

**STATE OF NEW MEXICO
UTE LAKE RANCH
PUBLIC IMPROVEMENT DISTRICT NO. 2**

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

**For the Year Ended
June 30, 2016**

James L. Hartogenesis, CPA LLC

Certified Public Accountant

STATE OF NEW MEXICO
UTE LAKE RANCH
PUBLIC IMPROVEMENT DISTRICT NO. 2
JUNE 30, 2016
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**STATE OF NEW MEXICO
UTE LAKE RANCH
PUBLIC IMPROVEMENT DISTRICT NO. 2
OFFICIAL ROSTER
JUNE 30, 2016**

Board of Directors

<u>Name</u>	<u>Title</u>
Marc Savela	President
Ashley Tarufelli	Treasurer
Chris Petro	Director
Rick Dengler	Director
Neil Simpson	Clerk

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

Board of Directors
Ute Lake Ranch Public Improvement
District No. 2
and
Honorable Timothy M. Keller
New Mexico State Auditor
Santa Fe, New Mexico

I have performed the procedures enumerated below which were agreed to by the Ute Lake Ranch Public Improvement District No. 2 (the "District") and the New Mexico State Auditor (the specified parties), solely to assist users in evaluating the District's financial reporting relating to its Cash, Capital Assets, Revenues, Expenditures, Journal Entries, and Budget information and its compliance with Section 12-6-3(B) NMSA 1978 and Section 2.2.2.16 NMAC, as of and for the year ended June 30, 2016. The District is responsible for its financial reporting 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, I 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.

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

1. REVENUE DETERMINATION

Procedures

Verify the local public body's revenue calculation and tier determination documented on the form provided at www.osanm.org under "Tier System Reporting Main Page".

Results of Procedures

The District's revenue calculation and tier determination were verified as correct. Total revenue was \$104,972 which requires Tier 4 agreed-upon procedures.

2. CASH

Procedures

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. For purposes of performing my procedures "timely" means completion of the bank reconciliations within one month after the last day of the reporting month and "complete" means that statements for bank and investment accounts are all accounted for by the District. 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 Department of Finance & Administration - Local Government Division (DFA-LGD). For purposes of performing my procedures "accuracy" means that reconciling items agree to deposit slips and subsequent bank or investment statements, and the reconciliations are mathematically correct.

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.

Results of Procedures

Bank accounts were complete and reconciled timely. 2 of 12 reconciliations were tested for accuracy and traced to the general ledger and financial reports submitted to DFA without exception. Pledged collateral was not required.

3. CAPITAL ASSETS

Procedures

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

Results of Procedures

The District performed their annual capital asset inventory without exception.

4. REVENUE

Procedures

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 revenues based on accountant's judgment and test using the following attributes:

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

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 of Procedures

Revenue was analytically tested and met expectations without exception. 100% of the cash receipts were tested and were determined to be properly recorded as to amount, classification and period.

5. EXPENDITURES

Procedures

Select a sample of cash disbursements based on accountant's judgment and test 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 cancelled 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 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Results of Procedures

15 disbursements were tested. Disbursements tested were accurate as to amount, payee, date and description, were properly authorized, and were in compliance with the budget, procurement code, and the Per Diem and Mileage Act, where applicable.

6. JOURNAL ENTRIES

Procedures

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.

Results of Procedures

8 journal entries were tested. The entries were reasonable, had adequate support, and were properly authorized.

7. BUDGET

Procedures

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.
- 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 of Procedures

The budget was reviewed and determined to be properly authorized and expenditures were less than budgeted amounts at the fund level, which is the legal level of budgetary control. The Schedules of Revenues and Expenditures - Budget and Actual are presented on pages 7 through 9 of this report.

8. OTHER

Procedures

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 of Procedures

Nothing noted.

I was not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the District's financial reporting to the State Auditor as described above. Accordingly, I do not express such an opinion. Had I 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 Ute Lake Ranch Public Improvement District No. 2, New Mexico Office of the State Auditor, the New Mexico Legislature, and the New Mexico Department of Finance and Administration and is not intended to be and should not be used by anyone other than those specified parties.

