



STATE OF NEW MEXICO

**Ponderosa Mutual Domestic Water Consumers
Association**

Independent Accountants' Report on Applying
Agreed-Upon Procedures-Tier 4

Year Ended December 31, 2016

STATE OF NEW MEXICO
Ponderosa Mutual Domestic Water Consumers Association

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December 31, 2016

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STATE OF NEW MEXICO
PONDEROSA MUTUAL DOMESTIC CONSUMERS ASSOCIATION

Official Roster
at December 31, 2016

<u>Name</u>	<u>Title</u>
<u>Board Members</u>	
Gloria Garcia	President
Louise Bradley	Vice President
Arlene Gonzales	Secretary/Treasurer

STATE OF NEW MEXICO

Ponderosa Mutual Domestic Water Consumers Association

**Independent Accountants' Report on Applying
Agreed-Upon Procedures-Tier 4**

Year Ended December 31, 2016



**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES**

To: Diana Clark and Darlene Hilger
Ponderosa Mutual Domestic Water Consumers Association
Board of Directors
and
Timothy Keller
New Mexico State Auditor

We have performed the procedures enumerated below for the Ponderosa Mutual Domestic Water Consumers Association (Association) for the year ended December 31, 2016, solely to assist the Association in demonstrating compliance with the provisions of Laws of 2008, Chapter 83, as set forth in the accompanying Projects Schedules – Summary and Detail, Exhibits A and B. The Association was determined to be a Tier 4 entity under the Audit Act, Section 12-6-3 B (5) 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 organization's accounting records. 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 the 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. The Association was properly classified as Tier 4. Our procedures and findings follow.

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.

Precision Accounting, LLC determined that bank reconciliations were complete and on-hand and appear to have been performed timely.

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.

Precision Accounting, LLC 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 DGA-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.

Precision Accounting, LLC noted that the Association did not exceed the \$250,000 FDIC insurance on its bank accounts. The Association does have an investment account that is not secured and therefore does not meet the requirements of the Public Monies Act; therefore, additional procedures were not performed.

3. Capital Assets

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

Precision Accounting, LLC verified that the Association has an inventory listing that is updated annually. It was noted that the listing contained only the year on items over \$5,000 prior to 2015.

4. Revenue

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.

Precision Accounting, LLC performed the analytical review of budget to actual, noting no unusual or unexplained variances.

Test a sample of the total amount of revenues for the following attributes:

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

Precision Accounting, LLC reviewed revenues and agreed them to supporting documentation, the general ledger and the bank statements.

- 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.

Precision Accounting, LLC reviewed the revenues, noting agreement with supporting documentation, proper classification and recording in the general ledger.

5. Expenditures

Select a sample of cash disbursements and test 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).

Precision Accounting, LLC reviewed expenditures, and verified the disbursement agrees to the supporting documentation and that the transactions were properly authorized and approved. Precision Accounting, LLC also verified that the transactions were in compliance with the New Mexico Procurement Code and the State Purchasing Act and Regulations

Governing the Per Diem and Mileage Act.

6. Journal Entries

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attribute:

- 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.

7. 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.

Precision Accounting, LLC reviewed the budget adjustments and traced them to the DFA report.

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

Precision Accounting, LLC determined that the Association's actual expenditures did not exceed 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.

Precision Accounting, LLC reviewed the budget submitted to DFA for approval and noted DFA approval was provided in correspondence to the Association.

No information has come to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance or any internal control deficiencies.

We were not engaged to, and did not conduct an audit of financial statements or any part thereof, the objective of which would be the expression of an opinion on the financial statements or a part thereof, including the accompanying Projects Schedules – Summary and Detail, Exhibits A and B. 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 the Ponderosa Mutual Domestic Water Consumers Association, the New Mexico State Auditor's Office and the Department of Finance and Administration, Local Government Division and is not intended to be and should not be used by anyone other than those specified parties.

