

PICACHO MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
AGREED-UPON PROCEDURES  
DECEMBER 31, 2011

**PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
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DECEMBER 31, 2011**

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PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
OFFICIAL ROSTER  
DECEMBER 31, 2011

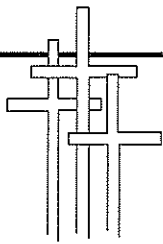
LARRY COVINGTON - PRESIDENT

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, 2011. 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

October 25, 2012

**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

**1) CASH**

- a) The Contractor shall 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

**Procedure:**

Obtained copies of all bank reconciliations and bank statements for the year.

Verified that the banks were reconciled each month, reviewed the bank reconciliations.

**Finding:**

The banks were reconciled each month and were reviewed. The reconciliations are given to the Board each month for approval.

- b) The Contractor shall 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

**Procedure:**

Six months of bank reconciliations were recomputed to determine accuracy. The monthly bookkeeping is done by Mesilla Valley Accounting. Books are kept on Quickbooks and reconciled through Quickbooks.

We compared the cash balances per bank reconciliations to the respective general ledger account balances.

Monthly financial statements are presented to the Board of Directors by Mesilla Valley Accounting

for approval. Financial reports have never been required to be sent to DFA per Mesilla Valley Accounting.

They have asked for guidance from DFA and to date have not received any response back.

**Finding:**

No discrepancies noted.

- c) The Contractor shall 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

**Procedure:**

The bank statements for the entire fiscal year ending December 31, 2011 were reviewed for balances.

**Finding:**

The bank balances never exceed the \$250,000 threshold for the FDIC limit; however, Citizens Bank has pledged collateral if the balance does go over.

**2) CAPITAL ASSETS**

The Contractor shall verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978

**Procedure:**

Reviewed depreciation listing for assets prepared by Mesilla Valley Accounting.

Noted additions to assets each year.

**Finding:**

No yearly inventory performed or certified, See Page 13 for Finding 2011-01.

**3) REVENUE**

The Contractor shall 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

**Procedure:**

System billings for 6 months were tested for accuracies and tied to the general ledger.

Monthly receipts report for the 6 months were tied to the gross receipts tax reports and

the general ledger and deposits made to the bank accounts.

**Finding:**

No discrepancies noted.

**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 40 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; they were reviewed, initialed and dated. No discrepancies noted.

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.  
 Budget was sent to DFA, however, never received any response back.

**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. See Page 14 for Finding 2011-02.

**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 content per Section 2.2.2.10(I)(3)(C) NMAC.

**Finding:**

No discrepancies noted.

See Page 15 for Finding 2011-03 for Late Report.

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

|                                   | Dec 31, 11        |
|-----------------------------------|-------------------|
| <b>ASSETS</b>                     |                   |
| Current Assets                    |                   |
| Checking/Savings                  |                   |
| Citizens Bank - Operating         | 17,442.30         |
| Edward Jones                      |                   |
| Current Principal Balance         | 542,027.67        |
| Trading Allowance                 | 36,577.16         |
| Total Edward Jones                | 578,604.83        |
| Total Checking/Savings            | 596,047.13        |
| Accounts Receivable               |                   |
| Accounts Receivable               | 1,085.24          |
| Allowance for Bad Debts           | -250.00           |
| Total Accounts Receivable         | 835.24            |
| Other Current Assets              |                   |
| Current Work in Progress          |                   |
| PER                               | 152,400.63        |
| Supplemental Well                 | 49,456.25         |
| Tank                              | 3,435.76          |
| Total Current Work in Progress    | 205,292.64        |
| Prepaid Expenses                  | 4,350.27          |
| Undeposited Funds                 | 2,204.88          |
| Total Other Current Assets        | 211,847.79        |
| Total Current Assets              | 808,730.16        |
| 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          | -499,605.07       |
| Total Fixed Assets                | 151,869.58        |
| <b>TOTAL ASSETS</b>               | <b>960,599.74</b> |
| <b>LIABILITIES &amp; EQUITY</b>   |                   |
| Liabilities                       |                   |
| Current Liabilities               |                   |
| Accounts Payable                  |                   |
| Accounts Payable                  | 107,828.34        |
| Total Accounts Payable            | 107,828.34        |
| Total Current Liabilities         | 107,828.34        |
| Total Liabilities                 | 107,828.34        |
| Equity                            |                   |
| Board Designated Reserves         |                   |
| Emergency Reserve                 | 6,505.00          |
| Supplemental Well Reserve         | 250,000.00        |
| Total Board Designated Reserves   | 256,505.00        |
| USDA Designated Reserves          |                   |
| Replacemnt Rsv-Sht Lived Assets   | 212,000.00        |
| Debt Service Reserve              | 42,324.00         |
| Operation and Maintenance         | 22,200.00         |
| Total USDA Designated Reserves    | 276,524.00        |
| Unrestricted Fund Balance         |                   |
| Fixed Assets                      | 157,316.86        |
| Unrestricted Fund Balance - Other | -5,347.60         |



