

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

SAN PABLO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
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DECEMBER 31, 2010

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

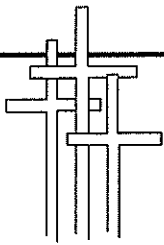
ROBERT EBLER - PRESIDENT

JAIME VILLASENOR - VICE PRESIDENT

JOANNE JOHNSON - TREASURER/SECRETARY

JERRY MACIAS - BOARD MEMBER

BILL KING - BOARD MEMBER



Clifford, Ross & Cooper, LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors and State Auditor
San Pablo 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 San Pablo 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 San Pablo Mutual Domestic Water Consumers Association as of December 31, 2010. San Pablo 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 San Pablo 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 30, 2011

SAN PABLO 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 25 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. There were no new bids for current projects and determined that the various contracts were in compliance with the New Mexico Procurement Code. Mesilla Valley Accounting prepares all disbursements and presents the disbursement package to the Board each month for approval.

Finding:

No discrepancies were 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 signature or dates reviewed. See finding page 15, Item 2010-1

SAN PABLO 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 and budget adjustments.										
Noted the overall budget was approved by the Board.										
Finding:										
The Organization has never been required to do 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 finding page 16, Item 2010-2.										
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 page 17, Item 2010-3 for late report.										

San Pablo MDWCA
Statement of Assets, Liabilities, and Net Assets
Modified Cash Basis

	Dec 31, 10
ASSETS	
Current Assets	
Checking/Savings	
Citizens Bank - Water Account	28,661.71
Edward Jones	66,018.78
Total Checking/Savings	94,680.49
Accounts Receivable	
Due from NMED-State Grant	24,764.09
Water & Wastewater Customers	7,930.57
Total Accounts Receivable	32,694.66
Other Current Assets	
Prepaid Expenses	196.27
Prepaid Insurance	1,862.21
Rebate Gift Cards	4.90
Undeposited Funds	3,406.08
Total Other Current Assets	5,469.46
Total Current Assets	132,844.61
Fixed Assets	
Computer Equipment	1,122.26
Equipment	46,058.31
Water System	660,000.00
Wastewater System Phase I	1,783,792.79
Wastewater System Phase II	1,088,935.11
Accumulated Depreciation	-872,269.89
Total Fixed Assets	2,707,638.58
Other Assets	
Costs to Procure Land	75,235.91
Total Other Assets	75,235.91
TOTAL ASSETS	2,915,719.10
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Assessed Property Taxes	152.07
Trade Accounts Payable	12,987.97
Total Accounts Payable	13,140.04
Other Current Liabilities	
Customer Deposits	
Allowance - Unrecorded Deposits	
Rental Deposits	720.00
Total Allowance - Unrecorded Deposits	720.00
Renter's Deposits	4,855.00
Member Water Deposits	300.00
Total Customer Deposits	5,875.00
Sales Tax Payable	652.55
Total Other Current Liabilities	6,527.55
Total Current Liabilities	19,667.59
Total Liabilities	19,667.59
Equity	

San Pablo MDWCA
Statement of Assets, Liabilities, and Net Assets
 Modified Cash Basis

	Dec 31, 10
Board Designated Reserves	
Capital Reserves	
Water System	8,750.00
Waste Water System	31,250.00
Total Capital Reserves	40,000.00
Emergency Reserve	2,400.00
Operating Reserves	
Water System	6,000.00
Waste Water System	6,000.00
Total Operating Reserves	12,000.00
Total Board Designated Reserves	54,400.00
Unrestricted Fund Balance	
Fixed Assets	2,839,539.49
Total Unrestricted Fund Balance	2,839,539.49
Restricted Fund Balance	
Planning & Purchase of Land	24,764.09
Total Restricted Fund Balance	24,764.09
Retained Earnings	115,675.72
Net Income	-138,327.79
Total Equity	2,896,051.51
TOTAL LIABILITIES & EQUITY	2,915,719.10

