

Ponderosa Mutual Domestic Water Consumers Association

Independent Accountants' Report on
Applying Agreed-Upon Procedures

For the Year Ended December 31, 2019

STATE OF NEW MEXICO
Ponderosa Mutual Domestic Water Consumers Association
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December 31, 2019

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STATE OF NEW MEXICO
Ponderosa Mutual Domestic Water Consumers Association
Official Roster
December 31, 2019

<u>Board Members</u>	
<u>Name</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, 2019. 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 (\$73,332) reported on the Association's DFA report for the year ended 2019.

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. However, we did note one month that contained a \$28 variance from the bank reconciliation to the general ledger.

- 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 four 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. However, we did note one month that contained a \$28 variance from the bank reconciliation to the general ledger.

- 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 \$26,090 or 35.6% 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 \$26,090 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 11 disbursements (2 were payroll related disbursements) totaling \$19,721 or 31.6% 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 2019.

- 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
April 17, 2020

STATE OF NEW MEXICO
Ponderosa Mutual Domestic Water Consumers Association
Schedule of Revenues and Expenditures
Budget to Actual
December 31, 2019

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable) Final to Actual
	Original	Final	(Non-GAAP Basis)	
<i>Revenues:</i>				
Water Sales	\$ 65,448	\$ 65,448	\$ 67,379	\$ 1,931
Membership and Meter Sales	4,625	4,625	-	(4,625)
Gross Receipts Tax	3,515	3,515	4,058	543
Other Operating Revenues	2,100	2,100	1,895	(205)
<i>Total revenues</i>	75,688	75,688	73,332	(2,356)
<i>Expenditures:</i>				
Current:				
Salaries - Operator, Bookkeeper, etc.	13,400	13,400	12,513	887
Employee Benefits and Expenses	2,475	2,475	4,743	(2,268)
Electricity	600	600	571	29
Other Utilities - Gas, Water, Sewer, Telephone	1,600	1,600	1,534	66
System Parts and Supplies	12,700	12,700	8,704	3,996
System Repairs and Maintenance	12,500	12,500	8,439	4,061
Office and Administrative Expenses	4,450	4,450	2,900	1,550
Professional Services - Accounting, Engineering & Legal	17,950	17,950	13,518	4,432
Insurance	3,400	3,400	2,860	540
Dues, Fees, Permits and Licenses	500	500	217	283
Taxes - Gross Receipts Tax, Water Conservation Fee	3,845	3,845	4,444	(599)
Training	650	650	471	179
Miscellaneous	1,530	1,530	1,592	(62)
<i>Total expenditures</i>	75,600	75,600	62,506	13,094
<i>Net change in Fund Balance</i>	88	88	10,826	10,738
Beginning Fund Balance	110,567	110,567	110,567	-
Ending Fund Balance	\$ 110,655	\$ 110,655	\$ 121,393	\$ 10,738

INSTRUCTIONS: Cells in which are meant to be filled out are explained below. All other columns are locked and not meant to be filled out.

Fill out the Approved Budget, 1st Qtr, 2nd Qtr, 3rd Qtr, 4th Qtr columns.

Fill out Cash, Savings, CDs, Investments under the "Approved Budget" column with APPROVED BUDGET at beginning of yr. **THESE AMOUNTS DO NOT CHANGE THROUGHOUT THE YEAR.**

Fill out Reserves (if reserve amounts change throughout the year under the "Year to Date(YTD) Totals" column.

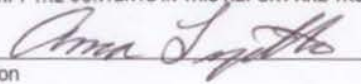
MDWCA Name: Ponderosa Mutual Domestic Water Consumers Association
Mailing Address: 4234 Hwy 290
Email Address: Ponderosa.MDWCA@gmail.com
Phone number: 575-834-7230

