



ricci & company llc

Certified Public Accountants

**PONDEROSA MUTUAL
DOMESTIC WATER
CONSUMERS ASSOCIATION**

**AGREED UPON PROCEDURES
REPORT**

December 31, 2011



**PONDEROSA MUTUAL DOMESTIC WATER
CONSUMERS ASSOCIATION**

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PONDEROSA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

December 31, 2011

Official Roster

Board of Directors

Eileen Petz, President
Gloria Garcia, Vice President
Margie Creel, Secretary/Treasurer
Arnold Garcia
Gene Bishop

Principal Employees

Diana Clark, Manager
Sue Niles, Maintenance

**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, 2011. 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 11, 2012

STATE OF NEW MEXICO
PONDEROSA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
LEGISLATIVE APPROPRIATIONS
12/31/2011

Project Title	Legislation	Award	Amount Received	Amount Expended	Balance December 31, 2011	Effective Dates
Water System Improvements	74-1-6.B NMSA 1978	\$ 100,000	86,529	13,470	1	7/08-6/12
Ponderosa Water Office	Laws of 2007, Chap. 2, Sec. 26 Para. 186	\$ 53,605	53,581	7,288	24	2/10-6/11

**PONDEROSA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2011**

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 all the 2011 monthly bank statements were performed prior to the subsequent Board of Directors meeting in a timely manner and signed off by the Board President.

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 12 months to test reconciliations which were all accurate, 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 Word software to maintain its inventory listing.

**PONDEROSA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2011**

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 Meter Sales revenues is attributable to one new user joining the system during 2011. The Association anticipates connection and reconnection fees but due to the community, does not budget for new members. All other variances were immaterial.

Select a sample of revenue based on auditor judgment using 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 adequate coverage of revenues, we selected six months of billing activity for water sales and the subsequent month's collections, including February 2011, March 2011, June 2011, August 2011, September 2011, and November 2011. We analytically determined whether the collections were reasonable in relation to the billing reports obtained from the client. We then selected all the grant revenues received. These selections yielded a coverage rate of 58% of total revenues. No exceptions were noted testing the attributes above.

**PONDEROSA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2011**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

4. Expenditures

Select a sample of cash disbursements based on auditor judgment 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 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.
- b) 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 test expenditures the following procedures were performed:

- Haphazardly selected 9 sample items selected from the total check range of the Association for the fiscal year.
- Selected one item for testing based on large and unusual disbursements for the Association.
- Tested 100% of the Association's payroll.
- Tested 100% of capital outlay expenditures.

The above attributes were tested without exception for all of the transactions.

5. Journal Entries

If nonroutine 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.

**PONDEROSA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2011**

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 on January 25, 2011. The only notification letter that was received by the Association from DFA-LGD was on March 8, 2012, stating that the final budget for 2011 and proposed budget for 2012 was approved.

- 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 Schedule 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.

PONDEROSA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2011

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 the capital outlay appropriations procedures, we reviewed all disbursements related to capital outlay appropriations. We reviewed all transactions for adequate support. We tested all transactions for the above mentioned attributes. All capital outlay appropriations contained adequate support and were made in accordance with the New Mexico Procurement Code and State Purchasing Regulations.

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

**PONDEROSA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2011**

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.

Funds related to capital outlay appropriations have been exhausted as of and for the year ended on December 31, 2011. The funds have been expended in accordance with the terms of the appropriations.

- 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.

- i) 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(1)(3)(C) NMAC.

During field work 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
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND - CASH BASIS
Year Ended December 31, 2011

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenues				
Water revenue	\$ 74,700	74,700	74,007	(693)
Meter sales	1,100	1,100	3,900	2,800
Miscellaneous/interest	400	400	767	367
Legislative SAP grant	13,470	13,470	13,470	-
Legislative grant	7,312	7,312	7,288	(24)
Total revenues	96,982	96,982	99,432	2,450
Expenditures				
Current:				
Contract workers	1,000	1,000	100	900
Employees	18,500	18,500	19,397	(897)
O & M/office expense	15,000	15,000	15,642	(642)
Loans/dues/fees/taxes	14,700	14,700	14,862	(162)
System repair	24,000	24,000	13,732	10,268
Safety deposit box rent	-	-	18	(18)
Insurance/bond	3,000	3,000	2,668	332
Water line project	-	-	-	-
Water office repair	7,312	7,312	7,288	24
Total expenditures	83,512	83,512	73,707	9,805
Excess of revenues over expenditures	\$ 13,470	13,470	25,725	12,255

**PONDEROSA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
YEAR END FINANCIAL REPORT AS SUBMITTED TO DFA
December 31, 2011**

PONDEROSA MDWCA 2011 BUDGET

Beginning Balance as of 1/1/2011 \$ 49,895.72

REVENUE

Water Revenue \$74,006.78

Meter Sales \$3,900.00

Misc. Interest (Bank) \$766.71

Subtotal: \$78,673.49

Legislative SAP Grant (waterline) \$13,470.45

Legislative Grant (water office) \$7,288.34

TOTAL \$149,328.00

EXPENDITURES

Contract Workers \$100.00

Employees \$19,396.60

O & M /Office Expense \$15,642.34

Loans/Dues/Fees/Taxes \$14,861.69

System Repair (Enhancements) \$13,731.92

Safety Deposit Box Rent \$18.00

Insurance/Bond \$2,668.00

Subtotal \$66,418.55

Water Office Repair (Grant) \$7,288.34

TOTAL \$ 73,706.89

Ending Balance as of 12/31/2011 \$ 75,621.11

**PONDEROSA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2011**

SCHEDULE OF FINDINGS AND RESPONSES

None

**PONDEROSA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
EXIT CONFERENCE
December 31, 2011**

An exit conference was held on April 24, 2012 to discuss the agreed upon procedures. Attending were the following:

Representing the Ponderosa Mutual Domestic Water Consumers Association:

Board of Directors
Eileen Petz, President

Management
Diana Clark, Manager

Representing the Independent Accountant:

Herman Chavez, CPA, Manager
Jake Bowe, Staff Accountant