



**STATE OF NEW MEXICO**

**Ponderosa Mutual Domestic Water Consumers  
Association**

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

Year Ended December 31, 2017

**STATE OF NEW MEXICO**  
**Ponderosa Mutual Domestic Water Consumers Association**

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**December 31, 2017**

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STATE OF NEW MEXICO  
PONDEROSA MUTUAL DOMESTIC CONSUMERS ASSOCIATION

Official Roster  
at December 31, 2017

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<u>Name</u>	<u>Title</u>
<b><u>Board Members</u></b>	
Anna Trujillo	President
Louise Bradley	Vice President
Barbara Trujillo	Secretary/Treasurer
Anthony Sedillo	Member
Roberta Arrellano	Member

**STATE OF NEW MEXICO**

**Ponderosa Mutual Domestic Water Consumers Association**

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

**Year Ended December 31, 2017**

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

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To: Darlene Hilger  
Ponderosa Mutual Domestic Water Consumers Association  
Board of Directors  
and  
Wayne Johnson  
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, 2017, 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. Verify the local public body's revenue calculation and tier determination documented on the form provided at [www.osanm.org](http://www.osanm.org) under "Tiered System Reporting Main Page."

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) 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.

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 50% 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.

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.

#### 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.

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

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.

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 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).

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 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.

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

- 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.

Precision Accounting, LLC determined that the Association's actual expenditures did 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.

8. Other

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 and 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 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 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 State Auditor's Office and the Department of Finance and Administration, Local Government Division, New Mexico Legislature 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 20, 2018

**Ponderosa Mutual Domestic Water Consumers Association**

**Schedule of Revenues and Expenditures  
Budget to Actual  
Year Ended December 31, 2017**

	Budgeted Amounts		Actual	Exhibit A-4 Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
<i>Revenues:</i>				
Water Sales	\$ 68,500	\$ 68,500	\$ 67,261	\$ (1,239)
Connection/Reconnection Charges	75	75	65	(10)
Membership and Meter Sales	3,700	3,700	9,250	5,550
Late Fees and Penalties	-	-	-	-
Gross Receipts Tax	3,425	3,425	3,712	287
Other Operating Revenues	1,752	1,752	2,550	798
<i>Total revenues</i>	<u>\$ 77,452</u>	<u>\$ 77,452</u>	<u>\$ 82,838</u>	<u>\$ 5,386</u>
<i>Expenditures:</i>				
Current:				
Salaries-Operator,Bookkeeper, etc	\$ 19,400	\$ 19,400	\$ 19,772	\$ (372)
Employee Benefits and Expenses	6,800	6,800	7,582	(782)
Electricity	520	520	439	81
Other Utilities- Gas, Water, Sewer, Telephor	1,325	1,325	1,378	(53)
System Parts and Supplies	12,000	13,850	14,259	(409)
System Repairs and Maintenance	10,000	12,800	15,803	(3,003)
Vehicle Expenses	-	-	-	-
Office and Administrative Expenses	7,500	5,650	5,647	3
Professional Services- Accounting, Engineer	6,000	6,000	6,444	(444)
Insurance	3,200	3,200	3,216	(16)
Dues, Fees, Permits and Licenses	700	700	349	351
Taxes- Gross Receipts Tax, Water Conservat	3,725	3,725	3,990	(265)
Training	500	500	375	125
Miscellaneous	4,260	1,460	1,472	(12)
<i>Total expenditures</i>	<u>75,930</u>	<u>75,930</u>	<u>80,726</u>	<u>(4,796)</u>
<i>Net change in Fund Balance</i>	1,522	1,522	2,112	590
Beginning Fund Balance	98,360	98,360	98,360	-
<i>Ending Fund Balance</i>	<u>\$ 99,882</u>	<u>\$ 99,882</u>	<u>\$ 100,472</u>	<u>\$ 590</u>



MDWCA Name:  
Mailing Address:  
Email Address:  
Phone number:

