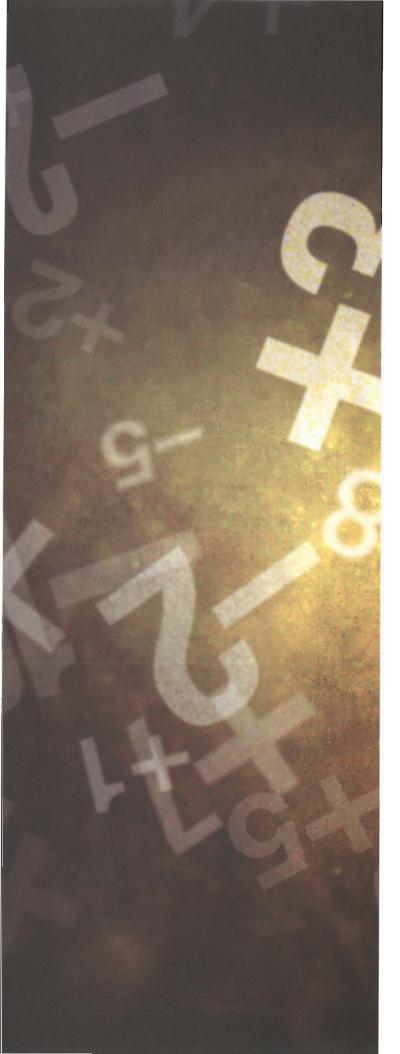


PONDEROSA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

AGREED UPON PROCEDURES REPORT

December 31, 2010



PONDEROSA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

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PONDEROSA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

December 31, 2010

Official Roster

Board of Directors

Eileen Petz, President Gloria Garcia, Vice President Margie Creel, Secretary/Treasurer Arnold Garcia Sophie Martinez

Principal Employees

Diana Clark, Manager Sue Niles, Maintenance



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Independent Accountant's Report on Applying Agreed-Upon Procedures

To Management Ponderosa Mutual Domestic Water Consumers Association Ponderosa, New Mexico and To Mr. Hector H. Balderas, State Auditor

We have performed the procedures enumerated below, which were agreed to by the Ponderosa Mutual Domestic Water Consumers Association (Association) and the New Mexico State Auditor's Office, solely to assist in determining if the Association is in compliance with New Mexico State Audit Rule, Tier 5, as of December 31, 2010. The Association is the responsible party and the subject matter is the responsibility of the Association. 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 the 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.

The procedures performed are included in a supplemental attachment.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the Tier 5 agreed-upon procedures. 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 management and others within the Association, the State Auditor, the Department of Finance and Administration – Local Government Division, and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Ricci & Company LLC

Albuquerque, New Mexico May 26, 2011

STATE OF NEW MEXICO PONDEROSA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION LEGISLATIVE APPROPRIATIONS 12/31/2010

			Amount	Balance Amount December 31,		Effective
Project Title	Legislation	Award	Received	Expended	2010	Dates
Water System Improvements	74-1-6.B NMSA 1978	\$ 100,000	73,522	13,007	13,471	7/08-6/12
Ponderosa Water Office	Laws of 2007, Chap. 2, Sec. 26 Para. 186	\$ 53,605	48,722	48,722	4,883	2/10-6/11

PROCEDURES PERFORMED AND RELATED RESULTS

1. 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.

Bank reconciliations are included as part of the monthly board meetings. We reviewed all of the bank reconciliations in order to ensure that they were performed timely and accurately. No exceptions were noted. The reconciliations for the January 1 - December 31, 2010 bank reconciliations were performed prior to the subsequent Board of Directors meeting which we consider to be timely.

The Association has four banking accounts - two checking and two savings. All reconciliations are complete and on hand.

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.

We selected all months to test reconciliations which were all accurate and tied to the general ledger, and to the financial reports submitted to DFA.

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.

We determined upon review of the monthly bank statements and bank reconciliations that the association maintained balances below \$250,000 in all accounts; therefore, additional procedures were not performed.

