

Ponderosa Mutual Domestic Water Consumers Association

Independent Accountants' Report on
Applying Agreed-Upon Procedures

For the Year Ended December 31, 2018

STATE OF NEW MEXICO
Ponderosa Mutual Domestic Water Consumers Association
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December 31, 2018

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STATE OF NEW MEXICO
Ponderosa Mutual Domestic Water Consumers Association
Official Roster
December 31, 2018

<u>Name</u>	<u>Board Members</u>	<u>Title</u>
Anna Trujillo		President
Louise Bradley		Vice President
Barbara Trujillo		Secretary/Treasurer
Anthony Sedillo		Member
Roberta Arrellano		Member

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Brian S. Colón, Esq, New Mexico State Auditor
Ponderosa Mutual Domestic Water Consumers Association
4234 NM-290
Ponderosa, New Mexico

We have performed the procedures enumerated below for the Ponderosa Mutual Domestic Water Consumers Association (Association) and the New Mexico State Auditor (the specified parties), solely to assist users in evaluating the Association's financial reporting relating to its Cash, Capital Assets, Revenues, Expenditures, Journal Entries, and Budget information and its compliance with Section 12-6-3(B) NMSA 1978 and Section 2.2.2.16 NMAC, as of and for the year ended December 31, 2018. The Association was determined to be a Tier 4 entity under the Audit Act, Section 12-6-3 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 financial reporting and accounting records as described above. 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 this 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.

1. Verify the local public body's revenue calculation and tier determination documented on the form provided at www.osanm.org under "Tiered System Reporting Main Page."

CCPAs determined that the Association is a Tier 4 entity based on the revenues (\$87,157) reported on the Association's DFA report for the year ended 2018.

2. Cash

- a) 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.

CCPAs determined that bank reconciliations were complete and appear to have been performed timely.

- b) Test at least 30% of the bank reconciliations for accuracy. Also trace ending balances to the general ledger, supporting documentation, and the financial reports submitted to DFA-Local Government Division.

CCPAs selected six months of bank reconciliations and tested them for accuracy and traced ending balances to the general ledger and other supporting documentation and financial reports reported to DFA-Local Government Division.

- c) Determine whether the local public body's financial institutions have provided it with 50% pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

CCPAs noted that the Association did not exceed the \$250,000 FDIC insurance on its bank accounts.

3. Capital Assets

Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.

CCPAs verified that the Association performed and certified their annual capital asset inventory.

4. Revenue

Identify the nature and amount of revenue from all 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.

CCPAs performed the analytical review of budget to actual, noting no unusual or unexplained variances and all expectations were met.

Select a sample of revenue equal to at least 30% of the total dollar amount and test the following attributes:

- b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.

CCPAs reviewed \$35,078 of the revenue reported in the general ledger and agreed the amounts to supporting documentation, the general ledger and the bank statements without exception.

- 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.

CCPAs reviewed \$35,078 of the revenue and the amounts were properly classified, contained sufficient supporting documentation, and were accurately recorded in the general ledger.

5. Expenditures

Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test the following attributes:

- a) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that the amount, payee, date and description agree to the vendor's invoice, purchase order, contract and canceled check, as appropriate.

- b) Determine that the 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).

CCPAs tested 17 disbursements (3 were payroll related disbursements) totaling \$27,812 and verified the disbursement agrees to the supporting documentation and that the transactions were properly authorized and approved. CCPAs also verified that the transactions were compliant with the New Mexico Procurement Code and the State Purchasing Act and Regulations Governing the Per Diem and Mileage Act.

6. Journal Entries

Test all non-routine journal entries, adjustments, and reclassifications posted to the general ledger for the following attributes:

- a) Journal entries appear reasonable and have supporting documentation.
- b) The local public body has policies and procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

The Association does not have a formal general ledger accounting system. The Association utilizes excel spreadsheets and account registers to record transactions on a cash basis. As a result, journal entries are not prepared.

7. Budget

Obtain the original fiscal year budget and all budget adjustments made throughout the fiscal year and perform the following test work:

- 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.

CCPAs reviewed the minutes and no Budget Adjustments were requested for the year ended 2018.

- b) Determine whether the total actual expenditures exceeded the final budget at the legal level of budgetary control; if the answer is yes, report a compliance finding.

CCPAs determined that the Association's actual expenditures did not exceed 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 individual fund.

CCPAs reviewed the budget submitted to DFA for approval and noted DFA approval was provided in correspondence to the Association.

8. Other

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(L) NMAC.

Nothing noted as a result of applying these procedures.

We were not engaged to, and did not conduct an examination or review of financial statements or any part thereof, the objective of which would be the expression of an opinion or conclusion on the financial reporting and compliance as described above. Accordingly, we do not express such an opinion or conclusion. 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 Ponderosa Mutual Domestic Water Consumers Association, the New Mexico Office of the State Auditor, the New Mexico Department of Finance and Administration - Local Government Division, and the New Mexico Legislature and is not intended to be and should not be used by anyone other than these specified parties.



