

SAN PABLO MUTUAL
DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED-UPON PROCEDURES
DECEMBER 31, 2013

**SAN PABLO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
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DECEMBER 31, 2013**

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**SAN PABLO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
OFFICIAL ROSTER
DECEMBER 31, 2013**

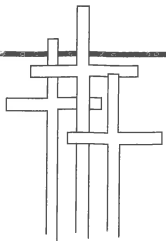
ROBERT EBLER - PRESIDENT

JAIME VILLASENOR - VICE PRESIDENT

JOANN 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. The procedures were agreed to by San Pablo Mutual Domestic Water Consumers Association through the Office of the State Auditor, 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, 2013. 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, the Department of Finance and Administration-Local Government Division, the NM State Legislature 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

Clifford, Ross & Cooper, LLC

Las Cruces, New Mexico

May 28, 2014

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)	<p>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</p> <p>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.</p> <p>Finding: The banks were reconciled each month and are given to the Board each month for approval.</p>
	b)	<p>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</p> <p>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. Noted Mesilla Valley Accounting provides monthly financials to DFA upon request. Noted year end financials provide to DFA.</p> <p>Finding: No discrepancies noted.</p>
	c)	<p>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</p> <p>Procedure: The bank statements for the entire fiscal year ending December 31, 2013 were reviewed for balances.</p> <p>Finding: The bank balances never exceeded the \$250,000 threshold for the FDIC limit; therefore, pledged collateral was not required.</p>
2)	CAPITAL ASSETS	
		<p>The Contractor shall verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978</p> <p>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.</p> <p>Finding: Yearly inventory was performed performed and certified. No discrepancies noted.</p>
3)	REVENUE	
		<p>The Contractor shall identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation</p>
	a)	<p>Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue</p> <p>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.</p> <p>Finding: No discrepancies noted.</p>

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 75 out of 173 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, noted approval letter from DFA																				
Finding:																				
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, 13
ASSETS	
Current Assets	
Checking/Savings	
Citizens Bank - Water Account	41,243.43
Edward Jones	49,475.38
Total Checking/Savings	90,718.81
Accounts Receivable	
Grants Receivable	35,000.00
Water & Wastewater Customers	5,704.57
Total Accounts Receivable	40,704.57
Other Current Assets	
Construction in Process	
PER	10,218.44
Building	30,868.55
Total Construction in Process	41,086.99
Prepaid Expenses	8,294.17
Prepaid Insurance	1,843.11
Undeposited Funds	2,897.04
Total Other Current Assets	54,121.31
Total Current Assets	185,544.69
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
Wastewater System Improvements	62,672.04
Accumulated Depreciation	-1,288,324.56
Total Fixed Assets	2,354,255.95
Other Assets	
Vacant Land	75,235.91
Total Other Assets	75,235.91
TOTAL ASSETS	2,615,036.55
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Assessed Property Taxes	157.56
Trade Accounts Payable	19,484.69
Total Accounts Payable	19,642.25
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, 13
Renter's Deposits	5,620.00
Member Water Deposits	300.00
Total Customer Deposits	6,530.00
Total Other Current Liabilities	6,530.00
Total Current Liabilities	26,172.25
Total Liabilities	26,172.25
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	-96,196.36
Net Income	-76,935.37
Total Equity	2,588,864.30
TOTAL LIABILITIES & EQUITY	2,615,036.55