San Pablo MDWCA
Statement of Support, Revenue and Expenses
 Modified Cash Basis

	Jan - Dec 10
Ordinary Income/Expense	
Income	
Operating Revenues	
Water Sales	
Wastewater Sales	67,834.00
Delinquent Notices	91,294.26
Idle Status	3,350.10
Installation Fees	1,045.00
Waste Water	1,800.00
Total Installation Fees	1,800.00
Late Fees	1,800.00
Reconnection Fees	6,973.73
Returned Check Fees	1,700.00
Service Calls	140.00
Transfer Fees	105.00
Total Operating Revenues	174,617.09
Total Income	174,617.09
Cost of Goods Sold	
Purchased Water	22,138.53
Waste Water Service	44,067.34
Total COGS	66,205.87
Gross Profit	108,411.22
Expense	
Operating Expenses	
Advertising	282.78
Chemicals	4,997.79
Depreciation Expense	138,354.66
Dues and Subscriptions	121.52
Insurance	4,923.78
Licenses and Permits	10.00
System Maintenance Contractors	
Water System	20,779.93
Wastewater System	31,627.44
Total System Maintenance Contractors	52,407.37
Office Expense	298.38
Other Taxes	-0.01
Professional Services	
Accounting/Administrative Fees	26,479.84
Professional Services - Other	1,947.40
Total Professional Services	28,427.24
Property Taxes	304.15
System Repairs & Maintenance	7,437.51
Telephone	1,222.27
Training	640.53
Utilities	7,318.36
Void	0.00
Total Operating Expenses	246,746.33
Total Expense	246,746.33
Net Ordinary Income	-138,335.11
Other Income/Expense	
Other Income	
Nonoperating Revenues	

San Pablo MDWCA
Statement of Support, Revenue and Expenses
Modified Cash Basis

	Jan - Dec 10
Interest Income	<u>7.32</u>
Total Nonoperating Revenues	<u>7.32</u>
Total Other Income	<u>7.32</u>
Net Other Income	<u>7.32</u>
Net Income	<u><u>-138,327.79</u></u>

STATE OF NEW MEXICO
SAN PABLO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
EXHIBIT C
BUDGET AND ACTUAL - Accrual Basis

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

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive/(Negative)
	Original	Final		
REVENUES				
Water and wastewater sales	\$ 159,954	\$ 159,954	\$ 159,128	\$ (826)
Administration Fees/Penalties	8,184	8,184	10,324	2,140
Membership/Install	6,500	6,500	1,800	(4,700)
Reconnection Fees	1,445	1,445	1,700	255
Miscellaneous	1,881	1,881	1,665	(216)
Interest/Rebates	78	78	7	(71)
Total revenues	178,042	178,042	174,624	(3,418)
EXPENDITURES				
Salaries/Contractors	50,355	50,355	52,407	(2,052)
Accounting/Legal	23,242	23,242	28,427	(5,185)
Taxes/Insurance	5,169	5,169	5,228	(59)
Utilities	7,165	7,165	7,318	(153)
System Supplies/Maintenance	81,026	81,026	78,642	2,384
Office/Miscellaneous	3,605	3,605	2,575	1,030
Reserve	-	-	-	-
Interest	-	-	-	-
Depreciation	138,394	138,394	138,355	39
Total expenditures	308,956	308,956	312,952	(3,996)
Excess (deficiency) of revenues over expenditures	(130,914)	(130,914)	(138,328)	(7,414)
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources	(130,914)	(130,914)	<u>\$ (138,328)</u>	<u>\$ (7,414)</u>
Budgeted cash carryover	130,914	130,914		
	<u>\$ -</u>	<u>\$ -</u>		