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

|                                 | <u>Dec 31, 11</u>        |
|---------------------------------|--------------------------|
| Total Unrestricted Fund Balance | 151,969.26               |
| Retained Earnings               | 122,719.96               |
| Net Income                      | <u>45,053.18</u>         |
| Total Equity                    | <u>852,771.40</u>        |
| TOTAL LIABILITIES & EQUITY      | <u><u>960,599.74</u></u> |

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

|                                 | Dec 11          | Jan - Dec 11      |
|---------------------------------|-----------------|-------------------|
| Ordinary Income/Expense         |                 |                   |
| Income                          |                 |                   |
| Operating Revenues              |                 |                   |
| Water Sales                     | 6,374.48        | 102,845.08        |
| Certified Letter Fees           | 187.00          | 1,859.00          |
| Installation Fees               | 0.00            | 1,700.00          |
| Late Fees                       | 205.77          | 2,697.88          |
| Membership/Transfer Fees        | 0.00            | 50.00             |
| Reconnection Fees               | 100.00          | 200.00            |
| Repairs                         | 0.00            | 63.82             |
| Returned Check Fees             | 20.00           | 35.00             |
| Total Operating Revenues        | <u>6,887.25</u> | <u>109,450.78</u> |
| Total Income                    | 6,887.25        | 109,450.78        |
| Expense                         |                 |                   |
| Operating Expenses              |                 |                   |
| Bank Service Charges            | 0.01            | 4.31              |
| Chemicals                       | 215.52          | 6,064.19          |
| Conference/Training             | 0.00            | 505.00            |
| Contract Labor                  | 0.00            | 184.08            |
| Depreciation Expense            | 1,361.82        | 16,539.00         |
| Dues and Subscriptions          | 0.00            | 469.73            |
| Insurance                       | 279.54          | 3,354.00          |
| Interest Expense                | 0.00            | 0.00              |
| Meals and Entertainment-100%    | 0.00            | 345.49            |
| Office Expenses                 | 0.00            | 96.00             |
| Other Taxes                     | 0.00            | 265.39            |
| Professional Fees               |                 |                   |
| Accounting                      | 2,588.69        | 29,715.26         |
| Tier Reporting                  | 0.00            | 3,226.88          |
| Total Professional Fees         | <u>2,588.69</u> | <u>32,942.14</u>  |
| Rent                            | 1.13            | 13.56             |
| System Operator                 | 2,812.00        | 26,221.68         |
| System Repairs and Parts        | 0.00            | 3,836.31          |
| Telephone                       | 7.63            | 434.97            |
| Travel Reimbursement            | 0.00            | 342.63            |
| Utilities                       | 916.51          | 14,192.55         |
| Water Conservation Fees         | 62.14           | 1,124.71          |
| Total Operating Expenses        | <u>8,244.99</u> | <u>106,935.74</u> |
| Total Expense                   | 8,244.99        | 106,935.74        |
| Net Ordinary Income             | -1,357.74       | 2,515.04          |
| Other Income/Expense            |                 |                   |
| Other Income                    |                 |                   |
| Nonoperating Revenues           |                 |                   |
| Interest Income                 | 2,359.50        | 28,463.46         |
| Total Nonoperating Revenues     | <u>2,359.50</u> | <u>28,463.46</u>  |
| Total Other Income              | 2,359.50        | 28,463.46         |
| Other Expense                   |                 |                   |
| Nonoperating Expenses           |                 |                   |
| Unrealzd Loss (Gain) on Invest. | 345.83          | -14,074.68        |
| Total Nonoperating Expenses     | <u>345.83</u>   | <u>-14,074.68</u> |
| Total Other Expense             | 345.83          | -14,074.68        |
| Net Other Income                | 2,013.67        | 42,538.14         |
| Net Income                      | <u>655.93</u>   | <u>45,053.18</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, 2011**

