

PORCH & ASSOCIATES LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

SIERRA VISTA MUTUAL DOMESTIC WATER ASSOCIATION

Report of Independent Accountant on the
Application of Agreed-Upon Procedures

September 30, 2011

SIERRA VISTA MUTUAL DOMESTIC WATER ASSOCIATION

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SIERRA VISTA MUTUAL DOMESTIC WATER ASSOCIATION

List of Principal Officials

September 30, 2011

Board of Directors

| | |
|----------------|------------------|
| John Peterson | President |
| Eric Hazlewood | Member |
| Mike Sherard | Member |
| Rick Reed | Member |
| Tony Brazis | Member |
| George Reich | Alternate Member |
| Hickory Adams | Alternate Member |
| Joe Vertrees | Alternate Member |
| Rick Berg | Alternate Member |
| Jim Malone | Alternate Member |

Report of Independent Accountant on the Application of Agreed-Upon Procedures

Mr. Brian S. Colón, Esq., New Mexico State Auditor and
The Board of Directors
Sierra Vista Mutual Domestic Water Association
Tijeras, New Mexico

We have performed the procedures enumerated below, which were agreed to by the Sierra Vista Mutual Domestic Water Association (Association) and the New Mexico State Auditor (the specified parties), solely to assist users in evaluating the Association's financial reporting relating to its cash, capital assets, debt, revenues, expenditures, journal entries, and budget information and its compliance with Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC, as of and for the year ended September 30, 2011. The Association's management is responsible for its accounting records, financial reporting, and compliance with the State Auditor rules as described above.

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.

Our procedures and findings are as follows:

In accordance with Tier 4 of the Audit Act – Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC, the procedures and associated findings are as follows:

1. Verify the Local Public Body's Revenue Calculation for Tiered System Reporting

We used the tiered system reporting worksheet provided by the New Mexico State Auditor's Office to recalculate the tiered system reporting calculation prepared by the Board.

Results from Procedure 1

Our procedures confirmed that the Board should have Tier 4 procedures.

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.
- b) Perform a test of 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 (DFA).

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- c) Determine whether the local public body's financial institutions have provided it with 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

Results from Procedures 2(a) -2(c):

2.(a) We reviewed the bank statements for the year for an indication of the date the reconciliation was performed. For the purposes of performing these procedures "timely" means completion of the bank reconciliations within one month after the last day of the reporting month. Four reconciliations did not have a date noted on them to show timeliness. See finding 2011-004. All other bank reconciliations were prepared within one month after the last day of the reporting month.

2.(b) We tested 4 months (33%) of bank reconciliations for accuracy. We compared the ending bank balance to the monthly balance recorded in the internal financial reports and the reconciled balance. The cash reconciliations are correct. The Association did not submit quarterly reports to DFA-Local Government Division. See finding 2011-001.

2.(c) All cash accounts are covered by FDIC insurance.

3. Capital Assets

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

Results from Procedure 3

We inquired of the office manager if the Association is performing a yearly inventory. The Association is not performing the required yearly inventory. See finding 2011-002.

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.

Select a sample of 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 in the bank statement.

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- 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.

Results from Procedures 4(a) – 4(c):

4.(a) We inquired about large differences between budgeted revenues and actual revenues. As a result of inquires we did not note any large unexplained differences between budgeted and actual revenue.

4.(b) We selected a sample greater than 30% of all revenues (sample was 43 out of 90 total deposits) and reviewed supporting documentation to determine if the amount per the bank statement ties to the amount per the support. Of the 43 items selected for testwork we were unable to review the support for one of the deposits. See finding 2011-003. All other revenue items selected tied to the bank statement.

4.(c) We selected a sample greater than 30% of all revenues (sample was 43 out of 90 total deposits) and reviewed supporting documentation to determine if revenue is being recorded correctly. The Association has recorded revenue correctly.

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 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).

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Results from Procedures 5(a) – 5(c)

5.(a) We reviewed a sample of disbursements greater than 30% of the total dollar amount (sample was 55 for a total of \$100,792 out of 265 disbursements totaling \$144,378). We verified the amount, payee, date, and description to original vendor invoices. Of the 55 disbursements we were unable to review the support for six disbursements in the sample. See finding 2011-003.

5.(b) Disbursements are approved once a month by the board. We were unable to review the October 2010 meeting minutes to verify that payments were approved. We reviewed all other board meeting minutes and noted that disbursements were approved. See finding 2011-003.

5.(c) The six disbursements we were unable to review were for minor recurring expenses and did not require quotes or requests for proposals. We reviewed quotes and request for proposal packets as necessary. The disbursements were processed in accordance with the New Mexico Procurement Code.

