

STATE OF NEW MEXICO
VISTA REDONDA WATER AND PROPERTY OWNERS' ASSOCIATION, INC.

Agreed Upon Procedures Report

June 30, 2010

Gordon and Hale

PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO

VISTA REDONDA WATER AND PROPERTY OWNERS' ASSOCIATION, INC.

Official Roster

June 30, 2010

Board of Directors:

Keitha Leonard	President
Michael Mudd	Vice President
John Nye	Vice President
Nancy Mudd	Secretary / Treasurer
David Stupin	Treasurer (subsequent fiscal year)
Sam Burger	Director
Peter Frank	Director
Harvey Simon	Director
Chris Van Schayk	Director

STATE OF NEW MEXICO

VISTA REDONDA WATER AND PROPERTY OWNERS' ASSOCIATION, INC.

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Gordon and Hale

PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS



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Independent Accountant's Report

On Applying Agreed-upon Procedures

New Mexico State Auditor, and
Board of Directors
Vista Redonda Water and Property Owners' Association, Inc.
P. O. Box 375
Santa Fe, NM. 87574

We have performed the procedures enumerated below, which were agreed to by Vista Redonda Water and Property Owners' Association, Inc. (Association) and the New Mexico State Office of the State Auditor solely to fulfill the requirements of 12-6-3, NMSA 1978 Compilation, for the fiscal year ended June 30, 2010. The Vista Redonda Water and Property Owners' Association's management and the State of New Mexico Office of the State Auditor are responsible for complying with the aforementioned state statute. 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 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.

Procedures and associated findings follow:

Agreed-upon procedures:

We determined that the Association is subject to Tier 4 agreed upon procedures.

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.

All bank accounts and investment (CDs) statements appeared complete and are on hand. They are reconciled monthly on a timely basis.

Cash continued:

b) Randomly test bank reconciliations for accuracy; trace ending balances to the general ledger, supporting documentation and the financial reports submitted to the Department of Finance and Administration – Local Government Division.

We tested four of twelve months reconciliations and found them to be accurate and in agreement with the related supporting documents and the general ledger.

The Association was not aware of its requirement to and did not submit a report to the Department of Finance and Administration – Local Government Division.

See Schedule of Findings attached to this report (Finding 1).

c) Determine whether Vista Redonda Water and Property Owners' Association, Inc.'s financial institution (s) have provided it with the 50% of pledged collateral on all uninsured deposits as required by 6-10-17 NMSA 1978 (Public Monies Act).

The association maintains three accounts and three certificates of deposit with one financial institution. Within that bank, deposits totaled \$18,959.16 in excess of FDIC coverage. The Association was not aware of the related collateral requirements as it just learned that it is considered a Local Public Body.

See Schedule of Findings attached to this report (Finding 2).

Capital Assets:

Verify that Vista Redonda Water and Property Owners' Association, Inc. is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.

Section 12-6-10 requires the annual inventory and certification of movable chattel costing \$500.00 or more.

The Association does not maintain movable chattel costing \$500.00 or more.

Revenue:

Identify the nature and amount of revenue by review of the budget, agreements, rate schedules, and underlying documentation.

The Association has two basic sources of revenue; (1) fees and (2) interest income. Fees are for community expense, late fees, water overage charges, water user fee, late fees, transfer fees and owner assessments.

Revenue Continued:

a) Perform an analytical review; test the actual revenue compared to budgeted revenue for the fiscal year for each type of revenue.

Analytical procedures were performed for Community Expense fees, Water user fees, and owner's assessments. These comprise 88% of total revenues. The result of our tests show that reported amounts for these revenues appear reasonable.

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

We traced \$150,643 of a total of \$150,901 reported revenues or 99% of total reported revenue.

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

Amounts recorded in the general ledger did agree to support and the bank statement.

c) Proper recording of classification, amount, and period per review of supporting documentation and the general ledger.

Amounts recorded appeared to be properly classified, at proper amounts, and recorded in the proper fiscal year.

Expenditures:

Select a representative sample of cash disbursements and test at least 25 transactions and 50% of the total amount of expenditures for the following attributes:

We tested 25 judgmentally selected invoices totaling \$61,662.25 or 74% of total reported expenditures.

a) The recorded disbursement 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.

All disbursements tested agreed to supporting documentation as to amount, payee, date and description.

b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

Vista Redonda Water & Property Owners' Association, Inc.'s Treasurer approves all disbursements.

We noted many invoices contained an indication "OK to Pay" but not all invoices reflected such review. See Schedule of Findings attached to this report (Finding 3)

Expenditures 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 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and regulations governing the Per Diem and Mileage Act (2.42.2 NMAC).

