# SAN PABLO MUTUAL DOMESTIC WATER COMSUMERS ASSOCIATION AGREED-UPON PROCEDURES December 31, 2011

## SAN PABLO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION TABLE OF CONTENTS DECEMBER 31, 2011

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### SAN PABLO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION OFFICIAL ROSTER DECEMBER 31, 2011

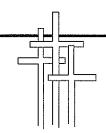
ROBERT EBLER - PRESIDENT

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

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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, 2011. 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

October 25, 2012

		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
1)	CIACIT	
1)	CASH	
		The Court of the C
	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 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. Noted that the financials were sent to DFA
	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 exceeded the \$250,000 threshold for the FDIC limit; therefore, pledged
		collateral was not required.
2)	CAPITA	L ASSETS
<u></u>		
	The Conti	ractor shall verify that the local public body is performing a yearly inventory as required by Section 12-6-10
	NMSA 19	9/8
		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)	REVENU	
<i></i>	KEVEN	JD,
	The Contr	region shall ideatify the saturation of the satu
	rate sched	ractor shall identify the nature and amount of revenue from sources by reviewing the budget, agreements,
	a)	lules, and underlying documentation
	(u)	Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue
		Procedure:
		System billing 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.
		110 discrepancies noted.
	<u> </u>	

		SAN PA	ABLO MU	TUAL DO	MESTIC V	VATER C	ONSUMEI	S ASSOC	IATION				
				EXH	IBIT A- SC	OPE OF V	VORK		arron .				
					EED UPO								
		Tier 4 of tl	he Audit A	ct - Section	n 12-6-3 B	4) NMSA	1978 and S	ection 2.2.2	16 NMAC	τ			
<u></u>						]			, I O THINKE	i			
	REVE	NUE (continue	d)										
	The Co	ntractor shall te	st 50% of t	he total am	ount of reve	nues for the	following	ttributaer		-			
	b)	Amount rec	corded in th	e general le	edger agrees	to the sunn	orting door	mentation o	 	-4-4			
	c)	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 revenue	s reviewed	all support	na documen	ntotion for m	ger and mis	eiciai staten	nents			
		and recording	ng period.	,	diroapport		manon tor b	i ciassi	neadon, air	lount			
		Finding:	81					<u> </u>	ļ				
		No discrepa	ancies noted	1.	<del>                                     </del>								
							<u> </u>						
4)	EXPEN	DITURES					<u>i</u>		<del> </del>				
	The Cor	ntractor shall se	lect a samp	le of cash d	lishursemen	ts and test a	t least 25 fro	ncootions	nd 500/ of	100 404-1			
	amount	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 t	hat amount	recorded a	s dishursed	agrees to ac	leguate sun	orting door	mantation	Vonifi, then			
		amount, pay	yee, date an	d description	on agree to t	he vendor's	invoice nu	rchase order	niiciliatioii.	verny mat			
		amount, payee, date and description agree to the vendor's invoice, purchase order, contract and cancelled check, as appropriate.											
	b)	b) Determine that disbursements were properly authorized and approved in compliance with the budget,											
		legal require	ements and	established	l policies an	d procedure	es	i iii compila	lice with th	e buaget,			
	c)	legal requirements and established policies and procedures.  c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts											
		and agreeme	ents were p	rocessed in	accordance	with the No	ew Mexico I	Procuremen	t Code (Sec	stion 12 1 20	·		
		through 13-	1-199 NMS	SA 1978) a	nd State Pu	chasing Re	gulations (1	4 1 NMAC	') and Rem	latione	)		
		Looverning t	ne per Diei	n and Mile	age Act (2.4	2.2 NMAC	).	1111111111	i and Kogu	14110119			
	Note: Tl	ne sample must	be represen	tative of th	e population	1.	ĺ	ļ					
		Procedure:			<del>'                                   </del>				ļ				
		Tested 40 cash disbursements from the operating account.											
		Each cash d	isbursemen	it was tested	d for adequa	te supportin	12 documen	tation, verif	ied amount	, payee, date,			
		and descript	ion agreed	to vendor's	invoice and	l cancelled (	check. Trac	ed authoriza	ation to esta	hlished			
		policies and	procedures	s and was a	pproved and	l authorized	l by the Boa	rd of Direct	ors and ma	nagement			
		I nere were	no new bid.	s for currer	it projects ai	nd determin	ed that the v	arious cont	racts were i	n complianc			
		with the Nev	w Mexico I	rocuremen'	it Code, Me	silla Vallev	Accounting	r prepares a	ll disbursen	ents and			
		presents the	disburseme	ent package	to the Boar	d each mon	th for appro	val.					
		Finding:											
		No discrepa	ncies were	noted.									
5)	JOURN	AL ENTRIES											
	If non-ro	utine journal er	ntries, such	as adjustm	ents or recla	ssifications	, are posted	to the gene	ral ledger, t	he Contracto	r		
	SHall ICSL	significant iten	ns for the fo	ollowing at	tributes:								
	a)	Journal entri	ies appear r	easonable a	and have su	porting do	cumentation	\ <u></u>					
	b)	The local pu	ıblic body h	as procedu	res that requ	ire journal	entries to be	e reviewed a	and there is	evidence the	<u> </u>		
		reviews are	being perfo	rmed									
		Procedure:											
		Six months	were tested	for journal	entries pre	ared by Me	silla Vallev	Accounting	g. The iour	nal entries			
		are presented	d to the Boa	ard each mo	onth for thei	r review alo	ng with the	financial st	atements				
		Finding:											
		No discrepar	ncies noted										

