

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

**SAN PABLO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
TABLE OF CONTENTS
DECEMBER 31, 2012**

Table of Contents.....	1
Official Roster.....	2
Agreed-Upon Procedures Report.....	3
Exhibit A-Scope of Work.....	4-6
Exhibit B - Copy of Year-End Financial Report Submitted to Board.....	7-10
Exhibit C - Statement of Revenues and Expenditures - Budget and Actual- Modified Cash Basis.....	11
Exhibit D - Statement of Profit & Loss Budget Overview (generated internally).....	12-13
Schedule of Findings and Responses.....	14
Schedule of Summary of Prior Findings and Responses.....	15
Exit Conference	16

**SAN PABLO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
OFFICIAL ROSTER
DECEMBER 31, 2012**

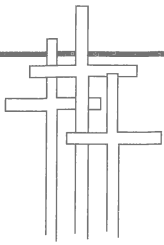
ROBERT EBLER - PRESIDENT

JAIME VILLASENOR - VICE PRESIDENT

JOANNE JOHNSON - TREASURER/SECRETARY

OSCAR ALVIDREZ - 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, 2012. 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

May 29, 2013

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) 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 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 exceeded the \$250,000 threshold for the FDIC limit; therefore, pledged collateral was not required.

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 Member.

Finding:

Yearly inventory was performed 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 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. Compared revenues for current and prior

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

Finding:

No discrepancies noted.

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 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 89 out of 152 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 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:

No discrepancies noted

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:

Obtained copy of overall budget for the local public body.

Obtained Minutes of the Board and reviewed for approval of budget and budget adjustments.

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.

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

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

	Dec 31, 12
ASSETS	
Current Assets	
Checking/Savings	
Citizens Bank - Water Account	38,581.90
Edward Jones	90,091.68
Total Checking/Savings	128,673.58
Accounts Receivable	
Water & Wastewater Customers	5,248.74
Total Accounts Receivable	5,248.74
Other Current Assets	
Construction in Process	
Building	30,868.55
Wastewater Force Main	9,475.72
Total Construction in Process	40,344.27
Prepaid Expenses	180.00
Prepaid Insurance	1,782.50
Rebate Gift Cards	4.90
Undeposited Funds	6,035.15
Total Other Current Assets	48,346.82
Total Current Assets	182,269.14
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	-1,148,886.92
Total Fixed Assets	2,431,021.55
Other Assets	
Vacant Land	75,235.91
Total Other Assets	75,235.91
TOTAL ASSETS	2,688,526.60
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Assessed Property Taxes	155.74
Trade Accounts Payable	18,877.13
Total Accounts Payable	19,032.87
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

	Dec 31, 12
Renter's Deposits	5,370.00
Member Water Deposits	300.00
Total Customer Deposits	6,280.00
Total Other Current Liabilities	6,280.00
Total Current Liabilities	25,312.87
Total Liabilities	25,312.87
Equity	
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	5,957.45
Waste Water System	6,000.00
Total Operating Reserves	11,957.45
Total Board Designated Reserves	54,357.45
Unrestricted Fund Balance	
Fixed Assets	2,707,638.58
Total Unrestricted Fund Balance	2,707,638.58
Retained Earnings	10,770.82
Net Income	-109,553.12
Total Equity	2,663,213.73
TOTAL LIABILITIES & EQUITY	2,688,526.60

EXHIBIT B

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

	Jan - Dec 12
Ordinary Income/Expense	
Income	
Operating Revenues	
Water Sales	68,022.74
Wastewater Sales	98,867.31
Delinquent Notices	2,040.00
Idle Status	1,430.00
Installation Fees	
Water	175.00
Total Installation Fees	175.00
Late Fees	5,147.01
Reconnection Fees	3,060.00
Returned Check Fees	210.00
Service Calls	25.00
Transfer Fees	150.00
Total Operating Revenues	179,127.06
Revenue from Reimbursements	
Waste Water Line Repairs	1,324.37
Total Revenue from Reimbursements	1,324.37
Total Income	180,451.43
Cost of Goods Sold	
Purchased Water	23,965.45
Waste Water Service	37,535.74
Total COGS	61,501.19
Gross Profit	118,950.24
Expense	
Operating Expenses	
Bad Debt Expense	35.07
Chemicals	6,937.13
Depreciation Expense	138,238.43
Dues and Subscriptions	394.41
Equipment (Non-Asset < \$5,000)	809.51
General Supplies	920.85
Insurance	4,275.64
Licenses and Permits	20.00
System Maintenance Contractors	
Water System	12,837.02
Wastewater System	23,156.62
Total System Maintenance Contractors	35,993.64
Office Expense	990.47
Other Taxes	0.01
Professional Services	
Accounting/Administrative Fees	27,523.04
Total Professional Services	27,523.04
Property Taxes	311.48
System Repairs & Maintenance	3,386.02
Telephone	660.00

EXHIBIT B

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

	Jan - Dec 12
Tools (non-asset < \$5,000)	545.66
Training	750.00
Utilities	6,899.90
Total Operating Expenses	228,691.26
Total Expense	228,691.26
Net Ordinary Income	-109,741.02
Other Income/Expense	
Other Income	
Nonoperating Revenues	
Interest Income	70.58
Other Income	120.00
Unrealized Change in Value	-2.68
Total Nonoperating Revenues	187.90
Total Other Income	187.90
Net Other Income	187.90
Net Income	-109,553.12