Calendar Year  
2017

	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
<b>Beginning balances:</b>								
Cash	32,224							
Savings	66,136							
CDs								
Investments								
<b>Beginning Balance TOTAL</b>	<b>\$ 98,360</b>							
<b>REVENUES</b>								
Water Sales (Water Use Fees)	68,500	17,636	15,678	17,450	16,497	67,261	1,239	98%
Connection/Reconnection Charges	75	0	50		15	65	10	87%
Membership and Meter Sales (Utility Service Fees)	3,700	0			9,250	9,250	(5,550)	250%
Late Fees and Penalties (Other Fines and Forfeits)	0	0				0	0	-
Gross Receipts Tax (Other State shared taxes)	3,425	878	900	914	1,020	3,712	(287)	108%
Other Operating Revenue (miscellaneous - other)	1,752	1,521	15	16	999	2,550	(798)	146%
<b>TOTAL</b>	<b>\$ 77,452</b>	<b>20,034</b>	<b>16,643</b>	<b>18,380</b>	<b>27,781</b>	<b>82,837</b>	<b>(5,385)</b>	<b>107%</b>
<b>EXPENDITURES</b>								
Salaries - Operator, Bookkeeper, etc.	19,400	6,008	5,660	4,728	3,376	19,772	(372)	102%
Employee Benefits and Expenses	6,800	2,067	2,112	1,875	1,528	7,582	(782)	112%
Electricity	520	168	84	110	78	439	81	84%
Other Utilities - Gas, Water, Sewer, Telephone	1,325	342	335	354	347	1,378	(53)	104%
System Parts and Supplies	12,000	0	3,115	7,849	3,294	14,259	(2,259)	119%
System Repairs and Maintenance	10,000	4,272	3,526	0	8,005	15,803	(5,803)	158%
Vehicle Expenses						0	0	-
Office and Administrative Expenses	7,500	2,169	945	1,240	1,293	5,647	1,853	75%
Professional Services - Accounting, Engineering, Legal	6,000	270	2,411	1,603	2,160	6,444	(444)	107%
Insurance	3,200	0	3,216	0	0	3,216	(16)	101%
Dues, Fees, Permits and Licenses	700	41	0	31	277	349	352	50%
Taxes - Gross Receipts Tax, Water Conservation Fee	3,725	997	900	1,073	1,020	3,990	(265)	107%
Training	500	375	0	0	0	375	125	75%
<b>TOTAL</b>	<b>\$ 75,930</b>	<b>18,168</b>	<b>22,303</b>	<b>18,876</b>	<b>21,378</b>	<b>80,726</b>	<b>(4,796)</b>	<b>106%</b>
<b>Loan</b>								
Annual debt service - Loan 1						0	0	-
Annual debt service - Loan 2						0	0	-
<b>TOTAL</b>	<b>\$ 75,930</b>	<b>18,168</b>	<b>22,303</b>	<b>18,876</b>	<b>21,378</b>	<b>80,726</b>	<b>(4,796)</b>	<b>106%</b>
<b>Ending Balance</b>	<b>99,882</b>					<b>100,471</b>		
LESS: Operating Reserve								
Emergency Reserve								
Capital Improvement Reserve								
Debt Reserve								
<b>Ending Available Cash Balance</b>	<b>\$ 99,882</b>					<b>\$ 100,471</b>		

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.

**STATE OF NEW MEXICO**  
**Ponderosa Mutual Domestic Water Consumers Association**  
**Schedule of Findings and Responses**  
**December 31, 2017**

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
<b>Current Year Findings:</b>			
Expenditures in excess of Budget	D		2017-001
<b>Prior Year Findings:</b>			
None			<b>Status</b>

**\* Legend for Findings:**

- A. Fraud
- B. Illegal Act(s)
- C. Internal Control Deficiency(ies)
- D. Noncompliance

2017-001 Excess Expenditures over Budget (Compliance)

CONDITION: The PMDCWA expenditures were over budget by \$4,796.

CRITERIA: NMSA 6-6-6 requires that a funds total budget is not overspent.

CAUSE: As a proprietary fund, the District understood the total fund budget to include beginning cash, all revenue and expenditures and believed it was in compliance as DFA approved their final 2017 reports, however, the Department of Finance and Administration and the Office of the State Auditor require that the budgetary level of authority be at the expenditure level.

EFFECT: The District appears to be out of compliance with State regulations related to the budgetary process.

RECOMMENDATION: We recommend that the District implement controls to ensure budget adjustments are done for all expenditures exceeding budgeted expenses.

CLIENT RESPONSE: Effective April 5, 2018, upon notification of the requirements, the Office Assistant will ensure that all budget adjustments necessary are made for the 2018 calendar year.

**STATE OF NEW MEXICO**  
**Ponderosa Mutual Domestic Water Consumers Association**

**Exit Conference**  
**Year Ended December 31, 2017**

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**EXIT CONFERENCE**

The report contents were discussed at an exit conference held on March 20, 2018 with the following in attendance:

Ponderosa Mutual Domestic Water Consumers Association

Barbara Trujillo, Secretary/Treasurer  
Darlene Hilger, Office Manager  
Paul Cordova, Office Assistant

Accounting Firm

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