James L. Hartogensis, CPA LLC

Albuquerque, New Mexico
August 22, 2016

**SCHEDULES OF REVENUES &
EXPENDITURES - BUDGET AND
ACTUAL**

STATE OF NEW MEXICO
UTE LAKE RANCH PUBLIC IMPROVEMENT DISTRICT NO. 2
GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original Budget	Final Budget		
REVENUES:				
Property taxes	\$ 15,115	\$ 15,115	\$ 14,675	\$ (440)
Water/sewer usage fees	12,500	12,500	-	(12,500)
Developer advances	152,385	144,856	37,456	(107,400)
Interest income	-	-	11	11
Total revenues	<u>180,000</u>	<u>172,471</u>	<u>52,142</u>	<u>(120,329)</u>
EXPENDITURES:				
Accounting	10,000	10,000	4,687	5,313
Audit	10,000	10,000	5,618	4,382
Insurance	30,000	30,000	26,285	3,715
Legal fees	20,000	20,000	10,784	9,216
Operating costs	105,000	105,000	12,297	92,703
Contingencies	5,000	5,000	-	5,000
Total expenditures	<u>180,000</u>	<u>180,000</u>	<u>59,671</u>	<u>120,329</u>
Excess (deficiency) of revenues over expenditures	-	(7,529)	(7,529)	-
Fund balance, beginning	<u>7,529</u>	<u>7,529</u>	<u>7,529</u>	<u>-</u>
Fund balance, ending	<u>\$ 7,529</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF NEW MEXICO
UTE LAKE RANCH PUBLIC IMPROVEMENT DISTRICT NO. 2
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
REVENUES:				
Developer advances	<u>\$ 750,000</u>	<u>\$ 729,948</u>	<u>\$ -</u>	<u>\$ (729,948)</u>
Total revenues	<u>750,000</u>	<u>729,948</u>	<u>-</u>	<u>(729,948)</u>
EXPENDITURES:				
Capital improvements	<u>750,000</u>	<u>750,000</u>	<u>4,890</u>	<u>745,110</u>
Total expenditures	<u>750,000</u>	<u>750,000</u>	<u>4,890</u>	<u>745,110</u>
Excess (deficiency) of revenues over expenditures	-	(20,052)	(4,890)	15,162
Fund balance, beginning	<u>20,052</u>	<u>20,052</u>	<u>20,052</u>	<u>-</u>
Fund balance, ending	<u>\$ 20,052</u>	<u>\$ -</u>	<u>\$ 15,162</u>	<u>\$ 15,162</u>

STATE OF NEW MEXICO
UTE LAKE RANCH PUBLIC IMPROVEMENT DISTRICT NO. 2
DEBT SERVICE FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
REVENUES:				
Property taxes	\$ 54,414	\$ 54,414	\$ 52,830	\$ (1,584)
Other income	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Total revenues	<u>59,414</u>	<u>59,414</u>	<u>52,830</u>	<u>(6,584)</u>
EXPENDITURES:				
Debt service	<u>167,929</u>	<u>167,929</u>	<u>37,456</u>	<u>130,473</u>
Total expenditures	<u>167,929</u>	<u>167,929</u>	<u>37,456</u>	<u>130,473</u>
Excess (deficiency) of revenues over expenditures	(108,515)	(108,515)	15,374	123,889
Fund balance, beginning	<u>108,515</u>	<u>108,515</u>	<u>108,515</u>	<u>-</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,889</u>	<u>\$ 123,889</u>

YEAR-END FINANCIAL REPORT
SUBMITTED TO DFA

Ute Lake Ranch Public Improvement District No. 2

Budget versus Actual
For the Twelve Months Ended June 30, 2016
General Fund

FUND	CURRENT QUARTER	TO DATE	APPROVED BUDGET	% OF BUDGET
REVENUES:				
Property Taxes	287	14,675	15,115	97.09%
Services - Water/Sewer Usage Fees	-	-	12,500	0.00%
Developer advances	12,636	37,456	144,856	25.86%
Interest income	3	11	-	0.00%
Other	-	-	-	0.00%
	-	-	-	0.00%
	-	-	-	0.00%
TOTAL REVENUE	12,926	52,142	172,471	30.23%
TRANSFERS: IN/(OUT)				
Transfer from capital fund	-	-	-	0.00%
	-	-	-	0.00%
	-	-	-	0.00%
NET TRANSFERS	-	-	-	0.00%
EXPENDITURES:				
Accounting and legal	6,275	21,089	40,000	52.72%
Insurance and bonds	-	26,285	30,000	87.62%
Operating Costs	6,651	12,297	105,000	11.71%
Miscellaneous	-	-	-	0.00%
Other	-	-	5,000	0.00%
	-	-	-	0.00%
	-	-	-	0.00%
TOTAL EXPENDITURES	12,926	59,671	180,000	33.15%