		SAN PA	ABLO MU	TUAL DO	MESTIC '	WATER C	ONSUME	RS ASSOC	LATION		
				EXH	IBIT A- SO	OPE OF	WORK	NO ADDOC	IATION	· · · · · · · · · · · · · · · · · · ·	
				AGR	EED UPO	N PROCE	DURES				
		Tier 4 of t	he Audit A	ct - Sectio	n 12-6-3 B	(4) NMSA	1978 and S	ection 2.2.2	2.16 NMAC	1	
										<u> </u>	
6)	BUDGET										
ļ <del></del>											
	The Contr	actor shall of	btain the or	iginal fiscal	year budge	t and all bu	dget amend	ments made	throughout	the fiscal ve	ear.
	und perior	III IIIC IOIIOM	mg;	ł	[	}	1		!		, di
	a)	Verify, thro	ough a revie	w of the m	inutes and c	orresponde	nce, that the	original bu	dget and su	seguent	İ
		Journal and	isunents we	re approve	a by the loc	al mublic be	idv's anvern	ina body an	ADDA LOI	n	
	b)	Determine	ii lile totai a	ictuai expei	iditures exc	eeded the fi	nal budget a	at the legal !	evel of hude	getary contro	.l.
		111 30, 10pull	a compilar	ice finaing.	1	į.	1	1	1		<i>n</i> ,
	c)	From the or	riginal and	final approv	ved budgets	and genera	l ledger pre	nare a sched	lule of rever	11100 and	
		expenditure	is - budget i	and acmai (	in the budge	etary basis i	ised by the	local nublic	hody (cash	accrual or	
		Imounted ac	ciuai dasis	) for each in	ndividual fu	nd.	1		louy (casii,	acciuai oi	ļ
		Procedure:							<del> </del>		
		Obtain copy	y of overall	budget for	the local pu	blic body.					
		Obtain Min	utes of the	Board and:	review for a	pproval of	hudget and l	hudget adiu	etmente		
		Noted the o	verall budg	et was appi	oved by the	Board.		oudger adju	Stitietits.		
		Finding:							<del> </del>		
		The Organia	zation has r	never been i	required to	lo a budget	for DEA an	proval Me	sille Veller		
		Accounting	has reques	ted guidanc	e from DF	on the hu	lacting proc	edurec and	hos not race	J	
		a response f	Jack.				Botting proc	Cutics and	nas not rece	ivea	
		See Page 14	for Findin	g 2011-2.						<u> </u>	
	OTHER						<del>                                     </del>				
	If informat	ion comes to	the Contra	ctor's attent	ion (regard)	ess of mate	riality) indi	eating any 6	roud illocal		
	1 -versonithiti	mice, or arry	michial coi	шогаенств	ncies such	inciances n	aret be dical			1	
	Section 12-	6-6 NMSA	1978. The	findings m	ust include	he required	content ner	Section 2	2 10(1)(2)(	C) NBAAC	
		Tilling.					Contont por	Deciron 2.2	5.2.10(1)(3)(	C) NIVIAC.	
		No discrepa	ncies noted								
	j										
	See Page 1	5 for Findin	g 2011-3 fo	r late repor	t.				 		

