

**SAN PABLO MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON THE APPLICATION OF TIER 4  
AGREED-UPON PROCEDURES  
YEAR ENDED DECEMBER 31, 2016**

**SAN PABLO MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
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DECEMBER 31, 2016**

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**SAN PABLO MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
OFFICIAL ROSTER  
DECEMBER 31, 2016**

**BOARD OF DIRECTORS**

**Name**

Jaime Villasenor

Oscar Alvidrez

Isela Wendler

Bill King

**Title**

President

Vice President

Secretary/Treasurer

Director



**SCOTT NORTHAM, CPA, PC**  
Certified Public Accountants

**INDEPENDENT ACCOUNTANT'S REPORT ON THE  
APPLICATION OF TIER 4 AGREED-UPON PROCEDURES**

Timothy Keller, New Mexico State Auditor, and  
Board of Directors of  
San Pablo Mutual Domestic Water Consumers Association  
San Pablo, New Mexico

We have performed the procedures enumerated below for the San Pablo Mutual Domestic Water Consumers Association (Association), for the year ended December 31, 2016. The Association was determined to be a Tier 4 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by the Association through the Office of the New Mexico State Auditor. The Association's management is responsible for the organization'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 results are detailed under Scope of Procedures and Results as noted in the table of contents.

Our findings, if any, related to the procedures in the Scope of Procedures and Results are presented in the accompanying schedule of findings and responses as listed in the table of contents.

We were not engaged to, and did not conduct, an audit of the accompanying Original Approved Budget (Non-GAAP), Schedule of Support, Revenues and Expenses - Final Budget and Actual (Non-GAAP), or Year End Financial Report Submitted to the Board and DFA, or any part thereof, the objective of which would be the expression of an opinion on the financial statements or a part thereof. 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 the San Pablo Mutual Domestic Water Consumers Association, the New Mexico Office of the State Auditor, the New Mexico Legislature, and the DFA-LGD and is not intended to be and should not be used by anyone other than those specified parties.

Scott Northam, CPA, PC  
Ruidoso, New Mexico  
February 3, 2017



**SAN PABLO MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
SCOPE OF PROCEDURES AND RESULTS  
DECEMBER 31, 2016**

<b>1. Verify the local public body's revenue calculation and tier determination documented on the form provided at <a href="http://www.osanm.org">www.osanm.org</a> under "Tiered System Reporting Main Page."</b>	
Tier 4 Requirements – Cash basis revenues of \$50,000 or more but less than \$250,000 with no capital outlay award expenditures.	The Association's cash basis revenues totaled approximately \$187,448 and the Association did not expend any capital outlay awards. The Association is correctly categorized as a Tier 4 agency.
<b>2. Cash Procedures</b>	
a. Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements are complete and on-hand.	All fiscal year bank statements were on-hand and available for compliance examination. Reconciliations were timely performed within the first ten days after the end of the month.
b. 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.	A review of all bank reconciliations noted the reconciliations were accurate and agreed with the general ledger and DFA reports.
c. 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.	The Association's funds on deposit with the financial institution did not exceed the \$250,000 FDIC maximum insured coverage during the year. Therefore, the financial institution was not required to provide additional collateralization for uninsured deposits. Funds on deposit with Edward Jones are protected under SIPC insurance.
<b>3. Capital Assets</b>	
Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.	The Association maintains and annually approves a capital asset inventory listing as required under Section 12-6-10 NMSA 1978.

**SAN PABLO MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
SCOPE OF PROCEDURES AND RESULTS  
DECEMBER 31, 2016**

<b>4. Revenue</b> <b>Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.</b>	
a. Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.	Analytical review and tests of actual revenue compared to budgeted revenue for the fiscal year noted no exceptions.
b. Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.	Amounts recorded in the general ledger agreed with deposit slips, utility reports and other supporting documentation provided and the bank statements with no exceptions.
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.	A representative sample of 12 transactions noted the amounts were properly recorded on modified-cash basis as to classification, amount and period per review of supporting documentation.