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

	Jan - Dec 13
Ordinary Income/Expense	
Income	
Operating Revenues	
Water Sales	68,558.43
Wastewater Sales	98,361.69
Delinquent Notices	0.00
Idle Status	1,760.00
Installation Fees	
Water	3,252.00
Total Installation Fees	3,252.00
Late Fees	5,750.22
Membership Fees	100.00
Penalties	135.00
Reconnection Fees	3,315.00
Returned Check Fees	35.00
Service Calls	185.50
Transfer Fees	75.00
Total Operating Revenues	181,527.84
Total Income	181,527.84
Cost of Goods Sold	
Purchased Water	22,532.16
Waste Water Service	29,993.89
Total COGS	52,526.05
Gross Profit	129,001.79
Expense	
Operating Expenses	
Chemicals	5,003.74
Depreciation Expense	139,437.64
Dues and Subscriptions	318.29
Equipment Rentals	161.34
Insurance	4,596.39
Licenses and Permits	10.00
System Maintenance Contractors	
Water System	17,896.66
Wastewater System	27,305.05
Total System Maintenance Contractors	45,201.71
Office Expense	310.69
Other Taxes	-0.03
Professional Services	
Accounting/Administrative Fees	26,688.95
Tier Reporting/Audit	2,420.16
Total Professional Services	29,109.11
Property Taxes	315.12
System Repairs & Maintenance	8,105.02
Telephone	600.00
Tools (non-asset < \$5,000)	29.27
Utilities	7,783.11
Void	0.00
Total Operating Expenses	240,981.40
Total Expense	240,981.40
Net Ordinary Income	-111,979.61

EXHIBIT B

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

	<u>Jan - Dec 13</u>
Other Income/Expense	
Other Income	
Nonoperating Revenues	
Interest Income	56.51
Grant Revenue	35,000.00
Unclaimed Deposits	6.93
Unrealized Change in Value	-14.30
Total Nonoperating Revenues	<u>35,049.14</u>
Total Other Income	35,049.14
Other Expense	
Nonoperating Expenses	
Other Expenses	4.90
Total Nonoperating Expenses	<u>4.90</u>
Total Other Expense	<u>4.90</u>
Net Other Income	<u>35,044.24</u>
Net Income	<u><u>-76,935.37</u></u>

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, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive/(Negative)
	Original	Final		
REVENUES				
Water and wastewater sales	\$ 167,000	\$ 167,000	\$ 166,920	\$ (80)
Administration Fees/Penalties	5,000	5,000	9,002	4,002
Membership/Install	1,375	1,375	1,760	385
Reconnection Fees	1,500	1,500	3,315	1,815
Miscellaneous	75	75	524	449
Interest/Rebates	-	45	57	12
	<u>174,950</u>	<u>174,995</u>	<u>181,578</u>	<u>6,583</u>
EXPENDITURES				
Purchased Water/Waste Water Service	70,000	60,000	52,526	7,474
Salaries/Contractors	40,000	50,000	45,202	4,798
Accounting/Legal	30,000	30,000	29,109	891
Taxes/Insurance	4,855	4,931	4,911	20
Utilities	9,000	9,000	7,783	1,217
System Supplies/Maintenance	14,000	24,000	13,109	10,891
Office/Miscellaneous	7,095	7,265	1,435	5,830
Depreciation	-	138,238	139,438	(1,200)
	<u>174,950</u>	<u>323,434</u>	<u>293,513</u>	<u>29,921</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(148,439)</u>	<u>(111,935)</u>	<u>36,504</u>
OTHER FINANCING SOURCES (USES)				
Grants	35,000	35,000	35,000	-
Non operating expense	(35,000)	-	-	-
Operating transfers in (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>35,000</u>	<u>35,000</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources	<u>-</u>	<u>(113,439)</u>	<u>\$ (76,935)</u>	<u>\$ 36,504</u>
Budgeted cash carryover	<u>-</u>	<u>113,439</u>		
	<u>\$ -</u>	<u>\$ -</u>		