#### EXHIBIT B

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

ASSETS	Dec 31, 11
Current Assets	
Checking/Savings Citizens Bank - Water Account	
Edward Jones	23,850.21 78,023.78
Total Checking/Savings	101,873.99
Accounts Receivable Due from NMED-State Grant Water & Wastewater Customers	868.01
Total Accounts Receivable	5,925.84
Other Current Assets Construction in Process Building	6,793,85
Total Construction in Process	30,868.55
Prepaid Expenses	30,868.55
Prepaid Insurance Rebate Gift Cards	877.90 1,517.14
Undeposited Funds	4.90
Total Other Current Assets	5,480.84
Total Current Assets	38,749.33
Fixed Assets Computer Equipment Equipment	147,417.17 1,122.26
Water System	46,058.31
Wastewater System Phase I Wastewater System Phase II	660,000.00
Accumulated Depreciation	1,783,792.79 1,088,935.11
Total Fixed Assets	-1,010,648.49
Other Assets Vacant Land	2,569,259.98
Total Other Assets	75,235.91
OTAL ASSETS	75,235.91
IABILITIES & EQUITY =	2,791,913.06
Liabilities Current Liabilities Accounts Payable	
Assessed Property Taxes	
Trade Accounts Payable	153.81 12,537.40
Total Accounts Payable	12,691.21
Other Current Liabilities Customer Deposits Allowance - Unrecorded Deposits Rental Deposits	
	610.00
Total Allowance - Unrecorded Deposits	610.00

#### EXHIBIT B

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

Dontada D	Dec 31, 11
Renter's Deposits  Member Water Deposits	5,545.00 300.00
Total Customer Deposits	6,455.00
Total Other Current Liabilities	
Total Current Liabilities	6,455.00
Total Liabilities	19,146.21
Equity	19,146.21
Board Designated Reserves Capital Reserves Water System Waste Water System	8,750.00
Total Capital Reserves	31,250.00
Emergency Reserve Operating Reserves	40,000.00 2,400.00
Water System Waste Water System	5,957.45 6,000.00
Total Operating Reserves	11,957.45
Total Board Designated Reserves	
Unrestricted Fund Balance Fixed Assets	54,357.45
Total Unrestricted Fund Balance	2,707,638.58
Restricted Fund Balance Planning & Purchase of Land	2,707,638.58
Total Restricted Fund Balance	24,764.09
Retained Earnings Net Income	24,764.09 108,255.38
Total Equity	-122,248.65
·	2,772,766.85
TOTAL LIABILITIES & EQUITY	2,791,913.06

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

	-/ 24013	
Ordinary Income/Expense Income	Dec 11	Jan - Dec 11
Operating Revenues Water Sales		330 71
Wastewater Sales Delinquent Notices Idle Status Installation Fees	5,028.10 8,735.98 280.00	70,852.65 103,652.51
Water	275.00	3,570.00 1,815.00
Total Installation Fees	0.00	1,500.00
Late Fees Penalties	0.00	1,500.00
Reconnection Fees	503.59 0.00	8,733,45
Returned Check Food	85.00	1,132.11
Transfer Fees	. 0.00	1,530.00
Total Operating Revenues	75.00	70.01 300.00
Revenue from Reimbursements Water Line Repairs	14,982.67	193,155.73
Total Revenue from Reimbursements	0.00	90.00
Total Income	0.00	90.00
Cost of Goods Sold Purchased Water	14,982.67	193,245.73
Waste Water Service Total COGS	1,816.93	0.1.5.
	3,356.41	24,832.17 ————————————————————————————————————
Gross Profit	5,173.34	62,479.99
Expense Operating Expenses Bad Debt Expense	9,809,33	130,765.74
Depreciation Expense Dues and Subscriptions Insurance Licenses and Permits System Maintenance Contractors Water System	0.00 8.38 11,531.55 0.00 -384.48 10.00	5,328.23 5,359.48 138,378.60 244.35 4,098.59 20.00
Wastewater System	1,276.50 2,106.22	23,450.27
Total System Maintenance Contractors	——————————————————————————————————————	27,885.71
Office Expense Other Taxes	3,382.72	51,335.98
Printing and Reproduction	0.00 0.00	221.87
1 101000101131 Services	0.00	-0.03
Accounting/Administrative Fees Total Professional Services	2,171.42	374.50
Property Toyles	2,171.42	27,935.86
Property Taxes System Repairs & Maintenance Telephone	0.00	27,935.86
, 4:00101fG	174.79	307.62
Utilities Void	51.19	10,240.13
	319,93 	707.96 8,466.25
Total Operating Expenses —		0.00
Total Expense	17,265.50	253,019.39
Ordinary Income	17,265.50	253,019.39
<u></u>	-7,456.17	-122,253.65
	_0_	/