|   | Budgeted Amounts |                  | Actual Amounts     | Variance with                       |
|---|------------------|------------------|--------------------|-------------------------------------|
|   | Original         | Final            | Budgetary<br>Basis | Final Budget<br>Positive/(Negative) |
| <b>REVENUES</b>   |                  |                  |                    |                                     |
| Water Service   | \$ 98,000        | \$ 98,000        | \$ 102,845         | \$ 4,845                            |
| Administration Fees/Penalties   | -                | -                | 6,257              | 6,257                               |
| Membership/Install  | -                | -                | 50                 | 50                                  |
| Miscellaneous   | -                | -                | 99                 | 99                                  |
| Reconnection Fees   | -                | -                | 200                | 200                                 |
| Interest/Rebates  | 30,000           | 30,000           | 28,463             | (1,537)                             |
| Unrealized loss (gain) on investment  | -                | -                | -                  | -                                   |
| Total revenues  | <u>128,000</u>   | <u>128,000</u>   | <u>137,914</u>     | <u>9,914</u>                        |
| <b>EXPENDITURES</b>   |                  |                  |                    |                                     |
| Salaries/Contractors  | 27,000           | 27,000           | 26,406             | 594                                 |
| Accounting/Legal  | 33,227           | 33,227           | 32,942             | 285                                 |
| Taxes/Insurance   | 4,050            | 4,050            | 3,354              | 696                                 |
| Utilities   | 15,000           | 15,000           | 14,193             | 807                                 |
| System Supplies/Maintenance   | 3,500            | 3,500            | 3,836              | (336)                               |
| Office/Miscellaneous  | 6,854            | 6,854            | 8,541              | (1,687)                             |
| Water Conservation Fees   | 1,125            | 1,125            | 1,125              | -                                   |
| Depreciation  | 16,800           | 16,800           | 16,539             | 261                                 |
| Total expenditures  | <u>107,556</u>   | <u>107,556</u>   | <u>106,936</u>     | <u>620</u>                          |
| Excess (deficiency) of revenues over expenditures   | <u>20,444</u>    | <u>20,444</u>    | <u>30,978</u>      | <u>10,534</u>                       |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                  |                  |                    |                                     |
| Operating transfers in (out)  | -                | -                | -                  | -                                   |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources | 20,444           | 20,444           | <u>\$ 30,978</u>   | <u>\$ 10,534</u>                    |
| Budgeted cash carryover   | -                | -                |                    |                                     |
|   | <u>\$ 20,444</u> | <u>\$ 20,444</u> |                    |                                     |

Picacho MDWCA  
**Profit & Loss Budget vs. Actual**  
 January through December 2011