2. Capital Assets

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

An annual physical inventory of capital assets was completed. We reviewed an inventory listing prepared by the office manager detailing the items capitalized by the Association. We also verified the assets listed for the Association's Water Office were present during field-work. The Association utilizes Microsoft Excel software to maintain its inventory listing.

December 31, 2010

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

3. Revenues

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.

We compared budget to actual for each type of revenue. Please see the Budget-Actual Schedule (page 10) for amounts. We inquired on the following variance:

The variance in the Legislative Grant (SAP and DFA) revenues for the Water System Improvements and Water Office project are attributable to the funds remaining unencumbered at the end of the year. Per review of supporting documentation, these funds were carried over into the subsequent year. All other variances were immaterial.

Test 50% of the total amount of revenues for the following attributes:

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

To obtain the 50% coverage, we selected six months of billing activity for water sales and the subsequent month's collections, including February 2010, March 2010, June 2010, August 2010, September 2010, and November 2010. We analytically determined whether the collections were reasonable in relation to the billing reports obtained from the client. We then selected the months of August 2010 and May 2010 to test the grant revenues received. These eight months yielded a coverage rate of 64% of total revenues. No exceptions were noted testing the attributes above.

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

4. Expenditures

Select a sample of cash disbursements and test at least 25 transactions that are representative of the whole and 50% of the total amount of expenditures for 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 canceled 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).

To meet the requirements of both the capital outlay appropriations as well as the expenditures, we tested all twenty-two capital outlay expenditures and we selected an additional eight disbursements which included two payroll disbursements to employees in order to obtain a representative sample. The eight sample items were haphazardly selected from the remaining total check range of the Association for the fiscal year. We then analytically tested 100% of the Association's payroll. The above attributes were tested without exception for all of the transactions.

5. Journal Entries

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.
- b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

We noted that the Association did not make any adjusting journal entries in the current year.

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

6. Budget

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.

We verified the Board of Directors approved the original budget which was approved by the DFA on March 12, 2010. We also verified that there was one budget adjustment during the fiscal year on April 13, 2010. This adjustment came after the Legislative Finance Committee approved the extension of the original grant funds to the Association.

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

It was determined that the Association did not exceed the final budget at 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.

See attached Statement of Revenues and Expenditures - Budget and Actual - General Fund which is prepared on the cash basis of accounting.

7. Capital Outlay Appropriations

Test all capital outlay expenditures during the fiscal year to:

- 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 canceled check, as appropriate.
- b) Determine that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

7. Capital Outlay Appropriations (Continued)

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).

To meet the requirements of both the capital outlay appropriations as well as the expenditures, we tested all twenty-two capital outlay expenditures by reviewing all supporting documentation including bid requests, bids, Board of Director approval in the meeting minutes, invoices, cancelled checks and bank statements. We then selected an additional eight disbursements which included two payroll disbursements to employees in order to obtain a representative sample. The eight sample items were haphazardly selected from the remaining total check range of the Association for the fiscal year. We reviewed all supporting documentation for the eight items selected including invoices, cancelled checks, and bank statements. We then analytically tested 100% of the Association's payroll. The above attributes were tested without exception for all of the transactions.

d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.

We verified the existence of the improvements made to the Association's facility; however, due to the nature of the water line extension, we were not able to physically observe the asset, however we reviewed the supporting invoices, cancelled checks, and bank statements related to the disbursements.

e) Verify that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.

Based on review of reports submitted to the DFA, it was determined that the Association filed all status reports required per the grant agreements.

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

7. Capital Outlay Appropriations (Continued)

f) If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.

This procedure does not apply to the Association.

g) If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.

The unexpended balance for the DFA funding was encumbered subsequent to year end and the funds were approved by the DFA and exhausted for this appropriation.

h) Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.

It was determined that the Association was not required to maintain a separate account or bank account based on the capital outlay award agreement.

 Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.

After a review of the capital outlay expenditures it was determined that the Association requested reimbursements for costs actually incurred to complete the projects. We did not note any costs paid prior to the request for reimbursement.

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(I)(3)(C) NMAC.

