
Net Income	<u>30,929.77</u>
Total Equity	<u>807,718.22</u>
TOTAL LIABILITIES & EQUITY	<u><u>814,771.35</u></u>

Picacho MDWCA
Statement of Support, Revenues and Expenses
Modified Cash Basis

	Dec 10	Jan - Dec 10
Ordinary Income/Expense		
Income		
Operating Revenues		
Water Sales	5,836.59	93,345.41
Certified Letter Fees	275.00	1,661.00
Late Fees	232.51	2,151.37
Membership/Transfer Fees	25.00	75.00
Reconnection Fees	200.00	750.00
Returned Check Fees	0.00	30.00
Total Operating Revenues	<u>6,569.10</u>	<u>98,012.78</u>
Total Income	6,569.10	98,012.78
Expense		
Operating Expenses		
Annual Meeting	0.00	203.34
Bank Service Charges	0.00	9.90
Chemicals	12.00	3,500.27
Conference/Training	0.00	180.00
Contract Labor	0.00	981.75
Depreciation Expense	1,397.14	16,765.68
Dues and Subscriptions	0.00	293.66
Insurance	276.67	3,292.53
Meals and Entertainment-100%	0.00	413.91
Office Expenses	0.00	164.84
Other Taxes	0.00	528.22
Professional Fees		
Accounting	2,324.43	27,493.74
Professional Fees - Other	0.00	3,156.50
Total Professional Fees	<u>2,324.43</u>	<u>30,650.24</u>
Rent	1.13	13.56
System Operator	1,842.62	23,424.72
System Repairs and Parts	0.00	2,326.67
Telephone	18.62	366.62
Travel Reimbursement	0.00	203.10
Utilities	956.54	14,137.86
Vehicle Expense		
Fuel	0.00	139.85
Vehicle Expense - Other	0.00	0.00
Total Vehicle Expense	<u>0.00</u>	<u>139.85</u>
Water Conservation Fees	45.56	999.19
Water Testing	0.00	24.00
Operating Expenses - Other	0.00	0.00
Total Operating Expenses	<u>6,874.71</u>	<u>98,619.91</u>
Total Expense	6,874.71	98,619.91
Net Ordinary Income	-305.61	-607.13
Other Income/Expense		
Other Income		
Nonoperating Revenues		
Interest Income	2,537.23	29,475.29
Total Nonoperating Revenues	<u>2,537.23</u>	<u>29,475.29</u>
Total Other Income	2,537.23	29,475.29
Other Expense		
Nonoperating Expenses		
Bond Premium	150.97	2,516.60
Unrealzd Loss (Gain) on Invest.	11,001.97	-4,578.21
Total Nonoperating Expenses	<u>11,152.94</u>	<u>-2,061.61</u>

EXHIBIT B=
Picacho MDWCA

Statement of Support, Revenues and Expenses
Modified Cash Basis

	<u>Dec 10</u>	<u>Jan - Dec 10</u>
Total Other Expense	11,152.94	-2,061.61
Net Other Income	-8,615.71	31,536.90
Net Income	<u>-8,921.32</u>	<u>30,929.77</u>

**STATE OF NEW MEXICO
PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
EXHIBIT C
BUDGET AND ACTUAL - Modified Cash Basis**