#### EXHIBIT B

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

Other Income/Expense	Dec 11	Jan - Dec 11	
Other Income  Nonoperating Revenues  Interest Income  Unrealized Change in Value  Total Nonoperating Revenues	0.77 1.44	7.12 -2.12	
Total Other Income	2.21	5.00	
Net Other Income	2.21	5.00	
Net Income	2.21	5.00	
		-122,248.65	

# 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, 2011

	Budgete	d Amounts	Actual Amounts Budgetary	Variance with Final Budget
DOVEDNING	Original	Final	Basis	Positive/(Negative)
REVENUES				- total (Tiogative)
Water and wastewater sales Administration Fees/Penalties	\$ 159,128	\$ 159,128	\$ 174,506	\$ 15,378
Membership/Install	10,324	10,324	13,435	3,111
Reconnection Fees	1,800	1,800	1,500	(300)
Miscellaneous	1,700	1,700	1,530	(170)
Interest/Rebates	1,665	1,665	2,273	608
intereso (Cepates	7		7	h <del>u</del>
Total revenues	174,624	174,624	193,251	18,627
EXPENDITURES				-
Purchased Water/Waste Water Service	64,905	64.005	60.400	
Salaries/Contractors	52,407	64,905 52,407	62,480	2,425
Accounting/Legal	28,427	28,427	51,336	1,071
Taxes/Insurance	5,228	5,228	27,936	491
Utilities	7,318	7,318	4,407	821
System Supplies/Maintenance	12,436	12,436	8,466 15,599	(1,148)
Office/Miscellaneous	2,575	2,575	6,897	(3,163)
Reserve	_,	2,373	0,097	(4,322)
Interest	-	-	_	-
Depreciation	138,355	138,355	138,379	(24)
Total expenditures	311,651	311,651	315,500	(6,274)
Excess (deficiency) of revenues over				
expenditures	(137,027)	(137,027)	(122,249)	12,353
OTHER EINANGING COMPANY				12,000
OTHER FINANCING SOURCES (USES) Operating transfers in (out)	-		_	_
Excess (deficiency) of revenues and other				
financing sources over expenditures				
and other financing sources	(137,027)	(137,027)	\$ (122,249)	\$ 12,353
Budgeted cash carryover	137,027	137,027		· <del>·</del>
	\$	\$		