<b>5. Expenditures</b> <b>Select a sample of cash disbursements based on auditor judgement using the following attributes:</b>	
a. Determine that the 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 canceled check, as appropriate.	A representative sample of 20 disbursement transactions noted no exceptions with respect to amount, payee, date and description.
b. Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.	A representative sample of 20 disbursements noted no exceptions as to authorization and approval for payment, budget compliance and compliance with 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).	Disbursement testwork revealed no exceptions to the process (or request for proposal process, if applicable), purchase orders, contracts and agreements being 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).

**SAN PABLO MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
SCOPE OF PROCEDURES AND RESULTS  
DECEMBER 31, 2016**

<b>6. Journal Entries</b> If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:	
a. Journal entries appear reasonable and have supporting documentation.	There were no non-routine journal entries posted to the general ledger and all reviewed journal entries had 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.	There were no non-routine journal entries posted to the general ledger. The Association has policies in place that require any journal entries made by the contract bookkeeper to be reviewed and approved by the Treasurer.
<b>7. Budget</b> 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 body's governing body and DFA-LGD.	The original budget was approved by the Board of Directors and DFA-LGD. There were no subsequent budget adjustments for the fiscal year.
b. Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.	Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control.
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 fund.	The Schedule of Revenue and Expenditures – Budget and Actual on the modified-cash basis is following these procedures.
<b>8. Other</b>	
If information comes to the IPA'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(1)(3)(C) NMAC.	No other or additional exceptions were noted when applying the procedures described above (regardless of materiality) indicating any fraud, illegal acts or internal control deficiencies.

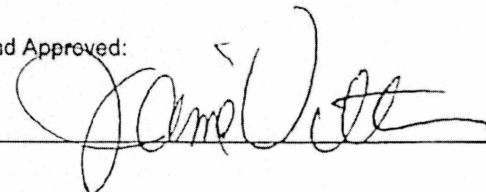
San Pablo MDWCA  
FY 2016  
Budget

	FY 2016 Budget
Ordinary Income/Expense	
Income	
Operating Revenues	
Water Sales	70,000.00
Wastewater Sales	101,000.00
Idle Status	500.00
Late Fees	4,850.00
Reconnection Fees	4,500.00
Transfer Fees	150.00
Total Operating Revenues	181,000.00
Total Income	181,000.00
Cost of Goods Sold	
Purchased Water	25,000.00
Waste Water Service	35,000.00
Total COGS	60,000.00
Gross Profit	121,000.00
Expense	
Operating Expenses	
Bad Debt Expense	500.00
Chemicals	8,000.00
Depreciation Expense	138,775.00
Dues and Subscriptions	500.00
Equipment (Non-Asset < \$5,000)	1,000.00
Equipment Rentals	1,000.00
General Supplies	1,000.00
Insurance	5,500.00
Licenses and Permits	20.00
System Maintenance Contractors	
Water System	25,000.00
Wastewater System	25,000.00
Total System Maintenance Contractors	50,000.00
Office Expense	250.00
Printing and Reproduction	500.00
Professional Services	
Accounting/Administrative Fees	28,000.00
Tier Reporting/Audit	2,500.00
Total Professional Services	30,500.00
Property Taxes	350.00

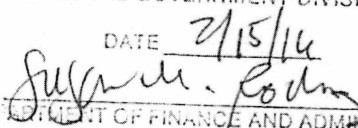
San Pablo MDWCA  
FY 2016  
Budget

System Repairs & Maintenance	10,250.00
Telephone	600.00
Tools (non-asset < \$5,000)	1,500.00
Training	1,000.00
Utilities	8,500.00
<b>Total Operating Expenses</b>	<b>259,745.00</b>
<b>Total Expense</b>	<b>259,745.00</b> ✓
Net Ordinary Income	-138,745.00
Net Other Income	75.00
<b>Net Income</b>	<b>-138,670.00</b>
Less Non Cash Depreciation Expense	138,775.00 ✓
<b>Cash Net Income</b>	<b>105.00</b> ✓