**Statement of Revenues and Expenditures
Budget and Actual
For the Year Ended December 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive/(Negative)
REVENUES				
Water Service	\$ 98,000	\$ 98,000	\$ 93,345	\$ (4,655)
Administration Fees/Penalties	3,200	3,200	3,812	612
Membership/Install	925	925	75	(850)
Miscellaneous	965	965	30	(935)
Reconnection Fees	250	250	750	500
Interest/Rebates	25,000	25,000	29,475	4,475
Unrealized loss (gain) on investment	-	-	4,579	4,579
Total revenues	128,340	128,340	132,066	3,726
EXPENDITURES				
Salaries/Contractors	30,500	30,500	24,407	6,093
Accounting/Legal	30,800	30,800	30,650	150
Taxes/Insurance	5,275	5,275	6,338	(1,063)
Utilities	16,000	16,000	14,138	1,862
System Supplies/Maintenance	10,000	10,000	5,827	4,173
Office/Miscellaneous	2,369	2,369	2,011	358
Water Conservation Fees	1,100	1,100	1,000	100
Depreciation	20,000	20,000	16,766	3,234
Total expenditures	116,044	116,044	101,137	14,907
Excess (deficiency) of revenues over expenditures	12,296	12,296	30,929	18,633
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources	12,296	12,296	\$ 30,929	\$ 18,633
Budgeted cash carryover	-	-		
	<u>\$ 12,296</u>	<u>\$ 12,296</u>		

EXHIBIT D

Picacho MDWCA
Profit & Loss Budget vs. Actual
 January through December 2010

	Jan - Dec 10	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
Operating Revenues				
Water Sales	93,345.41	98,000.00	-4,654.59	95.3%
Certified Letter Fees	1,661.00	1,200.00	461.00	138.4%
Installation Fees	0.00	750.00	-750.00	0.0%
Late Fees	2,151.37	2,000.00	151.37	107.6%
Membership/Transfer Fees	75.00	175.00	-100.00	42.9%
Parity Fees	0.00	450.00	-450.00	0.0%
Reconnection Fees	750.00	250.00	500.00	300.0%
Repairs	0.00	0.00	0.00	0.0%
Returned Check Fees	30.00	15.00	15.00	200.0%
Water Rights Acquisition Fee	0.00	500.00	-500.00	0.0%
Water Tests	0.00	0.00	0.00	0.0%
Total Operating Revenues	98,012.78	103,340.00	-5,327.22	94.8%
Total Income	98,012.78	103,340.00	-5,327.22	94.8%
Expense				
Operating Expenses				
Annual Meeting	203.34	200.00	3.34	101.7%
Bad Debt	0.00	0.00	0.00	0.0%
Bank Service Charges	9.90	65.00	-55.10	15.2%
Chemicals	3,500.27	6,000.00	-2,499.73	58.3%
Conference/Training	180.00	200.00	-20.00	90.0%
Contract Labor	981.75	2,000.00	-1,018.25	49.1%
Depreciation Expense	16,765.68	20,000.00	-3,234.32	83.8%
Dues and Subscriptions	293.66	300.00	-6.34	97.9%
Equipment Rental	0.00	150.00	-150.00	0.0%
General Expenses	0.00	0.00	0.00	0.0%
Insurance	3,292.53	4,000.00	-707.47	82.3%
Interest Expense	0.00	0.00	0.00	0.0%
Licenses and Permits	0.00	25.00	-25.00	0.0%
Meals and Entertainment-100%	413.91	550.00	-136.09	75.3%
Office Expenses	164.84	165.00	-0.16	99.9%
Other Taxes	528.22	1,275.00	-746.78	41.4%
Payroll Expenses				
Wages	0.00	0.00	0.00	0.0%
Payroll Taxes	0.00	0.00	0.00	0.0%
Payroll Expenses - Other	0.00	0.00	0.00	0.0%
Total Payroll Expenses	0.00	0.00	0.00	0.0%

