

**PONDEROSA MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES REPORT
DECEMBER 31, 2014**

**PONDEROSA MUTUAL DOMESTIC WATER CONSUMERS
ASSOCIATION**

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PONDEROSA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

December 31, 2014

Official Roster

Board of Directors

Gloria Garcia, President
Louise Bradley, Vice President
Margie Creel, Secretary/Treasurer
Chris Garcia, Member
Arnold Garcia, Member

Principal Employees

Diana Clark, Manager
Sue Niles, Maintenance



**Independent Accountant's Report on Applying
Agreed Upon Procedures**

**6200 Uptown Blvd NE
Suite 400
Albuquerque, NM 87110
505.338.0800**

To Management
Ponderosa Mutual Domestic Water Consumers Association
Ponderosa, New Mexico
and
To Mr. Tim Keller, 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 4, as of December 31, 2014. 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 we performed and the associated findings 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 4 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 12, 2015

**PONDEROSA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2014**

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.

The Association has two checking and three savings accounts held at the same financial institution. One checking account is utilized for operations and serves as the Association's primary account. Transaction activity in other accounts is generally minimal. Bank reconciliations are completed manually by the Board President through review of the bank statement and support for checks written and deposits made. We determined that all bank reconciliations are performed on a timely basis and all were complete and on-hand for the fiscal year.

- 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 tested reconciliations for seven months: January, March, June, July, September, October, and December 2014. Reconciliations are accurate and tie to supporting detail, general ledger and the financial reports submitted to DFA – Local Government Division.

- 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 a cumulative account balance below the \$250,000 Federal Deposit Insurance Corporation coverage limit; therefore, additional procedures were not performed.

**PONDEROSA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2014**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

2. Capital Assets

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

The Association maintains a capital assets inventory listing and performed a yearly inventory as required by Section 12-6-10 NMSA 1978. The Association utilizes Microsoft Word software to maintain its inventory listing.

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 performed an analytical review of the change in current year revenue from prior year and evaluated current year budget-to-actual revenues. We noted no unusual or unexplained variances.

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- March, April, May, August, September and October 2014- and compared with the month's collections, using the monthly meter reading reports, collections reports, and bank statements. We analytically determined whether the collections were reasonable in relation to the billing reports obtained from the client. No exceptions were noted testing the attributes above.

**PONDEROSA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2014**

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.
- 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).

We randomly selected 15 disbursements for review from the total disbursement population; this population excluded payroll and payroll tax disbursements which were tested separately. In the performance of our review, we selected two additional high dollar disbursements for testwork. No exceptions were noted testing the attributes above.

We then tested 100% of the Association's payroll expenditures. No exceptions were noted testing the attributes above.

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.

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.

**PONDEROSA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
December 31, 2014**

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.

From a review of meeting minutes and correspondence, we determined that the fiscal year 2014 original proposed and final budget was approved by the Association's Board through resolution. The DFA-LGD approval was granted on June 3, 2014. We also noted that there was one subsequent budget adjustment approved by the Association's Board on October 14, 2014.

- 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 exceeded the final budget at the total fund level, which is the legal level of budgetary control. Compliance finding 2014-001 is included in the Schedule of Findings and Responses.

- 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 (page 7) which is prepared on the cash basis of accounting.

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 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
YEAR END FINANCIAL REPORT AS SUBMITTED TO DFA
December 31, 2014**

PONDEROSA MDWCA 2014 BUDGET

Beginning Balance as of 1/1/2014		\$ 97,144.40
REVENUE		
Water Revenue	\$72,903.85	(includes 5% GRT)
Meter Sales	\$3,100.00	
Misc/Interest (Bank)	\$467.19	
Misc/ Community Hall membership	\$1,440.00	
System Enhancement Fund	\$500.00	
Uncashed checks/Corrections	<u>\$72.70</u>	
Subtotal:	<u>\$78,483.74</u>	
TOTAL		\$175,628.14
EXPENDITURES		
Office Services	\$1,275.00	
Employees	\$19,393.42	
O & M /Office Expense	\$18,673.15	
Dues/Fees/Taxes	\$9,962.28	
System Repair (Enhancements)	\$47,754.60	
Safety Deposit Box Rent	\$18.00	
Insurance/Bond	\$2,855.00	
Misc/Community Hall Membership	\$1,440.00	
Water Rights/Meter Purchase	<u>\$500.00</u>	
Subtotal	<u>\$101,871.45</u>	
Ending Balance December 31,2014		<u>\$ 73,756.69</u>

PONDEROSA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND - CASH BASIS
Year Ended December 31, 2014

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenues				
Water revenue	\$ 73,000	73,000	72,904	(96)
Meter sales	-	-	3,100	3,100
Water system enhancement fees	-	-	500	500
Community Hall collections	-	-	1,440	1,440
Other revenue	-	-	73	73
Bank interest	450	450	467	17
Total revenues	73,450	73,450	78,484	5,034
Expenditures				
Current:				
Office services	4,000	4,000	1,275	2,725
Employees	19,200	19,200	19,393	(193)
O & M/office expense	17,000	17,000	18,673	(1,673)
Dues/fees/taxes	8,000	8,000	9,962	(1,962)
System repair	30,000	40,000	47,755	(7,755)
Safety deposit box rent	-	-	18	(18)
Water rights/meter purchase	-	-	500	(500)
Community Hall collections remitted	-	-	1,440	(1,440)
Insurance/bond	3,500	3,500	2,855	645
Total expenditures	81,700	91,700	101,871	(10,171)
Deficiency of revenues under expenditures	(8,250)	(18,250)	(23,387)	(5,137)
Prior Year Cash Balance Budgeted	8,250	18,250		
	\$ -	-		

**PONDEROSA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2014**

A. PRIOR YEAR AUDIT FINDING

		STATUS
2013-01	Noncompliance with NM State Statute	Resolved

B. CURRENT YEAR AUDIT FINDING

2014-001	Expenditures in Excess of Budget	
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**PONDEROSA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
AGREED UPON PROCEDURES
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2014**

FINDINGS – AGREED UPON PROCEDURES

2014-001 –Expenditures in Excess of Budget

CONDITION

The Association's expenditures exceeded its budget in the General Fund by \$10,171. Of this amount, \$1,940 nets directly against other revenues in excess of budget.

CRITERIA

Budgetary controls, which include the timely adoption of budget adjustments, should prevent any expenditure in excess of the approved budget (NMSA 1978, Section 6-6-6).

CAUSE

The Association did not adjust the budget in order to reflect changes in expenditures related to necessary repairs, maintenance and/or enhancements to the water system.

EFFECT

Violating budget constraints may impact the availability of funds for operations in future years. In addition, expenditures in excess of budget indicate a potential lack of controls in the purchasing process which could result in unauthorized purchases being initiated. The Association is in violation of regulation and policies established by the State of New Mexico and Department of Finance and Administration.

RECOMMENDATION

We recommend that the Association monitor its operations against the budget regularly and request budget adjustments in advance of unfavorable variances.

MANAGEMENT RESPONSE

The Board of Directors and Manager will monitor and review the budget monthly. If there is a subsequent deficiency, a request for a budget adjustment will be made in a timely manner.

**PONDEROSA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
EXIT CONFERENCE
December 31, 2014**

An exit conference was held via teleconference on May 12, 2015 to discuss the agreed upon procedures. Attending were the following:

Representing the Ponderosa Mutual Domestic Water Consumers Association:

Board of Directors:

Gloria Garcia, President

Management:

Diana Clark, Manager

Representing the Independent Accountant:

Shawn Mortensen, CPA, Manager