Review and Approved:

\_\_\_\_\_  
Signature 

\_\_\_\_\_  
Date 10/13/15

APPROVED PURSUANT TO  
SECTION 6-6.2 PMSA 1978  
LOCAL GOVERNMENT DIVISION  
DATE 2/15/14  
BY   
DEPARTMENT OF FINANCE AND ADMINISTRATION

**San Pablo MDWCA**  
**Support, Revenue and Expenses-Budget vs. Actual**  
**January through December 2016**


*Target 100%*

	Jan - Dec 16	Budget	\$ Over Budget	% of Budget
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
<b>Operating Revenues</b>				
Water Sales	72,671.58	70,000.00	2,671.58	103.8%
Wastewater Sales	102,871.34	101,000.00	1,871.34	101.9%
Idle Status	715.00	500.00	215.00	143.0%
<b>Installation Fees</b>				
Water	1,500.00			
<b>Total Installation Fees</b>	1,500.00			
Late Fees	5,385.93	4,850.00	535.93	111.1%
Membership Fees	100.00			
Reconnection Fees	3,485.00	4,500.00	-1,015.00	77.4%
Returned Check Fees	140.00			
Service Calls	178.72			
Tampering Fee	250.00			
Transfer Fees	150.00	150.00	0.00	100.0%
<b>Total Operating Revenues</b>	187,447.57	181,000.00	6,447.57	103.6%
<b>Total Income</b>	187,447.57	181,000.00	6,447.57	103.6%
<b>Cost of Goods Sold</b>				
Purchased Water	23,580.10	25,000.00	-1,419.90	94.3%
Waste Water Service	30,506.91	35,000.00	-4,493.09	87.2%
<b>Total COGS</b>	54,087.01	60,000.00	-5,912.99	90.1%
<b>Gross Profit</b>	133,360.56	121,000.00	12,360.56	110.2%
<b>Expense</b>				
<b>Operating Expenses</b>				
Bad Debt Expense	0.00	500.00	-500.00	0.0%
Bank Service Charges	0.66			
Chemicals	3,926.64	8,000.00	-4,073.36	49.1%
Depreciation Expense	138,774.24	138,775.00	-0.76	100.0%
Dues and Subscriptions	390.12	500.00	-109.88	78.0%
Equipment (Non-Asset < \$5,000)	4,976.05	1,000.00	3,976.05	497.6%
Equipment Rentals	487.42	1,000.00	-512.58	48.7%
General Supplies	0.00	1,000.00	-1,000.00	0.0%
Insurance	4,792.48	5,500.00	-707.52	87.1%
Licenses and Permits	10.00	20.00	-10.00	50.0%
<b>System Maintenance Contractors</b>				
Water System	24,726.94	25,000.00	-273.06	98.9%
Wastewater System	26,045.44	25,000.00	1,045.44	104.2%
<b>Total System Maintenance Contract...</b>	50,772.38	50,000.00	772.38	101.5%
Office Expense	126.00	250.00	-124.00	50.4%
Other Taxes	0.00			
Printing and Reproduction	0.00	500.00	-500.00	0.0%
<b>Professional Services</b>				
Accounting/Administrative Fees	31,836.94	28,000.00	3,836.94	113.7%
Tier Reporting/Audit	2,437.03	2,500.00	-62.97	97.5%
<b>Total Professional Services</b>	34,273.97	30,500.00	3,773.97	112.4%
Property Taxes	315.44	350.00	-34.56	90.1%
System Repairs & Maintenance	8,279.38	10,250.00	-1,970.62	80.8%
Telephone	654.09	600.00	54.09	109.0%
Tools (non-asset < \$5,000)	93.06	1,500.00	-1,406.94	6.2%
Training	0.00	1,000.00	-1,000.00	0.0%
Utilities	6,891.16	8,500.00	-1,608.84	78.7%
Vacant Lot (4615 Lamar Rd.)	3,574.31			
<b>Total Operating Expenses</b>	258,137.40	259,745.00	-1,607.60	99.4%
<b>Total Expense</b>	258,137.40	259,745.00	-1,607.60	99.4%
<b>Net Ordinary Income</b>	-124,776.84	-138,745.00	13,968.16	89.9%