Calendar Year
2019

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	42,241							
	Savings	68,326							
	CDs								
	Investments								
	Beginning Balance TOTAL	\$ 110,567							
REVENUES									
	Water Sales (Water Use Fees)	65,448	16,956	16,285	17,645	16,493	67,379	(1,931)	103%
	Connection/Reconnection Charges	0					0	0	-
	Membership and Meter Sales (Utility Service Fees)	4,625					0	4,625	0%
	Late Fees and Penalties (Other Fines and Forfeits)	0					0	0	-
	Gross Receipts Tax (Other State shared taxes)	3,515	827	966	824	1,441	4,058	(543)	115%
	Other Operating Revenue (miscellaneous - other)	2,100	1,498	108	126	163	1,895	205	90%
	TOTAL	\$ 75,688	19,281	17,359	18,595	18,097	73,332	2,356	97%
EXPENDITURES									
	Salaries - Operator, Bookkeeper, etc.	13,400	2,659	3,696	3,057	3,100	12,513	887	93%
	Employee Benefits and Expenses	2,475	988	1,294	1,369	1,092	4,743	(2,268)	192%
	Electricity	600	190	88	155	138	571	29	95%
	Other Utilities - Gas, Water, Sewer, Telephone	1,600	378	251	522	383	1,534	66	96%
	System Parts and Supplies	12,700	3,022	3,329	181	2,171	8,704	3,996	69%
	System Repairs and Maintenance	12,500	850	1,406	3,667	2,516	8,439	4,061	68%
	Vehicle Expenses	0					0	0	0%
	Office and Administrative Expenses	4,450	662	391	554	1,293	2,900	1,550	65%
	Professional Services - Accounting, Engineering, Legal	17,950	3,161	5,660	2,398	2,298	13,518	4,432	75%
	Insurance	3,400	0	2,860	0	0	2,860	540	84%
	Dues, Fees, Permits and Licenses	500	136	0	0	81	217	283	43%
	Taxes - Gross Receipts Tax, Water Conservation Fee	3,845	995	966	824	1,660	4,444	(599)	116%
	Training	650	0	0	0	471	471	179	72%
	Miscellaneous	1,530	1,460	133	0	0	1,593	(63)	104%
Loans									
	Annual debt service - Loan 1						0	0	-
	Annual debt service - Loan 2						0	0	-
	TOTAL	\$ 75,600	14,501	20,074	12,727	15,204	62,506	13,094	83%
	Ending Balance	110,655					121,393		
	LESS: Operating Reserve								
	Emergency Reserve								
	Capital Improvement Reserve								
	Debt Reserve								
	Ending Available Cash Balance	\$ 110,655					\$ 121,393		

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.

Anna Trujillo
 President/Chairperson



1/16/2020
 Date

STATE OF NEW MEXICO
Ponderosa Mutual Domestic Water Consumers Association
Schedule of Findings and Responses
For the Year Ended December 31, 2019

CURRENT YEAR FINDINGS:

2019-001 — Bank Reconciliation Not Matching the General Ledger

Condition: During our agreed upon procedures, we noted that the Association had one month tested during the year that contained a \$28 variance from the bank reconciliation to the general ledger.

Criteria: The Committee of Sponsoring Organizations (COSO) COSO Internal Control – Integrated Framework (2013), consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication and monitoring, which includes the implementation of internal controls with financial close functions to produce accurate and timely financial information in accordance with generally accepted accounting principles. This framework also state that bank reconciliations should be performed promptly after each month-end and should be reviewed for accuracy.

Effect: The Association's bank reconciliation was incorrect.

Cause: The Association had a clerical error resulting in the amounts not matching, but was corrected in a subsequent month.

Auditors' Recommendation: We recommend that the Association review the bank reconciliations with the general ledger to ensure they match every month.

Management's Response: The \$28 was a check payment for certified mail and was not deposited by the U.S. Post Office till the following month. We will continue to keep a better reconciliation of all transactions from now on. The individual responsible is the Office Manager and additional review will be implemented immediately (May 2020).

PRIOR YEAR AUDIT FINDINGS:

None Noted

STATE OF NEW MEXICO
Ponderosa Mutual Domestic Water Consumers Association
Exit Conference
December 31, 2019

EXIT CONFERENCE

The report contents were discussed at an exit conference held on April 16, 2020 with the following in attendance:

Ponderosa Mutual Domestic Water Consumers Association:

Anna Trujillo, President
Gloria Martinez, Office Manager
Francesca Gonzales, Office Assistant

Cordova CPAs LLC:

Bobby Cordova, CPA, Principal
Rufino Rodriguez, CPA, Senior Manager