#### EXHIBIT D

#### San Pablo MDWCA Profit & Loss Budget vs. Actual

January through December 2011

	Jan - Dec 11	Dudge		
Ordinary Income/Expense		Budget	\$ Over Budget	% of Budget
Income				
Operating Revenues Water Sales				
Wastewater Sales	70,852.65	67,834.00	3,018,65	104.5%
Delinquent Notices	103,652,51	91,294.26	12,358.25	113.5%
ldle Status	3,570,00 1,815,00	3,350,10	219.90	106.6%
Installation Fees Water	.,010,00	1,045.00	770.00	173.7%
Waste Water	1,500,00			
Total Installation Fees	0,00	1,800.00	-1,800.00	0.0%
	1,500.00	1,800.00	-300.00	83.3%
Late Fees Penalties	8,733,45	6,973.73	1,759.72	
Reconnection Fees	1,132.11	-1-7-11-2	1,735,72	125.2%
Returned Check Fees	1,530.00 70.01	1,700.00	-170,00	90,0%
Service Calls	0,00	140.00	-69.99	50.0%
Transfer Fees	300,00	105.00 375.00	-105,00 -75,00	0.0%
Total Operating Revenues	193,155.73	174,617.09		80.0%
Revenue from Reimbursements	700,100,10	174,617,09	18,538,64	110.
Water Line Repairs	90.00			
Total Revenue from Reimbursements	90.00			
Total income	90.00		·	
	193,245,73	174,617.09	18,628.64	
Cost of Goods Sold		•	. 3,020,04	110.
Purchased Water Waste Water Service	24,832.17	22,138.53	2,693,64	110
Total COGS	37,647,82	42,766.73	-5,118.91	112. 88.
	62,479,99	64,905.26	-2,425.27	96.
Gross Profit	130,765,74	400 744 00		30,
Expense	100,700.74	109,711.83	21,053,91	119.
Operating Expenses				
Advertising	0.00	282.78	-282,78	
Bad Debt Expense Chemicals	5,328.23	202.10	-282.78	0.0%
Depreciation Expense	5,359,48	4,997.79	361,69	107.2%
Dues and Subscriptions	138,378.60 244,35	138,354,66	23.94	100.0%
Insurance	4,098,59	121.52	122.83	201.1%
Licenses and Permits	20.00	4,923.78 10.00	-825,19	83.2%
System Maintenance Contractors		10.00	10,00	200.0%
Water System Wastewater System	23,450,27	20,779.93	2,670.34	112.9%
Total System Maintenance Contractors	27,885.71	31,627.44	-3,741.73	88,2%
	51,335.98	52,407.37	-1,071.39	98,0%
Office Expense Other Taxes	221.87	298,38	-76,51	
Printing and Reproduction	-0.03	-0.01	-0.02	74.4% 300.0%
Professional Services	374.50			300,078
Accounting/Administrative Fees	27,935.86	26,479.84	1 450 00	
Professional Services - Other	0.00	1,947.40	1,456.02 -1,947.40	105.5% 0.0%
Total Professional Services	27,935.86	28,427.24		
Property Taxes	307.62	·	-491.38	98,3%
System Repairs & Maintenance	10,240,13	304.15 7,437.51	3.47	101.1%
Telephone	707.96	1,222,27	2,802.62 -514.31	137.7%
Training Utilities	0.00	640.53	-514.31 -640.53	57.9%
Void	8,466,25	7,318.36	1,147.89	0.0% 115.7%
Total Operating Expenses	0.00	0.00	0.00	0.0%
	253,019,39	246,746.33	6,273,06	102
Total Expense	253,019.39	246,746.33	6,273.06	102.
et Ordinary Income	-122,253.65	-137,034,50		
ther Income/Expense	••	- 507,004,00	14,780.85	89.
Other Income				
Nonoperating Revenues Interest Income				
interest income Unrealized Change in Value	7.12	7.32	-0.20	97.3%
Total Nonoperating Revenues	-2.12			
Total Other Income	5.00	7.32	-2.32	68.
<del>-</del>	5,00	7,32	-2.32	68
et Other Income	5.00	7,32	-2,32	68,
<del>-</del>				
ncome	-122,248.65	-137,027.18	14,778.53	89.

# SAN PABLO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION SCHEDULE OF FINDINGS AND RESPONSES DECEMBER 31, 2011

### <u>Item 2011-01 Fixed Asset Inventory</u>

#### **Statement of Condition:**

It was noted during the review that the organization does not perform a yearly inventory of fixed assets as required by Section 12-6-10 NMSA 1978.

#### Criteria:

Good internal controls require that management perform a yearly inventory to verify the assets are still useful

#### Effect:

Assets may disappear without management being aware of them or they may become obsolete.

#### Cause:

Management was not aware of the requirement

#### Recommendation:

Management should perform a yearly inventory and certify its results

#### **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, 2011

#### Item 2011-02 Budget

#### Statement of Condition:

The budget was approved at the beginning of the year and was not adjusted through out the year to reflect changes in revenues and expenditures. The budget was submitted to DFA, however they have not had any response back from DFA.

#### 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 \$14,779 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 passed.

#### 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 foreward.

# SAN PABLO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION SCHEDULE OF FINDINGS AND RESPONSES DECEMBER 31, 2011

#### <u>Item 2011-03 Late Report</u>

Statem	ent	of	Con	dition	3.
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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

### SAN PABLO 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 Budget

Repeated in current year

Item 2010-03 Late Report

Repeated in current year

### SAN PABLO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION EXIT CONFERENCE DECEMBER 31, 2011

#### Exit Conference:

The exit conferences were held on November 16, 2012 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.