**San Pablo MDWCA**  
**Support, Revenue and Expenses-Budget vs. Actual**  
 January through December 2016

	Jan - Dec 16	Budget	\$ Over Budget	% of Budget
Other Income/Expense				
Other Income				
Nonoperating Revenues				
Interest Income	90.33	75.00	15.33	120.4%
Unrealized Change in Value	27.89			
<b>Total Nonoperating Revenues</b>	<b>118.22</b>	<b>75.00</b>	<b>43.22</b>	<b>157.6%</b>
<b>Total Other Income</b>	<b>118.22</b>	<b>75.00</b>	<b>43.22</b>	<b>157.6%</b>
Net Other Income	118.22	75.00	43.22	157.6%
<b>Net Income</b>	<b>-124,658.62</b>	<b>-138,670.00</b>	<b>14,011.38</b>	<b>89.9%</b>

**Reviewed and Approved:**


  
 Signature \_\_\_\_\_ Date 1/10/12

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

	Dec 31, 16
<b>ASSETS</b>	
<b>Current Assets</b>	
Checking/Savings	
Citizens Bank - Water Account	134,693.63
Edward Jones	5,000.39
<b>Total Checking/Savings</b>	<b>139,694.02</b>
Accounts Receivable	
Water & Wastewater Customers	5,167.12
<b>Total Accounts Receivable</b>	<b>5,167.12</b>
<b>Other Current Assets</b>	
Construction in Process	
Building	30,868.55
<b>Total Construction in Process</b>	<b>30,868.55</b>
Prepaid Expenses	13,583.90
Prepaid Insurance	1,962.09
Undeposited Funds	5,208.03
<b>Total Other Current Assets</b>	<b>51,622.57</b>
<b>Total Current Assets</b>	<b>196,483.71</b>
<b>Fixed Assets</b>	
Computer Equipment	1,122.26
Engineering Costs (2015 PER)	51,127.82
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 Forcemain Extension	62,672.04
Accumulated Depreciation	-1,701,124.20
<b>Total Fixed Assets</b>	<b>1,992,584.13</b>
<b>Other Assets</b>	
Vacant Land	75,235.91
<b>Total Other Assets</b>	<b>75,235.91</b>
<b>TOTAL ASSETS</b>	<b>2,264,303.75</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	
Assessed Property Taxes	157.72
Trade Accounts Payable	14,197.91
<b>Total Accounts Payable</b>	<b>14,355.63</b>
<b>Other Current Liabilities</b>	
Customer Deposits	
Allowance - Unrecorded Deposits	
Rental Deposits	240.00
<b>Total Allowance - Unrecorded Deposits</b>	<b>240.00</b>



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

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	Dec 31, 16
Renter's Deposits	5,540.00
Member Water Deposits	300.00
<b>Total Customer Deposits</b>	<b>6,080.00</b>
Sales Tax Payable	701.53
<b>Total Other Current Liabilities</b>	<b>6,781.53</b>
<b>Total Current Liabilities</b>	<b>21,137.16</b>
<b>Total Liabilities</b>	<b>21,137.16</b>
<b>Equity</b>	
Board Designated Reserves	
Capital Reserves	
Water System	8,750.00
Waste Water System	31,250.00
<b>Total Capital Reserves</b>	<b>40,000.00</b>
Emergency Reserve	2,400.00
Operating Reserves	
Water System	5,957.45
Waste Water System	6,000.00
<b>Total Operating Reserves</b>	<b>11,957.45</b>
<b>Total Board Designated Reserves</b>	<b>54,357.45</b>
Unrestricted Fund Balance	
Fixed Assets	2,707,638.58
<b>Total Unrestricted Fund Balance</b>	<b>2,707,638.58</b>
Retained Earnings	-394,170.82
Net Income	-124,658.62
<b>Total Equity</b>	<b>2,243,166.59</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>2,264,303.75</b>