6. Journal Entries

If non-routine journal entries, such as adjustments or reclassification, 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.

Results from Procedures 6(a) – 6(b)

The Association does not use a computerized accounting system and does not make adjusting journal entries. This step is not applicable.

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

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Sierra Vista Mutual Domestic Water Association
Tijeras, New Mexico

- 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.

Results from Procedures 7(a) – 7(c)

7.(a) Per discussions with the board and the office manager, the Association has not submitted a budget for approval by DFA-LGD. See finding 2011-001.

7.(b) We cannot perform this procedure without an approved final budget. See finding 2011-001.

7.(c) We cannot perform this procedure without an approved final budget. See finding 2011-001.

8. 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.

Results from Procedure 8

We noted no indications of fraud, illegal acts, noncompliance, or other matters.

* * * * *

Mr. Brian S. Colón, Esq., New Mexico State Auditor and
The Board of Directors
Sierra Vista Mutual Domestic Water Association
Tijeras, New Mexico

We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion on the Association's financial reporting to the State Auditor as described above. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures; other matters might have come to my attention that would have been reported to you.

This report is intended solely for the information and use of the Association, the New Mexico Office of the State Auditor, the New Mexico Legislature, and the New Mexico Department of Finance Local Government Division and is not intended to be, and should not be, used by anyone other than those specified parties.

Porch & Associates, LLC

Albuquerque, New Mexico
December 18, 2019

SIERRA VISTA MUTUAL DOMESTIC ASSOCIATION
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
Year Ended September 30, 2011

| | Budgeted Amounts | | Actual | Variance with |
|------------------------------|------------------|----------------|----------------|--|
| | Original | Final | | Final Budget - Positive (Negative) |
| Revenues | | | | |
| Mo Water Bills | \$ 77,122 | 77,122 | 84,281 | 7,159 |
| Annual Assess | 14,000 | 14,000 | 13,799 | (201) |
| Verizon | 13,764 | 13,764 | 13,740 | (24) |
| Cingular/AT&T | 14,857 | 14,857 | 15,154 | 297 |
| T-Mobile | 7,032 | 7,032 | 6,906 | (126) |
| Qwest | 12,840 | 12,840 | 12,840 | - |
| Water Hook-up | 6,894 | 6,894 | 6,906 | 12 |
| Misc & Transfers | - | - | 7,440 | 7,440 |
| Raymond James Dep | 2,100 | 2,100 | 2,100 | - |
| Total revenues | 148,609 | 148,609 | 163,166 | 14,557 |
| Expenditures | | | | |
| Electric | 7,500 | 7,500 | 8,843 | (1,343) |
| Insurance | 6,000 | 6,000 | 5,118 | 882 |
| Lab services | - | - | 21 | (21) |
| Legal | 6,000 | 6,000 | 5,091 | 909 |
| Accounting | 2,000 | 2,000 | 829 | 1,171 |
| Maint. labor | 17,500 | 17,500 | 14,004 | 3,496 |
| Maint. mtrls | 10,000 | 10,000 | 13,057 | (3,057) |
| Office supplies | 775 | 775 | 450 | 325 |
| Postage | 650 | 650 | 442 | 208 |
| Adm. Asst. | 20,364 | 20,364 | 20,364 | - |
| Meter Reader | 2,546 | 2,546 | 2,121 | 425 |
| Gross Receipts | 5,603 | 5,603 | 5,997 | (394) |
| EID water fees | 500 | 500 | 524 | (24) |
| Property taxes | 3,100 | 3,100 | 2,900 | 200 |
| Water hook-up | 6,500 | 6,500 | 1,918 | 4,582 |
| Capital improvement | 16,158 | 16,158 | 17,392 | (1,234) |
| NMFA notes | 26,780 | 26,780 | 26,736 | 44 |
| Lot maint/SVENA | 5,500 | 5,500 | 2,500 | 3,000 |
| Miscellaneous | 312 | 312 | 530 | (218) |
| Certified operator | 13,491 | 13,491 | 13,440 | 51 |
| Raymond James pmt. | 2,100 | 2,100 | 2,100 | - |
| Total expenditures | 153,379 | 153,379 | 144,377 | 9,002 |
| Net change in fund balance | (4,770) | (4,770) | 18,789 | 23,559 |
| Prior year cash appropriated | 4,770 | 4,770 | | |
| | \$ - | - | | |

**SIERRA VISTA MUTUAL DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended September 30, 2011**

Status of Prior Year Findings

| | |
|--|-----------------------|
| 2010-001 Budget Compliance | Repeated and modified |
| 2010-002 Yearly Inventory | Repeated and modified |
| 2010-003 Insufficient Accounting Records and Document Retention | Repeated and modified |
| 2010-004 Late Tiered Report | Repeated and modified |

**SIERRA VISTA MUTUAL DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended September 30, 2011**

2011-001 Budget Compliance (Initially reported as finding 2010-001) (Other Non-compliance)

Condition: The Association has not submitted a budget, approved by the Board, or quarterly reports to DFA-LGD for approval.