|                                    | Jan - Dec 11      | Budget            | \$ Over Budget   | % of Budget   |
|------------------------------------|-------------------|-------------------|------------------|---------------|
| <b>Ordinary Income/Expense</b>     |                   |                   |                  |               |
| <b>Income</b>                      |                   |                   |                  |               |
| <b>Operating Revenues</b>          |                   |                   |                  |               |
| Water Sales                        | 102,845.08        | 98,000.00         | 4,845.08         | 104.9%        |
| Certified Letter Fees              | 1,859.00          | 0.00              | 1,859.00         | 100.0%        |
| Installation Fees                  | 1,700.00          | 0.00              | 1,700.00         | 100.0%        |
| Late Fees                          | 2,697.88          | 0.00              | 2,697.88         | 100.0%        |
| Membership/Transfer Fees           | 50.00             | 0.00              | 50.00            | 100.0%        |
| Parity Fees                        | 0.00              | 0.00              | 0.00             | 0.0%          |
| Reconnection Fees                  | 200.00            | 0.00              | 200.00           | 100.0%        |
| Repairs                            | 63.82             | 0.00              | 63.82            | 100.0%        |
| Returned Check Fees                | 35.00             | 0.00              | 35.00            | 100.0%        |
| Water Rights Acquisition Fee       | 0.00              | 0.00              | 0.00             | 0.0%          |
| Water Tests                        | 0.00              | 0.00              | 0.00             | 0.0%          |
| <b>Total Operating Revenues</b>    | <u>109,450.78</u> | <u>98,000.00</u>  | <u>11,450.78</u> | <u>111.7%</u> |
| <b>Total Income</b>                | 109,450.78        | 98,000.00         | 11,450.78        | 111.7%        |
| <b>Expense</b>                     |                   |                   |                  |               |
| <b>Operating Expenses</b>          |                   |                   |                  |               |
| Annual Meeting                     | 0.00              | 250.00            | -250.00          | 0.0%          |
| Bad Debt                           | 0.00              | 15.00             | -15.00           | 0.0%          |
| Bank Service Charges               | 4.31              | 50.00             | -45.69           | 8.6%          |
| Chemicals                          | 6,064.19          | 4,000.00          | 2,064.19         | 151.6%        |
| Conference/Training                | 505.00            | 500.00            | 5.00             | 101.0%        |
| Contract Labor                     | 184.08            | 2,000.00          | -1,815.92        | 9.2%          |
| Depreciation Expense               | 16,539.00         | 16,800.00         | -261.00          | 98.4%         |
| Dues and Subscriptions             | 469.73            | 300.00            | 169.73           | 156.6%        |
| Equipment Rental                   | 0.00              | 100.00            | -100.00          | 0.0%          |
| General Expenses                   | 0.00              | 100.00            | -100.00          | 0.0%          |
| Insurance                          | 3,354.00          | 3,500.00          | -146.00          | 95.8%         |
| 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%       | 345.49            | 500.00            | -154.51          | 69.1%         |
| Office Expenses                    | 96.00             | 200.00            | -104.00          | 48.0%         |
| Other Taxes                        | 265.39            | 550.00            | -284.61          | 48.3%         |
| <b>Payroll Expenses</b>            |                   |                   |                  |               |
| Wages                              | 0.00              | 0.00              | 0.00             | 0.0%          |
| Payroll Taxes                      | 0.00              | 0.00              | 0.00             | 0.0%          |
| <b>Total Payroll Expenses</b>      | <u>0.00</u>       | <u>0.00</u>       | <u>0.00</u>      | <u>0.0%</u>   |
| <b>Professional Fees</b>           |                   |                   |                  |               |
| Accounting                         | 29,715.26         | 30,000.00         | -284.74          | 99.1%         |
| Engineering                        | 0.00              | 0.00              | 0.00             | 0.0%          |
| Legal Fees                         | 0.00              | 0.00              | 0.00             | 0.0%          |
| Tier Reporting                     | 3,226.88          | 3,226.88          | 0.00             | 100.0%        |
| <b>Total Professional Fees</b>     | <u>32,942.14</u>  | <u>33,226.88</u>  | <u>-284.74</u>   | <u>99.1%</u>  |
| <b>Rent</b>                        |                   |                   |                  |               |
| System Operator                    | 13.56             | 14.00             | -0.44            | 96.9%         |
| System Repairs and Parts           | 26,221.68         | 25,000.00         | 1,221.68         | 104.9%        |
| Telephone                          | 3,838.31          | 3,500.00          | 338.31           | 109.6%        |
| Travel Reimbursement               | 434.97            | 400.00            | 34.97            | 108.7%        |
| Unknown                            | 342.63            | 500.00            | -157.37          | 68.5%         |
| Utilities                          | 0.00              | 0.00              | 0.00             | 0.0%          |
| <b>Vehicle Expense</b>             | 14,192.55         | 15,000.00         | -807.45          | 94.6%         |
| Fuel                               | 0.00              | 0.00              | 0.00             | 0.0%          |
| Repairs and Maintenance            | 0.00              | 0.00              | 0.00             | 0.0%          |
| Vehicle Expense - Other            | 0.00              | 0.00              | 0.00             | 0.0%          |
| <b>Total Vehicle Expense</b>       | <u>0.00</u>       | <u>0.00</u>       | <u>0.00</u>      | <u>0.0%</u>   |
| <b>Water Conservation Fees</b>     |                   |                   |                  |               |
| Water Testing                      | 1,124.71          | 1,000.00          | 124.71           | 112.5%        |
| <b>Total Operating Expenses</b>    | <u>106,935.74</u> | <u>107,555.88</u> | <u>-620.14</u>   | <u>99.4%</u>  |
| <b>Total Expense</b>               | 106,935.74        | 107,555.88        | -620.14          | 99.4%         |
| <b>Net Ordinary Income</b>         | 2,515.04          | -9,555.88         | 12,070.92        | -26.3%        |
| <b>Other Income/Expense</b>        |                   |                   |                  |               |
| <b>Other Income</b>                |                   |                   |                  |               |
| <b>Nonoperating Revenues</b>       |                   |                   |                  |               |
| Bond Discount                      | 0.00              | 0.00              | 0.00             | 0.0%          |
| Insurance Reimbursement            | 0.00              | 0.00              | 0.00             | 0.0%          |
| Interest Income                    | 28,463.46         | 30,000.00         | -1,536.54        | 94.9%         |
| Settlement Income                  | 0.00              | 0.00              | 0.00             | 0.0%          |
| <b>Total Nonoperating Revenues</b> | <u>28,463.46</u>  | <u>30,000.00</u>  | <u>-1,536.54</u> | <u>94.9%</u>  |
| <b>Total Other Income</b>          | 28,463.46         | 30,000.00         | -1,536.54        | 94.9%         |