EXHIBIT D

**San Pablo MDWCA
Profit & Loss Budget vs. Actual
January through December 2013**

	Jan - Dec 13	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
Operating Revenues				
Water Sales	68,558.43	68,000.00	558.43	100.8%
Wastewater Sales	98,361.69	99,000.00	-638.31	99.4%
Delinquent Notices	0.00	0.00	0.00	0.0%
Idle Status	1,760.00	1,375.00	385.00	128.0%
Installation Fees				
Water	3,252.00	0.00	3,252.00	100.0%
Total Installation Fees	3,252.00	0.00	3,252.00	100.0%
Late Fees	5,750.22	5,000.00	750.22	115.0%
Membership Fees	100.00			
Penalties	135.00	0.00	135.00	100.0%
Reconnection Fees	3,315.00	1,500.00	1,815.00	221.0%
Returned Check Fees	35.00	0.00	35.00	100.0%
Service Calls	185.50			
Transfer Fees	75.00	75.00	0.00	100.0%
Total Operating Revenues	181,527.84	174,950.00	6,577.84	103.8%
Revenue from Reimbursements				
Water Line Repairs	0.00	0.00	0.00	0.0%
Total Revenue from Reimbursements	0.00	0.00	0.00	0.0%
Total Income	181,527.84	174,950.00	6,577.84	103.8%
Cost of Goods Sold				
Purchased Water	22,532.16	25,000.00	-2,467.84	90.1%
Waste Water Service	29,993.89	35,000.00	-5,006.11	85.7%
Total COGS	52,526.05	60,000.00	-7,473.95	87.5%
Gross Profit	129,001.79	114,950.00	14,051.79	112.2%
Expense				
Operating Expenses				
Bad Debt Expense	0.00	1,000.00	-1,000.00	0.0%
Board Meeting Expenses	0.00	80.00	-80.00	0.0%
Chemicals	5,003.74	9,000.00	-3,996.26	55.6%
Depreciation Expense	139,437.64	138,238.40	1,199.24	100.9%
Dues and Subscriptions	318.29	500.00	-181.71	63.7%
Equipment (Non-Asset < \$5,000)	0.00	1,000.00	-1,000.00	0.0%
Equipment Rentals	161.34			
General Supplies	147.27	1,000.00	-852.73	14.7%
Insurance	4,596.39	4,576.20	20.19	100.4%
Licenses and Permits	10.00	20.00	-10.00	50.0%
System Maintenance Contractors				
Water System	17,896.66	20,000.00	-2,103.34	89.5%
Wastewater System	27,305.05	30,000.00	-2,694.95	91.0%
Total System Maintenance Contractors	45,201.71	50,000.00	-4,798.29	90.4%
Office Expense	192.69	250.00	-57.31	77.1%
Other Taxes	-0.03	0.00	-0.03	100.0%
Printing and Reproduction	0.00	500.00	-500.00	0.0%
Professional Services				
Accounting/Administrative Fees	26,688.95	27,579.84	-890.89	96.8%
Tier Reporting/Audit	2,420.16	2,420.16	0.00	100.0%
Total Professional Services	29,109.11	30,000.00	-890.89	97.0%
Property Taxes	315.12	355.00	-39.88	88.8%
System Repairs & Maintenance	8,105.02	15,000.00	-6,894.98	54.0%
Telephone	600.00	800.00	-200.00	75.0%
Training	0.00	800.00	-800.00	0.0%
Unknown	0.00	1,305.00	-1,305.00	0.0%
Utilities	7,783.11	9,000.00	-1,216.89	86.5%
Void	0.00	0.00	0.00	0.0%
Total Operating Expenses	240,981.40	263,424.60	-22,443.20	91.5%
Total Expense	240,981.40	263,424.60	-22,443.20	91.5%
Net Ordinary Income	-111,979.61	-148,474.60	36,494.99	75.4%
Other Income/Expense				
Other Income				
Nonoperating Revenues				
Interest Income	56.51	45.00	11.51	125.6%
Grant Revenue	35,000.00	35,000.00	0.00	100.0%
Unclaimed Deposits	6.93			
Unrealized Change in Value	-14.30	0.00	-14.30	100.0%
Total Nonoperating Revenues	35,049.14	35,045.00	4.14	100.0%
Total Other Income	35,049.14	35,045.00	4.14	100.0%

**SAN PABLO MUTUAL DOMESTIC WATER CONSUMER ASSOCIATION
SCHEDULE OF SUMMARY OF FINDINGS AND RESPONSES
DECEMBER 31, 2013**

NONE

**SAN PABLO MUTUAL DOMESTIC WATER CONSUMER ASSOCIATION
SCHEDULE OF SUMMARY OF PRIOR YEAR FINDINGS
DECEMBER 31, 2013**

NONE

**SAN PABLO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
EXIT CONFERENCE
DECEMBER 31, 2013**

Exit Conference:

The exit conferences were held on May 28, 2014 with the following persons:

Jaime Villasenor, Vice-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.