STATE OF NEW MEXICO
SAN PABLO 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	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive/(Negative)
REVENUES				
Water and wastewater sales	\$ 173,800	\$ 173,800	\$ 166,890	\$ (6,910)
Administration Fees/Penalties	10,300	10,300	7,187	(3,113)
Membership/Install	1,375	1,375	1,605	230
Reconnection Fees	1,500	1,500	3,060	1,560
Miscellaneous	225	225	1,709	1,484
Interest/Rebates	-	-	188	188
Total revenues	<u>187,200</u>	<u>187,200</u>	<u>180,639</u>	<u>(6,561)</u>
EXPENDITURES				
Purchased Water/Waste Water Service	66,335	66,335	61,501	4,834
Salaries/Contractors	55,000	55,000	35,994	19,006
Accounting/Legal	30,000	30,000	27,523	2,477
Taxes/Insurance	5,825	5,825	4,587	1,238
Utilities	10,500	10,500	7,560	2,940
System Supplies/Maintenance	15,500	15,500	11,679	3,821
Office/Miscellaneous	4,040	4,040	3,110	930
Depreciation	138,376	138,376	138,238	138
Total expenditures	<u>325,576</u>	<u>325,576</u>	<u>290,192</u>	<u>35,384</u>
Excess (deficiency) of revenues over expenditures	<u>(138,376)</u>	<u>(138,376)</u>	<u>(109,553)</u>	<u>28,823</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources	<u>(138,376)</u>	<u>(138,376)</u>	<u>\$ (109,553)</u>	<u>\$ 28,823</u>
Budgeted cash carryover	<u>138,376</u>	<u>138,376</u>		
	<u>\$ -</u>	<u>\$ -</u>		

EXHIBIT D
San Pablo MDWCA
Profit & Loss Budget Overview
 January through December 2012

	Jan - Dec 12
Ordinary Income/Expense	
Income	
Operating Revenues	
Water Sales	71,400.00
Wastewater Sales	102,400.00
Delinquent Notices	3,300.00
Idle Status	1,375.00
Installation Fees	0.00
Late Fees	7,000.00
Membership Fees	0.00
Penalties	0.00
Reconnection Fees	1,500.00
Returned Check Fees	0.00
Service Calls	0.00
Transfer Fees	225.00
Waste Water Administrative Fee	0.00
Total Operating Revenues	187,200.00
Pajaro, LLC	0.00
Revenue from Reimbursements	
Waste Water Line Repairs	0.00
Water Line Repairs	0.00
Total Revenue from Reimbursements	0.00
Total Income	187,200.00
Cost of Goods Sold	
Purchased Water	25,000.00
Outside Contractors	0.00
Waste Water Service	41,335.00
Total COGS	66,335.00
Gross Profit	120,865.00
Expense	
Operating Expenses	
Accounts Written Off	0.00
Advertising	300.00
Automobile Expenses	0.00
Bad Debt Expense	2,000.00
Bank Service Charges	0.00
Board Meeting Expenses	80.00
Cash Short/Over	0.00
Chemicals	5,500.00
Depreciation Expense	138,375.69
Dues and Subscriptions	200.00
Easement	0.00
Equipment (Non-Asset < \$5,000)	0.00
Equipment Rentals	0.00
General Supplies	100.00
Government Penalties	0.00
Insurance	5,500.00
Licenses and Permits	10.00
System Maintenance Contractors	
Water System	25,000.00
Wastewater System	30,000.00
Total System Maintenance Contractors	55,000.00
Mileage Reimbursement	0.00
Office Expense	250.00
Other Taxes	0.00
Payroll Expenses	0.00
Printing and Reproduction	400.00

Approved 12/13/11

San Pablo MDWCA
Profit & Loss Budget Overview
 January through December 2012

	<u>Jan - Dec 12</u>
Professional Services	
Accounting/Administrative Fees	30,000.00
Engineering Services	0.00
Legal Fees	0.00
Total Professional Services	<u>30,000.00</u>
Property Taxes	325.00
Software	0.00
Suspense	0.00
System Repairs & Maintenance	
Reimbursable Expenses	
Engineers, Inc.	0.00
Pajaro, LLC	0.00
Rogers Group	0.00
Reimbursable Expenses - Other	0.00
Total Reimbursable Expenses	<u>0.00</u>
System Repairs & Maintenance - Other	10,000.00
Total System Repairs & Maintenance	<u>10,000.00</u>
Telephone	1,500.00
Tools (non-asset < \$5,000)	0.00
Training	700.00
Unknown	0.00
Utilities	9,000.00
Void	0.00
Water Testing	0.00
Total Operating Expenses	<u>259,240.69</u>
Total Expense	<u>259,240.69</u>
Net Ordinary Income	-138,375.69
Other Income/Expense	
Other Income	
Nonoperating Revenues	
Interest Income	0.00
Rental Income	0.00
Grant Revenue	0.00
Other Income	0.00
Rebate Income	0.00
Reimbursable Income	0.00
Unclaimed Deposits	0.00
Unrealized Change in Value	0.00
Total Nonoperating Revenues	<u>0.00</u>
Total Other Income	0.00
Other Expense	
Nonoperating Expenses	
Interest Expense	0.00
Other Expenses	0.00
Total Nonoperating Expenses	<u>0.00</u>
Total Other Expense	0.00
Net Other Income	0.00
Net Income	<u><u>-138,375.69</u></u>

**SAN PABLO MUTUAL DOMESTIC WATER CONSUMER ASSOCIATION
SCHEDULE OF SUMMARY OF FINDINGS AND RESPONSES
DECEMBER 31, 2012**

NONE

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

Item 2011-01 Fixed Asset 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

SAN PABLO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
EXIT CONFERENCE
DECEMBER 31, 2012

Exit Conference:

The exit conferences were held on May 29, 2013 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.