Ute Lake Ranch Public Improvement District No. 2

Budget versus Actual
For the Twelve Months Ended June 30, 2016
Capital Projects Fund

FUND	CURRENT QUARTER	TO DATE	APPROVED BUDGET	% OF BUDGET
REVENUES:				
Developer advances	-	-	729,948	0.00%
Infrastructure fees	-	-	-	0.00%
Interest income	-	-	-	0.00%
Other	-	-	-	0.00%
	-	-	-	0.00%
	-	-	-	0.00%
	-	-	-	0.00%
TOTAL REVENUE	-	-	729,948	0.00%
TRANSFERS: IN/(OUT)				
Transfer to general fund	-	-	-	0.00%
	-	-	-	0.00%
	-	-	-	0.00%
NET TRANSFERS	-	-	-	0.00%
EXPENDITURES:				
Accounting and legal	-	-	-	0.00%
Insurance and bonds	-	-	-	0.00%
Capital improvements	-	4,890	750,000	0.65%
Miscellaneous	-	-	-	0.00%
	-	-	-	0.00%
	-	-	-	0.00%
	-	-	-	0.00%
TOTAL EXPENDITURES	-	4,890	750,000	0.65%

Ute Lake Ranch Public Improvement District No. 2

Budget versus Actual
For the Twelve Months Ended June 30, 2016
Debt Service Fund

FUND	CURRENT QUARTER	TO DATE	APPROVED BUDGET	% OF BUDGET
REVENUES:				
Property Taxes	1,034	52,830	54,414	97.09%
Interest income	-	-	-	0.00%
Other	-	-	5,000	0.00%
	-	-	-	0.00%
	-	-	-	0.00%
	-	-	-	0.00%
	-	-	-	0.00%
TOTAL REVENUE	1,034	52,830	59,414	88.92%
TRANSFERS: IN/(OUT)				
Transfer to capital fund	-	-	-	0.00%
	-	-	-	0.00%
	-	-	-	0.00%
NET TRANSFERS	-	-	-	0.00%
EXPENDITURES:				
Accounting and legal	-	-	-	0.00%
Repay developer advances	37,456	37,456	167,929	22.30%
Debt service costs	-	-	-	0.00%
Miscellaneous	-	-	-	0.00%
Other	-	-	-	0.00%
	-	-	-	0.00%
	-	-	-	0.00%
TOTAL EXPENDITURES	37,456	37,456	167,929	22.30%

Ute Lake Ranch Public Improvement District No. 2

For the Twelve Months Ended June 30, 2016

STATEMENT OF BONDED DEBT

DATE OF ISSUE	DESCRIPTION OR PURPOSE	YEAR DUE	ORIGINAL AMT. ISSUED	PAYABLE THIS YEAR	RETIRED THIS QUARTER	RETIRED TO DATE	OUTSTANDING END OF QUARTER
	None						

**DESCRIPTION OF INVESTMENTS
BUDGETED AND NON-BUDGETED**

	KIND	MATURITY DATE	INTEREST RATE	AMOUNT	FUNDS
	None		0.00%	-	
			0.00%	-	
			0.00%	-	
			0.00%	-	
			0.00%	-	
	TOTAL BUDGETED			-	
			0.00%	-	
			0.00%	-	
	TOTAL UNBUDGETED			-	
	GRAND TOTAL			-	

STATE OF NEW MEXICO
UTE LAKE RANCH PUBLIC IMPROVEMENT DISTRICT NO. 2
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2016

Current Year Findings

None.

STATE OF NEW MEXICO
UTE LAKE RANCH PUBLIC IMPROVEMENT DISTRICT NO. 2
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2016

Prior Year Findings

None.

**STATE OF NEW MEXICO
UTE LAKE RANCH PUBLIC IMPROVEMENT NO. 2
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2016**

The report contents were discussed at an exit conference held on August 22, 2016 with the following in attendance:

Ute Lake Ranch Public Improvement District No. 2

Neil Simpson Director/Clerk

Simmons & Wheeler, P.C.

Virginia Hemphill Contract Accountant

James L. Hartogenesis, CPA LLC

James Hartogenesis, CPA, CGFM Principal