Management has not made progress towards implementing corrective actions as the agreed-upon procedures were performed in December 2019.

Criteria: Section 6-6-2 NMSA 1978 requires each local public body to furnish and file with the division, a proposed budget for the next fiscal year. Require periodic financial reports, at least quarterly, of local public bodies.

Section 6-6-1 NMSA 1978 defines a local public body as means every political subdivision of the state that expends public money from whatever source derived, including but not limited to counties, county institutions, boards, bureaus or commissions; incorporated cities, towns or villages; drainage, conservancy, irrigation or other districts; charitable institutions for which an appropriation is made by the legislature; and every office or officer of any of the above. "Local public body" does not include a mutual domestic water consumers association, a land grant, an incorporated municipality or a special district with an annual revenue, exclusive of capital outlay funds, federal or private grants or capital outlay funds disbursed directly by an administrating agency, of less than ten thousand dollars (\$10,000), nor county, municipal, consolidated, union or rural school districts and their officers or irrigation districts organized under Sections 73-10-1 through 73-10-47 NMSA 1978.

Effect: The Association is not in compliance with state statute.

Cause: Inadequate training on state requirements for local public bodies.

Recommendation: The Association should develop procedures for preparing, approving, and submitting yearly budgets and quarterly reports to DFA-LGD.

Management's Response:

Corrective Action(s): The Association will develop policies and procedures to ensure that an annual budget is created, properly approved by the Board and submitted to the DFA-LGD. This policy will ensure that the budget submission to DFA-LGD is completed by the due date.

Responsible person(s): Association Board.

Timeline of corrective action: Fiscal 2020.

**SIERRA VISTA MUTUAL DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended September 30, 2011**

2011-002 Yearly Inventory (Initially reported as finding 2010-002) (Other Non-compliance)

Condition: The Association does not perform a yearly inventory on capital assets worth more than \$5,000.

Management has not made progress towards implementing corrective actions as the agreed-upon procedures were performed in December 2019.

Criteria: Section 12-6-10 NMSA 1978 “The governing authority of each agency shall, at the end of each fiscal year, conduct a physical inventory of movable chattels and equipment costing more than five thousand dollars (\$5,000) and under the control of the governing authority. This inventory shall include all movable chattels and equipment procured through the capital program fund under Section 15-3B-16 NMSA 1978, which are assigned to the agency designated by the director of the property control division of the general services department as the user agency. The inventory shall list the chattels and equipment and the date and cost of acquisition. No agency shall be required to list any item costing five thousand dollars (\$5,000) or less. Upon completion, the inventory shall be certified by the governing authority as to correctness. Each agency shall maintain one copy in its files. At the time of the annual audit, the state auditor shall satisfy himself as to the correctness of the inventory by generally accepted auditing procedures.”

Effect: Equipment worth more than \$5,000 could be stolen and the theft could go undetected.

Cause: Inadequate training on state requirements for local public bodies.

Recommendation: The Association should develop procedures for preparing and approving, a yearly inventory of items greater than \$5,000.

Management’s Response:

Corrective Action(s): The Association will develop policies and procedures to ensure that an annual inventory of items greater than \$5,000 is completed at year end.

Responsible person(s): Association Board.

Timeline of corrective action: Fiscal 2020.

**SIERRA VISTA MUTUAL DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended September 30, 2011**

2011-003 Insufficient Accounting Records and Document Retention (Initially reported as finding 2010-003) (Material Weakness)

Conditions: The Association did not maintain sufficient accounting records for all transaction types.

Management has not made progress towards implementing corrective actions as the agreed-upon procedures were performed in December 2019.

Criteria: 49-1-14(C) NMSA 1978 states in part that the Board of Trustees shall keep permanent and legible records capable of audit.

It is necessary to save copies of all financial records including purchase receipts, bank statements, check registers, withdrawal and deposit receipts, reconciliation reports, approved budgets, budget adjustment requests and financial statements. Also, it is important to keep on file copies of the meeting agendas, approved meeting minutes and resolutions passed throughout the fiscal year.