Precision Accounting, LLC

Precision Accounting, LLC
Albuquerque, New Mexico
March 16, 2016

Ponderosa Mutual Domestic Water Consumers Association

**Schedule of Revenues and Expenditures
Budget to Actual
Year Ended December 31, 2016**

	Budgeted Amounts		Actual	Exhibit A-4 Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
	<i>Revenues:</i>			
Water Revenue	\$ 73,500	\$ 73,500	\$ 74,775	\$ 1,275.48
Meter Sales	1,850	1,850	-	(1,850)
Water system enhancement fees	250	250	250	-
Community Hall collections	1,470	1,470	-	(1,470)
Meter deposit	-	-	-	-
Bank Interest	400	400	1,391	991
<i>Total revenues</i>	<u>\$ 77,470</u>	<u>\$ 77,470</u>	<u>\$ 76,417</u>	<u>(1,053)</u>
<i>Expenditures:</i>				
Current:				
Office services	\$ 2,000	\$ 4,000	\$ 2,085	\$ (1,915)
Employees	19,400	19,400	19,366	(34)
O & M/ office expense	19,000	24,000	21,455	(2,545)
Dues/fees/taxes	10,500	10,500	10,546	46
System repair	25,000	18,000	6,712	(11,288)
Safety deposit box rent	18	18	-	(18)
Water rights/meter purchase	-	-	2,604	2,604
Community Hall collections remitted	1,470	1,470	1,460	(10)
Insurance/bond	3,050	3,050	3,125	75
Meter deposit refund	25	25	-	(25)
<i>Total expenditures</i>	<u>\$ 80,463</u>	<u>\$ 80,463</u>	<u>\$ 67,352</u>	<u>\$ (13,111)</u>
<i>Excess of revenues over expenditures</i>	<u>\$ (2,993)</u>	<u>\$ (2,993)</u>	<u>\$ 9,064</u>	<u>\$ 12,057</u>

PONDEROSA MDWCA 2016 ADJUSTED BUDGET

Beginning Cash Balance as of January 1 , 2016: \$89,059.43

REVENUE

Water Revenue	\$73,500.00 (Includes 5% GRT)
Meter Sales	\$1,850.00
Misc/Interest (Bank)	\$400.00
Misc/Communtiy Hall Membership	\$1,470.00
System Enhancement Fund	\$250.00
Uncashed Cks/Corrections	\$0.00
Subtotal:	\$77,470.00

TOTAL: \$166,529.43

EXPENDITURES

Office Services	\$4,000.00
Employees	\$19,400.00
O & M / Office Expense	\$24,000.00
Dues/Fees/Taxes	\$10,500.00
System Repair (Enhancements)	\$18,000.00
Safety Deposit Box Rent	\$18.00
Meter Deposdit Refund	\$25.00
Insurance/Bond	\$3,050.00
Misc/Community Hall Membership	\$1,470.00
Water Rights/Meter Purchase	\$0.00
Subtotal:	\$80,463.00

Ending Cash Balance December 31, 2016 \$86,066.43

TOTAL: \$166,529.43

STATE OF NEW MEXICO
Ponderosa Mutual Domestic Water Consumers Association
Schedule of Findings and Responses
December 31, 2016

<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
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Current Year Findings:

None

Prior Year Findings:

	Type of Finding *	Prior Year Finding Number	Status
Inadequate Inventory Listing-Material Noncompliance	D	2015-001	Resolved
Lack of Supporting Documentation-Other Noncompliance	D	2015-002	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
Year Ended December 31, 2016

EXIT CONFERENCE

The report contents were discussed at an exit conference held on March 16, 2017 with the following in attendance:

Ponderosa Mutual Domestic Water Consumers Association

Anna Trujillo, Secretary/Treasurer
Diana Clark, Office Manager
Darlene Hilger, Office Manager
Paul Cordova, Office Assistant and Tester

Accounting Firm

Melissa R. Santistevan, CPA, CFE, CICA, CGMA
Alexandra Yebra, Staff Accountant