Cordova CPAs LLC
Albuquerque, New Mexico
May 14, 2019

STATE OF NEW MEXICO
Ponderosa Mutual Domestic Water Consumers Association
Schedule of Revenues and Expenditures
Budget to Actual
December 31, 2018

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Water Sales	\$ 69,200	\$ 69,200	\$ 66,019	\$ (3,181)
Connection/Reconnection Charges	125	125	-	(125)
Membership and Meter Sales	4,625	4,625	13,875	9,250
Gross Receipts Tax	3,460	3,460	4,445	985
Other Operating Revenues	1,895	1,895	2,818	923
<i>Total revenues</i>	79,305	79,305	87,157	7,852
<i>Expenditures:</i>				
Current:				
Salaries - Operator, Bookkeeper, etc.	14,960	14,960	13,622	1,338
Employee Benefits and Expenses	5,885	5,885	5,469	416
Electricity	540	540	574	(34)
Other Utilities - Gas, Water, Sewer, Telephone	1,400	1,400	1,545	(145)
System Parts and Supplies	18,000	18,000	16,309	1,691
System Repairs and Maintenance	11,500	11,500	9,724	1,776
Office and Administrative Expenses	5,600	5,600	5,280	320
Professional Services - Accounting, Engineering, Legal	11,594	11,594	14,049	(2,455)
Insurance	3,300	3,300	3,167	133
Dues, Fees, Permits and Licenses	350	350	441	(91)
Taxes - Gross Receipts Tax, Water Conservation Fee	3,830	3,830	4,793	(963)
Training	500	500	542	(42)
Miscellaneous	1,650	1,650	1,545	105
<i>Total expenditures</i>	79,109	79,109	77,060	2,049
<i>Net change in Fund Balance</i>	196	196	10,097	9,901
Beginning Fund Balance	100,472	100,472	100,472	-
Ending Fund Balance	\$ 100,668	\$ 100,668	\$ 110,569	\$ 9,901

MDWCA Name:
Mailing Address:
Email Address:
Phone number:

Ponderosa MDWCA
P.O Box 105
Ponderosa.MDWCA@gmail.com
575-834-7230

Calendar Year
2018

Proposed

	APPROVED BUDGET	1st QR: Jan - Mar	2nd QR: Apr - Jun	3rd QR: Jul - Sept	4th QR: Oct -Dec	Year to Date(YTD) Totals	YTD (over)/under BUDGET	% of Budget
Beginning balances:								
Cash	33,290							
Savings	67,181							
CDs								
Investments								
Beginning Balance TOTAL	\$ 100,471							
REVENUES								
Water Sales (Water Use Fees)	69,200	15,960	16,212	17,277	16,570	66,019	3,181	95%
Connection/Reconnection Charges	125	0	0	0	0	0	125	0%
Membership and Meter Sales (Utility Service Fees)	4,625	4,625	4,625	4,625	0	13,875	(9,250)	300%
Late Fees and Penalties (Other Fines and Forfeits)	0	0		0	0	0	0	-
Gross Receipts Tax (Other State shared taxes)	3,460	1,328	854	1,144	1,119	4,445	(985)	128%
Other Operating Revenue (miscellaneous - other)	1,895	1,851	474	357	136	2,818	(923)	149%
TOTAL	\$ 79,305	23,763	22,165	23,403	17,825	87,157	(7,852)	110%
EXPENDITURES								
Salaries - Operator, Bookkeeper, etc.	14,960	3,472	3,468	3,435	3,247	13,622	1,338	91%
Employee Benefits and Expenses	5,885	1,590	1,348	1,337	1,193	5,469	416	93%
Electricity	540	223	120	97	134	574	(34)	106%
Other Utilities - Gas, Water, Sewer, Telephone	1,400	340	406	400	399	1,545	(145)	110%
System Parts and Supplies	18,000	2,116	2,223	5,849	6,122	16,309	1,691	91%
System Repairs and Maintenance	11,500	2,765	770	0	6,189	9,724	1,776	85%
Vehicle Expenses	-	0	0	0	0	0	0	-
Office and Administrative Expenses	5,600	1,395	471	1,211	2,203	5,280	320	94%
Professional Services - Accounting, Engineering, Legal	11,594	2,993	5,248	3,125	2,683	14,049	(2,455)	121%
Insurance	3,300	0	3,167	0	0	3,167	133	96%
Dues, Fees, Permits and Licenses	350	31	141	31	239	441	(91)	126%
Taxes - Gross Receipts Tax, Water Conservation Fee	3,830	1,517	854	1,304	1,119	4,793	(963)	125%
Training	500	242	0	0	300	542	(42)	108%
Miscellaneous	1,650	1,475	70	0	0	1,545	105	94%
Loans								
Annual debt service - Loan 1						0	0	-
Annual debt service - Loan 2						0	0	-
TOTAL	\$ 79,109	18,159	18,286	16,787	23,828	77,060	2,049	97%
Ending Balance	100,667					110,567		
LESS: Operating Reserve								
Emergency Reserve								
Capital Improvement Reserve								
Debt Reserve								
Ending Available Cash Balance	\$ 100,667					\$ 110,567		

I HEREBY CERTIFY THE CONTENTS IN THIS REPORT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND THAT THIS REPORT DEPICTS ALL FUNDS.

STATE OF NEW MEXICO
Ponderosa Mutual Domestic Water Consumers Association
Schedule of Findings and Responses
December 31, 2018

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current Year Findings: None noted			
Prior Year Findings: Expenditures in excess of Budget	D	2017-001	Status Resolved

*** Legend for Findings:**

- A. Fraud
- B. Illegal Act(s)
- C. Internal Control Deficiency(ies)
- D. Noncompliance

STATE OF NEW MEXICO
Ponderosa Mutual Domestic Water Consumers Association
Exit Conference
December 31, 2018

EXIT CONFERENCE

The report contents were discussed at an exit conference held on May 14, 2019 with the following in attendance:

Ponderosa Mutual Domestic Water Consumers Association:

Anna Trujillo, President
Barbara Trujillo, Secretary/Treasurer
Gloria Martinez, Office Manager
Paul Cordova, Office Assistant

Cordova CPAs LLC:

Bobby Cordova, CPA, Principal
Justin Casias, Manager