

PICACHO MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
AGREED-UPON PROCEDURES  
DECEMBER 31, 2012

**PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**  
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**DECEMBER 31, 2012**

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PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
OFFICIAL ROSTER  
DECEMBER 31, 2012

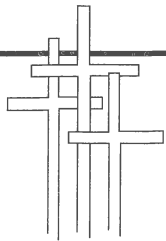
LARRY COVINGTON - PRESIDENT

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, 2012. 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.

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

May 29, 2013

**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 but have sent financials to DFA.

**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, 2012 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. Noted inventory was performed and certified by Board President.

**Finding:**

Yearly inventory performed and certified. No discrepancies noted.

**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. Compared revenues for current and prior

two years by category and to budgeted amounts, noted revenues continue to increase and exceeded budget.

**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 based on auditor judgment 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 based on auditor judgment and test using the following attributes:

- a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and cancelled check, as appropriate.
- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- 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 64 out of 151 total population of 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:**

Obtained copy of overall budget for the local public body.  
Obtained Minutes of the Board and reviewed 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:**

Mesilla Valley Accounting has requested guidance from DFA on the budgeting procedures and has not received a response back. They submitted the budget and received no response back.  
No discrepancies noted.

**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.

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

	Dec 31, 12
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
Citizens Bank - Operating	24,243.98
Edward Jones	
Current Principal Balance	528,057.70
Trading Allowance	22,517.64
Total Edward Jones	550,575.34
Total Checking/Savings	574,819.32
Accounts Receivable	
Accounts Receivable	2,843.01
Allowance for Bad Debts	-250.00
Total Accounts Receivable	2,593.01
Other Current Assets	
Current Work in Progress	
PER	330,043.99
Supplemental Well	129,963.36
Tank	3,435.76
Total Current Work in Progress	463,443.11
Prepaid Expenses	5,523.75
Undeposited Funds	3,124.20
Total Other Current Assets	472,091.06
Total Current Assets	1,049,503.39
Fixed Assets	
Buildings, Tanks, and Fencing	183,587.74
Land	3,932.37
Utility Lines, Meters	233,470.91
Well, Pumps	238,808.80
Accumulated Depreciation	-515,991.39
Total Fixed Assets	143,808.43
<b>TOTAL ASSETS</b>	<b>1,193,311.82</b>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	19,586.16
Property Taxes Payable	264.16
Total Accounts Payable	19,850.32
Total Current Liabilities	19,850.32
Long Term Liabilities	
RCAC Loan No. 0746-PMDW-01	304,737.47
Total Long Term Liabilities	304,737.47
Total Liabilities	324,587.79
Equity	
Board Designated Reserves	
Emergency Reserve	6,505.00
Supplemental Well Reserve	250,000.00
Total Board Designated Reserves	256,505.00



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

	Dec 31, 12
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	143,808.43
Unrestricted Fund Balance - Other	8,160.83
Total Unrestricted Fund Balance	151,969.26
Parity Fees	450.00
Retained Earnings	167,743.44
Net Income	15,532.33
Total Equity	868,724.03
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>1,193,311.82</b>

EXHIBIT B

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

	Jan - Dec 12
Ordinary Income/Expense	
Income	
Operating Revenues	
Water Sales	117,917.97
Certified Letter Fees	1,749.00
Installation Fees	1,500.00
Late Fees	2,661.59
Membership/Transfer Fees	250.00
Parity Fees	450.00
Reconnection Fees	650.00
Returned Check Fees	140.00
Service Call	122.13
Water Rights Acquisition Fee	1,000.00
Total Operating Revenues	<u>126,440.69</u>
Total Income	126,440.69
Expense	
Operating Expenses	
Bad Debt	103.54
Bank Service Charges	0.00
Chemicals	5,226.98
Conference/Training	230.00
Contract Labor	322.02
Depreciation Expense	16,386.32
Dues and Subscriptions	550.02
Insurance	3,937.16
Licenses and Permits	35.00
Meals and Entertainment-100%	491.76
Office Expenses	399.02
Other Taxes	783.55
Professional Fees	
Accounting	29,829.48
Tier Reporting	3,226.88
Total Professional Fees	<u>33,056.36</u>
Rent	13.56
System Operator	24,833.08
System Repairs and Parts	3,895.98
Telephone	472.35
Utilities	13,257.72
Water Conservation Fees	1,067.20
Total Operating Expenses	<u>105,061.62</u>
Total Expense	<u>105,061.62</u>
Net Ordinary Income	21,379.07
Other Income/Expense	
Other Income	
Nonoperating Revenues	
Realized Gain	20,589.71
Interest Income	26,968.08
Total Nonoperating Revenues	<u>47,557.79</u>
Total Other Income	47,557.79

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

	<u>Jan - Dec 12</u>
Other Expense	
Nonoperating Expenses	
Loan Fee Expenses	3,993.00
Loan Interest	35,352.00
Unrealzd Loss (Gain) on Invest.	14,059.53
Total Nonoperating Expenses	<u>53,404.53</u>
Total Other Expense	<u>53,404.53</u>
Net Other Income	<u>-5,846.74</u>
Net Income	<u><u>15,532.33</u></u>