Picacho MDWCA

Profit & Loss Budget vs. Actual

January through December 2010

	Jan - Dec 10	Budget	\$ Over Budget	% of Budget
Professional Fees				
Accounting	27,493.74	25,800.00	1,693.74	106.6%
Engineering	0.00	2,500.00	-2,500.00	0.0%
Legal Fees	0.00	2,500.00	-2,500.00	0.0%
Tier Reporting	0.00	0.00	0.00	0.0%
Professional Fees - Other	3,156.50			
Total Professional Fees	30,650.24	30,800.00	-149.76	99.5%
Rent	13.56	13.56	0.00	100.0%
System Operator	23,424.72	28,500.00	-5,075.28	82.2%
System Repairs and Parts	2,326.67	4,000.00	-1,673.33	58.2%
Telephone	366.62	450.00	-83.38	81.5%
Travel Reimbursement	203.10	200.00	3.10	101.6%
Utilities	14,137.86	16,000.00	-1,862.14	88.4%
Vehicle Expense				
Fuel	139.85	50.00	89.85	279.7%
Repairs and Maintenance	0.00	0.00	0.00	0.0%
Vehicle Expense - Other	0.00			
Total Vehicle Expense	139.85	50.00	89.85	279.7%
Water Conservation Fees	999.19	1,100.00	-100.81	90.8%
Water Testing	24.00	0.00	24.00	100.0%
Operating Expenses - Other	0.00			
Total Operating Expenses	98,619.91	116,043.56	-17,423.65	85.0%
Total Expense	98,619.91	116,043.56	-17,423.65	85.0%
Net Ordinary Income	-607.13	-12,703.56	12,096.43	4.8%
Other Income/Expense				
Other Income				
Nonoperating Revenues				
Bond Discount	0.00	0.00	0.00	0.0%
Insurance Reimbursement	0.00	0.00	0.00	0.0%
Interest Income	29,475.29	25,000.00	4,475.29	117.9%
Settlement Income	0.00	0.00	0.00	0.0%
Total Nonoperating Revenues	29,475.29	25,000.00	4,475.29	117.9%
Total Other Income	29,475.29	25,000.00	4,475.29	117.9%

EXHIBIT D

Picacho MDWCA
Profit & Loss Budget vs. Actual
 January through December 2010

	Jan - Dec 10	Budget	\$ Over Budget	% of Budget
Other Expense				
Nonoperating Expenses				
Bond Premium	2,516.60	0.00	2,516.60	100.0%
Unrealzd Loss (Gain) on Invest.	-4,578.21	0.00	-4,578.21	100.0%
Total Nonoperating Expenses	-2,061.61	0.00	-2,061.61	100.0%
Total Other Expense	-2,061.61	0.00	-2,061.61	100.0%
Net Other Income	31,536.90	25,000.00	6,536.90	126.1%
Net Income	30,929.77	12,296.44	18,633.33	251.5%

**PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2010**

Item 2010-01 Lack of documenting review procedures

Statement of Condition:

It was noted during testing that there was no documentation that journal entries had been reviewed, except that they were approved in an over vote each month by the Board on the financial statements.

Criteria:

Good internal controls require that management review work performed by others. Reviews can be documented through signatures, initialing and dating.

Effect:

Adjusting entries may be made without management's knowledge and unauthorized expenditures may be made without management review.

Cause:

The financial statements are approved at monthly Board meetings and reviewed by each Board member.

Recommendation:

A Board member should initial and date the journal entries at the monthly Board meeting after they have been approved by the Board.

Management Response:

Management concurs and will implement procedures to comply with the above recommendation.

**PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2010**

Item 2010-02 Late Report

Statement of Condition:

The original report was filed by the May 31, 2011 deadline. However, due to additional information being required to be added to the report the report was filed late.

Criteria:

The State Auditor requires the report to be filed by May 31st.

Effect:

The report was filed late.

Cause:

The State Auditor required additional information to be added to the original report.

Recommendation:

The report be filed in a timely manner with all information needed.

Management Response:

Concur

**PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
EXIT CONFERENCE
DECEMBER 31, 2010**

Exit Conference:

The exit conference was held on April 29, 2011 and October 18, 2011 with the following persons:

Larry Covington, President

Denise S. Cooper, Partner, Clifford, Ross & Cooper, LLC

These agreed-upon procedures were prepared by Clifford, Ross & Cooper, LLC from the books and records of Picacho Mutual Domestic Water Consumers Association with the assistance of management.