EXHIBIT D

San Pablo 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	67,834.00	66,829.46	1,004.54	101.5%
Wastewater Sales	91,294.26	93,125.48	-1,831.22	98.0%
Delinquent Notices	3,350.10	2,900.00	450.10	115.5%
Idle Status	1,045.00	1,485.00	-440.00	70.4%
Installation Fees				
Waste Water	1,800.00			
Installation Fees - Other	0.00	6,400.00	-6,400.00	0.0%
Total Installation Fees	1,800.00	6,400.00	-4,600.00	28.1%
Late Fees	6,973.73	5,283.90	1,689.83	132.0%
Membership Fees	0.00	100.00	-100.00	0.0%
Reconnection Fees	1,700.00	1,445.00	255.00	117.6%
Returned Check Fees	140.00	140.00	0.00	100.0%
Service Calls	105.00	181.05	-76.05	58.0%
Transfer Fees	375.00	75.00	300.00	500.0%
Total Operating Revenues	174,617.09	177,964.89	-3,347.80	98.1%
Total Income	174,617.09	177,964.89	-3,347.80	98.1%
Cost of Goods Sold				
Purchased Water	22,138.53	20,114.88	2,023.65	110.1%
Waste Water Service	44,067.34	37,911.36	6,155.98	116.2%
Total COGS	66,205.87	58,026.24	8,179.63	114.1%
Gross Profit	108,411.22	119,938.65	-11,527.43	90.4%
Expense				
Operating Expenses				
Advertising	282.78	491.73	-491.73	0.0%
Bad Debt Expense	0.00	233.03	-233.03	0.0%
Board Meeting Expenses	0.00	10,000.00	-5,002.21	50.0%
Chemicals	4,997.79	138,393.82	-39.16	100.0%
Depreciation Expense	138,354.66	89.21	32.31	136.2%
Dues and Subscriptions	121.52	26.78	-26.78	0.0%
General Supplies	0.00	4,828.66	95.12	102.0%
Insurance	4,923.78			
Licenses and Permits	10.00			
System Maintenance Contractors				
Water System	20,779.93	20,902.51	-122.58	99.4%
Wastewater System	31,627.44	29,452.58	2,174.86	107.4%
Total System Maintenance Contractors	52,407.37	50,355.09	2,052.28	104.1%
Office Expense	298.38	167.89	130.49	177.7%
Other Taxes	-0.01	-0.02	0.01	50.0%

EXHIBIT D

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

	Jan - Dec 10	Budget	\$ Over Budget	% of Budget
Professional Services				
Accounting/Administrative Fees	26,479.84	22,871.90	3,607.94	115.8%
Legal Fees	0.00	369.66	-369.66	0.0%
Professional Services - Other	1,947.40			
Total Professional Services	28,427.24	23,241.56	5,185.68	122.3%
Property Taxes	304.15	340.07	-35.92	89.4%
System Repairs & Maintenance	7,437.51	13,000.00	-5,562.49	57.2%
Telephone	1,222.27	1,492.58	-270.31	81.9%
Training	640.53	1,105.00	-464.47	58.0%
Utilities	7,318.36	7,164.97	153.39	102.1%
Void	0.00			
Total Operating Expenses	246,746.33	250,930.37	-4,184.04	98.3%
Total Expense	246,746.33	250,930.37	-4,184.04	98.3%
Net Ordinary Income	-138,335.11	-130,991.72	-7,343.39	105.6%
Other Income/Expense				
Other Income				
Nonoperating Revenues				
Interest Income	7.32	27.58	-20.26	26.5%
Rebate Income	0.00	50.00	-50.00	0.0%
Total Nonoperating Revenues	7.32	77.58	-70.26	9.4%
Total Other Income	7.32	77.58	-70.26	9.4%
Other Expense				
Nonoperating Expenses				
Rental Expense	0.00	0.00	0.00	0.0%
Total Nonoperating Expenses	0.00	0.00	0.00	0.0%
Total Other Expense	0.00	0.00	0.00	0.0%
Net Other Income	7.32	77.58	-70.26	9.4%
Net Income	-138,327.79	-130,914.14	-7,413.65	105.7%

SAN PABLO 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.

SAN PABLO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2010

Item 2010-02 Budget

Statement of Condition:

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

Criteria:

Good internal controls require that 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 of \$3,996 at the end of the year, which is not allowed under SAO Rule 2.2.2.10.P

Cause:

Budgets have been prepared at the beginning of each year and have not been required by DFA in the past.

Recommendation:

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

Management Response:

We have not had to do a budget before and we will do budgets from this point forward.

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

Item 2010-03 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

SAN PABLO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
EXIT CONFERENCE
DECEMBER 31, 2010

Exit Conference:

The exit conferences were held on April 30, 2011 and July 25, 2011 with the following persons:

Robert Ebler, 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 San Pablo Mutual Domestic Water Consumers Association with the assistance of management.