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

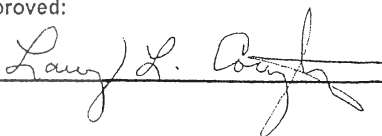
**Statement of Revenues and Expenditures**  
**Budget and Actual**  
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive/(Negative)
	Original	Final		
<b>REVENUES</b>				
Water Service	\$ 102,000	\$ 102,000	\$ 117,918	\$ 15,918
Administration Fees/Penalties	1,500	1,500	1,749	249
Membership/Install	-	-	1,500	1,500
Miscellaneous	2,000	2,000	4,624	2,624
Reconnection Fees	350	350	650	300
Interest/Rebates	-	-	26,968	26,968
Realized Gain on investments	-	-	20,590	20,590
Unrealized loss (gain) on investment	-	-	(14,060)	(14,060)
	<u>105,850</u>	<u>105,850</u>	<u>159,939</u>	<u>54,089</u>
<b>EXPENDITURES</b>				
Salaries/Contractors	32,000	32,000	25,155	6,845
Accounting/Legal	35,400	35,400	33,056	2,344
Taxes/Insurance	6,000	6,000	4,721	1,279
Utilities	15,750	15,750	13,730	2,020
System Supplies/Maintenance	11,500	11,500	9,123	2,377
Office/Miscellaneous	3,700	3,700	1,824	1,876
Water Conservation Fees	1,500	1,500	1,067	433
Capital Improvements/Non operating	-	350,000	39,345	310,655
Depreciation	-	-	16,386	(16,386)
	<u>105,850</u>	<u>455,850</u>	<u>144,407</u>	<u>311,443</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(350,000)</u>	<u>15,532</u>	<u>365,532</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources</b>	<u>-</u>	<u>(350,000)</u>	<u>\$ 15,532</u>	<u>\$ 365,532</u>
Budgeted cash carryover	<u>-</u>	<u>350,000</u>		
	<u>\$ -</u>	<u>\$ -</u>		

EXHIBIT D  
**Picacho MDWCA**  
**Profit & Loss Budget Overview**  
 January through December 2012

	Approved 12/21/11		Submitted for approval
	Jan - Dec 12	Amendments	12/12/12
Ordinary Income/Expense			
Operating Revenues			
Water Sales	102,000.00	0	102,000.00
Certified Letter Fees	1,500.00	0	1,500.00
Late Fees	2,000.00	0	2,000.00
Reconnection Fees	350.00	0	350.00
<b>Total Operating Revenues</b>	<b>105,850.00</b>		<b>105,850.00</b>
Operating Expenses			
Annual Meeting	45.00	0	45.00
Bank Service Charges	25.00	0	25.00
Chemicals	6,000.00	0	6,000.00
Conference/Training	515.00	0	515.00
Contract Labor	2,000.00	0	2,000.00
Dues and Subscriptions	500.00	0	500.00
Equipment Rental	500.00	0	500.00
General Expenses	500.00	0	500.00
Insurance	5,000.00	0	5,000.00
Meals and Entertainment-100%	500.00	0	500.00
Office Expenses	500.00	0	500.00
Other Taxes	1,000.00	0	1,000.00
Professional Fees			
Accounting	30,000.00	0	30,000.00
Legal Fees	2,100.00	0	2,100.00
Tier Reporting	3,300.00	0	3,300.00
Rent	15.00	0	15.00
System Operator	30,000.00	0	30,000.00
System Repairs and Parts	5,000.00	0	5,000.00
Telephone	750.00	0	750.00
Travel Reimbursement	500.00	0	500.00
Utilities	15,000.00	0	15,000.00
Vehicle Expense-Fuel	500.00	0	500.00
Water Conservation Fees	1,500.00	0	1,500.00
Water Testing	100.00	0	100.00
<b>Total Operating Expenses</b>	<b>105,850.00</b>		<b>105,850.00</b>
<b>Net Ordinary Income</b>	<b>0.00</b>		<b>0.00</b>
Capital Improvements			
Supplemental Well	0.00	350,000.00	350,000.00
<b>Total Capital Improvements</b>	<b>0.00</b>	<b>350,000.00</b>	<b>350,000.00</b>
<b>Net Cash Outflow to be Covered with Reserves</b>	<b>0.00</b>		<b>-244,150.00</b>

Board Approved:



**PICACHO MUTUAL DOMESTIC WATER CONSUMER ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2012**

**NONE**

PICACHO MUTUAL DOMESTIC WATER CONSUMER ASSOCIATION  
SCHEDULE OF SUMMARY OF PRIOR YEAR FINDINGS  
DECEMBER 31, 2012

**Item 2011-01 Fixed Assets Inventory**

Closed not repeated in current year

**Item 2011-02 Budget**

Closed not repeated in current year

**Item 2011-03 Late Report**

Closed not repeated in current year

PICACHO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
EXIT CONFERENCE  
DECEMBER 31, 2012

Exit Conference:

The exit conference was held on May 29, 2013 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.