Vista Redonda Water and Property Owners' Association, Inc. does not maintain a procurement policy. See Schedule of Findings attached to this report. (Finding 4)

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:

The Association generated six journal entries.

a) Journal entries appear reasonable and have supporting documentation.

We tested two journal entries totaling \$11,158 of \$11,798 or 95% of dollars in journal entries. We found that the reason for the journal entries was stated on the general ledger and all appeared reasonable.

b) The Vista Redonda Water and Property Owners' Association, Inc. has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

The Treasurer reviews and approves all disbursements. Not all invoices or journal entries evidence the review and approval. The Board also reviews monthly financial statements.

See Schedule of Findings attached to this report. (Finding 3)

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 governing board and the Department of Finance and Administration – Local Government Division.

The board reviews and approves the annual budgets each July. There were no budget amendments during the fiscal year.

Vista Redonda Water and Property Owners' Association, Inc. has not reported to DFA-Local Government division. (See Finding 1)

Budget Continued:

b) Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control.

We noted that the expenditure budget for the Operating Account was over expended.

See Schedule of Findings attached to this report. (Finding 5)

c) Following are schedules of revenues and expenditures – budget and actual on the cash basis (Unaudited).

	Original <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Operating account:			
Revenue:			
Community expense fee	\$ 5,840	5,680	(160)
Water user fees	65,000	63,000	(2,000)
Water overage charge	2,285	574	(1,711)
Late fees	250	300	50
Interest income	<u>200</u>	<u>56</u>	<u>(144)</u>
Total revenues	73,575	69,610	(3,965)
Cash balance from prior year	<u> </u>	<u>26,438</u>	<u>26,438</u>
Totals	<u>73,575</u>	<u>96,048</u>	<u>22,473</u>
Expenditures:			
Bookkeeping and secretarial	16,000	30,421	(14,421)
Provision for bad debts	1,080		1,080
Community meetings expense	5,200	4,986	214
Consulting-System operation	7,000	5,444	1,556
Educational seminars	500		500
Insurance	6,000	4,589	1,411
Landscape Maintenance	3,500	2,845	655
Legal	5,000	6,090	(1,090)
Miscellaneous administration	250	317	(67)
Office expense	1,500	1,935	(435)
Postage	1,000	1,113	(113)
System maintenance	10,200	4,771	5,429
Tax preparation	750	919	(169)
Taxes – Corporate & Property	600	346	254
Taxes – Water fee	275	210	65
Telephone	450	492	(42)
Utilities	6,100	5,455	645
Water Master Fee	7,500	7,351	149
Water testing	<u>600</u>	<u>764</u>	<u>(164)</u>
Expenditure totals	<u>73,505</u>	<u>78,048</u>	<u>(4,543)</u>
Net variance Operating Account	\$		<u>17,930</u>

Budget continued:

		<u>Original Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Capital reserve account:				
Revenue:				
Interest income:				
Certificates of deposit	\$	10,000	9,493	(507)
Reserve account		150	44	(106)
Savings account		<u>0</u>	<u>256</u>	<u>256</u>
Total interest income		<u>10,150</u>	<u>9,793</u>	<u>(357)</u>
Owner's assessments		65,600	64,000	(1,600)
Transfer fees		<u>2,500</u>	<u>7,500</u>	<u>5,000</u>
Total revenue		78,250	81,293	3,043
Cash balance from prior year			<u>42,040</u>	<u>42,040</u>
Totals		<u>78,250</u>	<u>123,333</u>	<u>45,083</u>
Expenditures:				
Legal consultation		2,000		2,000
Provision for bad debts		800		800
Regulatory compliance				
Materials		500	398	202
Regulatory compliance other		<u>6,000</u>	<u>4,679</u>	<u>1,321</u>
Expenditure totals		<u>8,500</u>	<u>5,077</u>	<u>4,323</u>
Net variance Capital Reserve account				<u>49,406</u>
Total variance Operating and Capital Reserve	\$			<u>67,336</u>

Other:

Other Information (regardless of materiality) indicating fraud, illegal acts, non-compliance or internal control deficiencies.

Based on work performed, Vista Redonda Water and Property Owners' Association, Inc. 1) failed to maintain a procurement policy related to the Purchasing Act and 2) Vista Redonda Water and Property Owners' Association, Inc. did not report during the fiscal year to the Department of Finance and Administration-Local Government Division. (See Finding 1 and 4).

**Vista Redonda Water and Property Owners' Association, Inc.
Copy of Year End Financial Report Submitted to D. F. A.**

No reports were submitted to D. F. A.