All of the above listed records should be categorized and placed in a folder or binder for safekeeping and easy access by an auditor. In addition, electronic records of all this should be maintained as well in archives for permanent access. All records should be filed in order by date. Bank Statements and reconciliations should be kept together in one binder. Along with this binder there should be a file kept with all the receipts for deposits and withdrawal from the bank as well as a file with any and all check registers used. All receipts for purchases should be filed by month throughout the fiscal year. The original approved budgets as well as any approved Budget Adjustment Requests should be all in one file or binder. The same goes for any monthly or quarterly financial statements produced throughout the fiscal year. The Secretary of the Board must also ensure that a binder is kept with all meeting agendas, approved minutes, and resolutions. This is important because the minutes are a record of what actions the Board took throughout the year. The resolutions as well as any actions documented in the minutes set the policies of the Association over time. They are the official record which the auditor must go by to ensure that an entity is in compliance with its own operating standards.

Once records have been properly filed it is important that they are stored in a safe place so that they may be utilized in the future by the Board of Trustees, an auditor or in order to comply with an Inspection of Public Records Act request from a member of the public. The New Mexico Administrative Code (NMAC) sets forth the requirements for how long certain types of records must be maintained by a government entity before they can dispose of them. The NMAC outlines these retention requirements in Title 1, Chapter 15 in various parts. They are known as General Records Retention and Disposition Schedules (GRRDS).

**SIERRA VISTA MUTUAL DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended September 30, 2011**

2011-003 Insufficient Accounting Records and Document Retention (Initially reported as finding 2010-003) (Material Weakness) (Continued)

Effect: We could not gather sufficient audit evidence to support cash balances, revenues, and expenditures recorded in the financial statements. We were unable to review the reconciliation reports for the investment account. We were unable to review one of the investment accounts statements from the year. We were unable to review 6 of 55 disbursements and 1 of 43 deposits selected for testwork.

Cause: The Association has not adopted a formal document retention policy, however, the reasons for not providing the supporting documentation for transactions and the full accounting records is unknown.

Auditor's Recommendation: The Association should develop and formally adopt a document retention policy that is in compliance with the statute.

Management's Response:

Corrective Action(s): The Association will establish a record retention policy to ensure that records are being retained in accordance with the New Mexico Administrative Code.

Responsible person(s): Association Board.

Timeline of corrective action: Fiscal 2020.

**SIERRA VISTA MUTUAL DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended September 30, 2011**

**2011-004 Timeliness of Reconciliations (Initially reported as finding 2010-003)
(Other Matter)**

Condition: During the year three bank statements were reconciled but the date the reconciliation was performed was not noted on the statements. We cannot determine if the reconciliations were performed in a timely manner.

Criteria: Good accounting practices require timely reconciliations of cash and investment accounts.

Effect: Fraudulent charges may not be recognized and stopped in a timely manner without timely reconciliation of the bank statements.

Cause: The Board does not adequately review the reconciliations.

Recommendation: The date of the reconciliation should be noted on the bank statement each month.

Management's Response:

Corrective Action(s): The Association will develop policies and procedures to ensure that the bank accounts are reconciled in a timely manner to the general ledger on a monthly basis.

Responsible person(s): Association Board.

Timeline of corrective action: Fiscal 2020.

**SIERRA VISTA MUTUAL DOMESTIC WATER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended September 30, 2011**

2011-005 Late Tiered Report (Initially reported as finding 2010-004) (Other Compliance)

Condition: The Association did not submit its tiered system report by February 28, 2012 deadline required by the New Mexico State Auditor's Audit Rule.

Management has not made progress towards implementing corrective actions as the agreed-upon procedures were performed in December 2019.

Criteria: State Auditor Audit Rule section 2.2.2.9(A)(1)(j) Agencies with a fiscal year-end other than June 30, agreed-upon procedure reports must be submitted to the New Mexico State Auditor no later than 5 months after the fiscal year-end.

Effect: The Association may not be eligible for future grants or capital outlay money.

Cause: The Association did not know they were required to procure services.

Auditor's Recommendations: The Authority should consider hiring an outside consultant to help with compliance.

Management's Response:

Corrective Action(s): The Authority has been working to get its tiered reports up to date and is continuing to do so. Once the fiscal 2010 through fiscal 2018 reports are released, the Authority will get the fiscal year 2019 scheduled and completed.

Responsible person(s): Board of Directors.

Timeline of corrective action: June 30, 2020.

**SIERRA VISTA MUTUAL DOMESTIC WATER ASSOCIATION
EXIT CONFERENCE
Year Ended September 30, 2011**

An exit conference was held on December 10, 2020, and attended by the following:

Sierra Vista Mutual Domestic Water Association

Jim Malone, Board Member

Porch & Associates LLC

Thad Porch, Managing Principal

* * * * *

The financial statements were prepared by Porch & Associates LLC from the books and records of the Association. However, the contents of these financial statements remain the responsibility of the Association's management.