During fieldwork there were no instances that came to our attention which indicated any instances of fraud, illegal acts, noncompliance, or internal control deficiencies.

PONDEROSA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND - CASH BASIS Year Ended December 31, 2010

Original Budget	Final Budget	Budget Basis	Favorable (Unfavorable)
\$ 69,976	69,976	74,684	4,708
3,900	3,900	2,200	(1,700)
375	375	372	(3)
-	26,478	13,007	(13,470.71)
 53,605	53,605	46,293	(7,312)
 127,856	154,334	136,557	(17,777)
1,800	1,800	248	1,552
18,000	18,000	18,429	(429)
15,000	15,000	12,292	2,708
13,000	13,000	14,662	(1,662)
12,000	12,000	11,941	59
-	-	18	(18)
2,500	2,500	2,587	(87)
-	26,478	26,478	-
 53,605	53,605	48,722	4,883
 115,905	142,383	135,377	7,006
\$ 11 951	11 951	1 180	(10,771)
\$	3,900 375 - 53,605 127,856 1,800 18,000 15,000 13,000 12,000 - 2,500 - 53,605	3,900 3,900 375 375 - 26,478 53,605 53,605 127,856 154,334 1,800 1,800 18,000 18,000 15,000 15,000 13,000 12,000 2,500 - 26,478 53,605 53,605	3,900 3,900 2,200 375 375 372 - 26,478 13,007 53,605 53,605 46,293 127,856 154,334 136,557 1,800 1,800 248 18,000 18,000 18,429 15,000 15,000 12,292 13,000 13,000 14,662 12,000 12,000 11,941 - - 18 2,500 2,587 - 26,478 26,478 53,605 53,605 48,722 115,905 142,383 135,377

PONDEROSA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION YEAR END FINANCIAL REPORT-AS SUBMITTED TO DFA 12/31/2010

PONDEROSA MDWCA 2010 BUDGET

Beginning Balance as of 1/1/2010: \$48,715.79

REVENUE

Water Revenue \$74,683.95

Meter Sales \$2,200.00

Misc. Interest (Bank) \$372.46

Subtotal: \$77,256.41

Legislative SAP Grant (waterline) \$13,007.26

Legislative Grant (water office) \$46,293.32

TOTAL: \$185,272.78

EXPENDITURES

Contract Workers \$248.00

Employees \$18,429.39

O & M /Office Expense \$12,291.55

Loans/Dues/Fees/Taxes \$14,662.26

System Repair (Enhancements) \$11,941.00

Safety Deposit Box Rent \$18.00

Insurance/Bond \$2,587.00

Subtotal: \$60,177.20

waterline Project (Grant) \$26,477.71

Water Office Repair (Grant) \$48,722.15

TOTAL: \$135,377.06

Ending Balance as of 12/31/2010: \$49,895.72

SCHEDULE OF FINDINGS AND RESPONSES

2010-01 Late Submission of Report

CONDITION

The agreed upon procedures report for the fiscal year ended December 31, 2010 was not filed timely by May 31, 2011 as required.

CRITERIA

The due date of May 31, 2011 is established in Section 2.2.2.9 NMAC of the 2010 State Auditor Rule.

CAUSE

The originally submitted report was rejected by the New Mexico State Auditor and the report containing required corrections was submitted after May 31, 2011.

EFFECT

The report was not made available on a timely basis for use by the Legislature, the administration, or by other users.

RECOMMENDATION

Future required reports should be filed timely as possible.

MANAGEMENT RESPONSE

The Association has no responsibility over the Independent Accountant's Report on Applying Agreed-Upon Procedures; however, we will work with our accountants in the future to ensure all required reports are submitted in a timely manner.

PONDEROSA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION EXIT CONFERENCE June 30, 2010

An exit conference was held on May 13, 2011 to discuss the agreed upon procedures. Attending were the following:

Representing the Ponderosa Mutual Domestic Water Consumers Association:

Board of Directors Gloria Garcia, Vice President

Management Diana Clark, Manager

Representing the Independent Accountant:

Herman Chavez, CPA, Manager Jake Bowe, Staff Accountant