Vista Redonda Water and Property Owners' Association, Inc.
Schedule of Findings
Fiscal Year ended June 30, 2010

1. The Local Government Division of the Department of Finance and Administration requires quarterly reports consisting of Bank Reconciliations and Budget Status.

The Vista Redonda Water & Property Owners' Association, Inc. has not reported to the Local Government Division of the Department of Finance and Administration.

The Association has recently learned that it is a Local Public Body and was not aware of this requirement.

The effect of this condition is lack of compliance with the Department of Finance and Administration-Local Government Division's reporting requirements.

We recommend the Board and Management consult with the Local Government Division to determine reporting and other possible compliance matters.

Response:

We agree with the finding and will contact the Local Government Division of the Department of Finance and Administration.

Vista Redonda Water and Property Owners' Association, Inc.
Schedule of Findings Continued
Fiscal Year ended June 30, 2010

2. The Public Monies Act (6-10-17), requires that banks pledge collateral to insure 50% of deposits in excess of available insurance (FDIC or SPIC).

Vista Redonda Water and Property Owners' Association, Inc. had \$18,959.16 of uninsured deposits with one bank. No collateral has been pledged by the bank for 50% of this excess.

Vista Redonda Water and Property Owners' Association, Inc. was unaware of this requirement.

The effect of this condition is non-compliance with the Public Monies Act.

We recommend that the board and management become familiar with and comply with the Public Monies Act.

Response:

We agree with the finding and will dispense the excess funds to other banks or institution (s).

Vista Redonda Water and Property Owners' Association, Inc.
Schedule of Findings Continued
Fiscal Year ended June 30, 2010

3. Good internal control requires a review of disbursements and journal entries by management.

We noted no evidence of review of journal entries and not all support for disbursements evidenced management's review.

The cause of this condition appears to be a failure to consider related internal controls over journal entries and not evidencing management's review on all disbursements.

The effect of this condition is that internal control is weakened allowing for errors or irregularities to occur and not be detected in a timely manner in the normal course of performing normal functions.

We recommend that Management establish policies and procedures to strengthen internal control over all disbursements and journal entries.

Response:

We agree, and we will establish related policies and procedures.

Vista Redonda Water and Property Owners' Association, Inc.
Schedule of Findings Continued
Fiscal Year ended June 30, 2010

4. The New Mexico Procurements Code and related State Purchasing regulations require Professional Service contracts be obtained and that at certain monetary levels bid be obtained.

The Vista Redonda Water and Property Owners' Association, Inc. does not maintain a formal Procurements Policy. The Association has not complied with the New Mexico Procurements Code (Section 13-1-28 through 13-1-199 NMSA 1978 Comp.) nor the related New Mexico State Purchasing Regulation (1.4.1 NMAC).

The Association was not aware of these requirements as it just recently learned it is considered a Local Public Body of the State of New Mexico.

We recommend that the Board and Management become familiar with the related purchasing requirements and comply with such requirements.

Response:

We agree, and we will contact State Agencies to determine requirements.

Vista Redonda Water and Property Owners' Association, Inc.
Schedule of Findings Continued
Fiscal Year ended June 30, 2010

5. State agencies prepare and submit an annual budget to the Department of Finance and Administration (DFA) for approval. Subsequent amendments to the budget must be approved by DFA. Budgets include proposed expenditures and the means of financing them and are approved by the Legislature.

The Vista Redonda Water and Property Owners' Association, Inc. did not submit a budget to DFA and over expended its operating budget.

Vista Redonda Water and Property Owners' Association, Inc. was unaware of the requirement to submit a proposed budget to DFA. It did not amend its original budget although it appears there were sufficient resources (prior year cash balances) which resulted in over expending the Operational Account expenditure budget.

The effect of this condition is a lack of compliance to New Mexico State budgeting requirements.

We recommend that Management contact DFA to determine its requirements and establish the necessary policies and procedures to provide them with assurance of complying with such requirements.

Response:

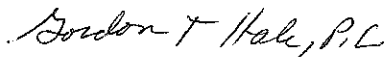
We agree and will contact the Department of Finance and Administration-Local Government Division and other State Agencies for assistance.

Exit Conference:

An exit conference was held on November 22, 2010 to discuss this report. Representing Vista Redonda Water and Property Owners' Association, Inc. was David Stupin current Secretary / Treasurer. Representing the Gordon & Hale, P. C. was Gilbert Malone, CPA.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Tier 4 of the Audit Act 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 the State of New Mexico Office of the State Auditor, The Department of Finance and Administration and Vista Redonda Water and Property Owners' Association, Inc. and is not intended to be and should not be used by anyone other than these specified parties.



Gordon & Hale, P. C.

November 22, 2010