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

	Oct - Dec 16	Jan - Dec 16
Ordinary Income/Expense		
Income		
Operating Revenues		
Water Sales	16,892.78	72,671.58
Wastewater Sales	25,817.84	102,871.34
Idle Status	110.00	715.00
Installation Fees		
Water	0.00	1,500.00
Total Installation Fees	0.00	1,500.00
Late Fees	1,500.03	5,385.93
Membership Fees	0.00	100.00
Reconnection Fees	1,190.00	3,485.00
Returned Check Fees	35.00	140.00
Service Calls	0.00	178.72
Tampering Fee	-250.00	250.00
Transfer Fees	0.00	150.00
Total Operating Revenues	45,295.65	187,447.57
Total Income	45,295.65	187,447.57
Cost of Goods Sold		
Purchased Water	4,964.88	23,580.10
Waste Water Service	7,140.71	30,506.91
Total COGS	12,105.59	54,087.01
Gross Profit	33,190.06	133,360.56
Expense		
Operating Expenses		
Bank Service Charges	0.66	0.66
Chemicals	0.00	3,926.64
Depreciation Expense	34,693.56	138,774.24
Dues and Subscriptions	0.00	390.12
Equipment (Non-Asset < \$5,000)	1,966.90	4,976.05
Equipment Rentals	81.24	487.42
Insurance	1,230.24	4,792.48
Licenses and Permits	0.00	10.00
System Maintenance Contractors		
Water System	5,272.11	24,726.94
Wastewater System	9,461.51	26,045.44
Total System Maintenance Contract...	14,733.62	50,772.38
Office Expense	126.00	126.00
Other Taxes	-0.01	0.00
Professional Services		
Accounting/Administrative Fees	9,522.08	31,836.94
Tier Reporting/Audit	0.00	2,437.03
Total Professional Services	9,522.08	34,273.97
Property Taxes	315.44	315.44
System Repairs & Maintenance	1,656.49	8,279.38
Telephone	164.73	654.09
Tools (non-asset < \$5,000)	33.15	93.06
Utilities	1,499.35	6,691.16

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

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	Oct - Dec 16	Jan - Dec 16
Vacant Lot (4615 Lamar Rd.)	3,574.31	3,574.31
Total Operating Expenses	69,597.76	258,137.40
Total Expense	69,597.76	258,137.40
Net Ordinary Income	-36,407.70	-124,776.84
Other Income/Expense		
Other Income		
Nonoperating Revenues		
Interest Income	0.66	90.33
Unrealized Change in Value	-2.09	27.89
Total Nonoperating Revenues	-1.43	118.22
Total Other Income	-1.43	118.22
Net Other Income	-1.43	118.22
Net Income	-36,409.13	-124,658.62

**SAN PABLO MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2016**

**FINANCIAL STATEMENT FINDINGS**

*CURRENT YEAR FINDINGS:*

NONE

*PRIOR YEAR FINDINGS:*

NONE

**SAN PABLO MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
EXIT CONFERENCE  
DECEMBER 31, 2016**

The contents of this report were discussed with the San Pablo Mutual Domestic Water Consumers Association representatives on February 3, 2017. The following individuals were present for the conference:

**San Pablo Mutual Domestic Water Consumers Association**

Isela Wendler - Secretary Treasurer  
Kathy Joens - Mesilla Valley Accounting, PC

**Scott Northam, CPA, PC**

Scott Northam, CPA

The agreed-upon procedures of the San Pablo Mutual Domestic Water Consumers Association were prepared by Scott Northam, CPA, PC, from original books and records provided by and with assistance from the management of the Association.