Picacho MDWCA  
**Profit & Loss Budget vs. Actual**  
 January through December 2011

|                                 | Jan - Dec 11 | Budget    | \$ Over Budget | % of Budget |
|---------------------------------|--------------|-----------|----------------|-------------|
| Other Expense                   |              |           |                |             |
| Nonoperating Expenses           |              |           |                |             |
| Bond Premium                    | 0 00         | 0 00      | 0 00           | 0.0%        |
| Unrealzd Loss (Gain) on Invest. | -14,074 66   | 0 00      | -14,074 66     | 100.0%      |
| Total Nonoperating Expenses     | -14,074 66   | 0 00      | -14,074 66     | 100.0%      |
| Total Other Expense             | -14,074 66   | 0 00      | -14,074 66     | 100.0%      |
| Net Other Income                | 42,538 14    | 30,000 00 | 12,538 14      | 141.8%      |
| Net Income                      | 45,053.18    | 20,444.12 | 24,609.06      | 220.4%      |

**PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2011**

**Item 2011-01 Fixed Asset Inventory**

**Statement of Condition:**

It was noted during our review that a yearly fixed asset inventory was not performed in accordance with Section 12-6-10 NMSA 1978

**Criteria:**

Good internal controls require that management performed a yearly fixed asset inventory

**Effect:**

Assets may disappear without managements being aware of it.

**Cause:**

Not aware that an yearly inventory was required

**Recommendation:**

A yearly inventory be performed and certified by management

**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, 2011**

**Item 2011-02 Budget**

**Statement of Condition:**

The budget was approved at the beginning of the year and was not adjusted throughout the year to reflect changes in expenditures.

**Criteria:**

Good internal controls require management review the budget on a monthly basis and prepare budget adjustment requests to reflect changes in expenditures.

**Effect:**

The budget showed an over expenditure.

**Cause:**

Budgets have been prepared at the beginning of each year and have been sent to DFA. however

**Recommendation:**

The Board needs to analyze the budget on a monthly basis and prepare budget adjustments approved by DFA.

**Management Response:**

The Board adopts a balanced budget at the beginnng of each year based on the water rates in effect during that period.

**PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2011**

**Item 2011-03 Late Report**

**Statement of Condition:**

The original contract to perform the agreed upon procedures was not signed until after the due date of the report.

**Criteria:**

The State Auditor requires the report to be filed by May 31st, 2012

**Effect:**

The report was filed late.

**Cause:**

Contract was not signed in a timely manner.

**Recommendation:**

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

**Management Response:**

Concur



PICACHO MUTUAL DOMESTIC WATER CONSUMER ASSOCIATION  
SCHEDULE OF SUMMARY OF PRIOR YEAR FINDINGS  
DECEMBER 31, 2011

**Item 2010-01 Lack of Review of Documentation**

Closed not repeated in current year

**Item 2010-02 Late Report**

Repeated in current year

PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
EXIT CONFERENCE  
DECEMBER 31, 2011

Exit Conference:

The exit conference was held on November 27, 2012 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.