

Pena Blanca Water and Sanitation District

**Independent Accountants' Report
On Applying Agreed-Upon Procedures
June 30, 2013**



Aspirion Accounting LLC
Accountants | Consultants | Auditors
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Pena Blanca Water and Sanitation District
Special Procedures Report
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For the year ended June 30, 2013

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Pena Blanca Water and Sanitation District
Official Roster
For the year ended June 30, 2013

President/Director	Karman Kleinschmidt
Vice-President/Director	Mike Michaels
Treasurer/Director	Tony Quintana
Director	William Bonney
Director	Vacant
Office Administrator	Sandra Gutierrez



Independent Accountants' Report on Applying Agreed-Upon Procedures

Honorable Hector Balderas, New Mexico State Auditor
Ms. Karman Kleinschmidt, Board President
Members of the Board of Directors
State of New Mexico
Pena Blanca Water & Sanitation District
Pena Blanca, New Mexico 87041

We have performed the procedures enumerated below, which were agreed to by the Board of Directors and Management of the Pena Blanca Water & Sanitation District, solely for the purpose of reporting to the Board of Directors of Pena Blanca Water & Sanitation District and the New Mexico State Auditor and the New Mexico State Legislature as of and for the year ended June 30, 2013. The procedures were agreed to by the Pena Blanca Water & Sanitation District through the office of the New Mexico State Auditor. The Pena Blanca Water & Sanitation District'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 the 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.

The procedures and the associated findings are as follows:

GENERAL

1. We verified the Pena Blanca Water & Sanitation District's revenue calculation and tier determination using the OSA's "Form for Determining Type of Reporting Requirements" and determined that the entity required a Tier 4 engagement. General revenues were \$80,913 and no capital projects were started or completed.

CASH

2. We determined that all bank reconciliations were performed in a timely manner and that all bank statements and investment/savings statements were complete and on hand without exception. All monthly bank reconciliations for the operating account were examined. Savings account statements for the periods December, 2012 through June, 2013 were also examined without exception.

- a. We performed a test of banks reconciliations for accuracy and traced the ending balances to the general ledger for all bank statements and savings accounts reconciliations without exception.
- b. We determined that the balances of the operating account and the savings account at no time exceeded the insured limits provided by the FDIC of \$250,000. Therefore, pledged collateral by the financial institution was not required.

CAPITAL ASSETS

3. We inquired as to whether or not the Pena Blanca Water & Sanitation District is performing a yearly inventory as required by section 12 – 6 – 10 NMSA 1978. The majority of the sanitation districts assets are included in the water system and water tank, most of which is underground. The system is inspected regularly and monitored constantly to ensure that water pressure within the system is constant. Damage to the system such as water leaks, or broken mains, is determined from the monitoring system. The District maintains a written inventory of all equipment and furniture including tagging the items for positive identification.

REVENUE

4. We performed an analytical review of each type of revenue and compared each type of revenue to the budget, rate schedules, and the number of participants in both the water system and sanitation district. We noted no exceptions.
 - a. We traced amounts recorded in the deposit books to the general ledger and to amounts reflected on the bank statements for the months of July and August, 2012 and April, May and June, 2013. No exceptions were noted.
 - b. We reviewed the same transactions for proper classification amount, and period per review of the deposit books and invoice activity on the modified accrual basis of accounting. No exceptions were noted.

EXPENDITURES

5. We selected a sample of cash disbursements based on auditor judgment and tested that sample as follows:
 - a. We determined that the amount recorded as disbursed agrees to adequate supporting documentation and that the amount, payee, date and description agreed to the purchase order, contract, vendor's invoice and canceled check as appropriate. All amounts agreed and we noted no exceptions.
 - b. We determined that the cash disbursements were properly authorized and approved. We determined that the bid process, purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code and State Purchasing Regulations. No major projects requiring bidding were started or completed during this accounting period.
 - c. We determined that mileage reimbursements were in accordance with the Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC), that all mileage reimbursement requests were documented and that mileage conformed to the distance chart and mileage rate without exception.

JOURNAL ENTRIES

6. Our review determined that no journal entries had been made for the year.

BUDGET

7. We obtained the fiscal year budget and all budget amendments made throughout fiscal year and perform the following procedures.
 - a. We verified through review of minutes the original budget approved by the local bodies governing body and DFA-LG.
 - b. We determined that the total actual expenditures exceeded the final budget at the level of budgetary control. See finding 05 – 2012.
 - c. We prepared a schedule of revenues and expenditures budget and actual, on the modified accrual basis of accounting for the operating fund. See the attached schedule as noted in the table of contents.

OTHER

8. No information came to our attention indicating any fraud or illegal acts. Instances of noncompliance and internal control deficiencies are disclosed in the findings of this report.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. 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.

Subsection B of Section 12-6-3 NMSA 1978 established a tiered system of financial reporting for local public bodies in which the amount of the local public body's annual revenue determines whether the local public body is subject to agreed-upon procedures engagements. 2.2.2.16 NMAC governs the performance of those engagements. This report is intended solely for the information and use of the Board of Directors and Management of Pena Blanca Water & Sanitation District, the New Mexico State Auditor's Office and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than those specified parties.

Aspirion Accounting LLC

November 5, 2013

**STATE OF NEW MEXICO
PENA BLANCA WATER AND SANITATION DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (Modified Accrual)
For the year ended June 30, 2013**

	Budgeted Amount		Actual Modified Accrual	Variances	
	Original	Revised		Positive (Negative)	
				Original Budget To Final	Actual to Final Budget
Revenue					
Septic Tank Cleanout	\$ 24,000	24,000	24,749	-	749
Water Sales	54,000	57,600	57,745	3,600	145
New Meter	6,000	-	900	(6,000)	900
Meter Installation	-	-	300	-	300
Other miscellaneous sources	-	-	1,511	-	1,511
	<u>84,000</u>	<u>81,600</u>	<u>85,205</u>	<u>(2,400)</u>	<u>3,605</u>
Expenses					
Current					
Personnel services	34,430	34,430	36,264	-	(1,834)
Operating expenses	14,890	11,275	10,220	3,615	1,055
System maintenance / utilities	26,393	28,672	29,233	(2,279)	(561)
Insurance	3,600	3,600	3,355	-	245
Utilities	2,100	2,100	2,183	-	(83)
Water lease / test	1,548	1,548	1,185	-	363
	<u>82,961</u>	<u>81,625</u>	<u>82,440</u>	<u>1,336</u>	<u>(815)</u>
Revenues over (under) expenditures	<u>1,039</u>	<u>(25)</u>	<u>2,765</u>	<u>(3,736)</u>	<u>2,790</u>
Other financing sources (uses):					
Interest earned	30	30	23	-	(7)
Operating transfers in	-	-	-	-	-
	<u>30</u>	<u>30</u>	<u>23</u>	<u>-</u>	<u>(7)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 1,039</u>	<u>(25)</u>	<u>2,788</u>	<u>(3,736)</u>	<u>2,813</u>
Budgetary notation - cash appropriated from prior year	<u>\$ 37,940</u>	<u>37,940</u>			

SEE SPECIAL PROCEDURES REPORT - NOT AUDITED OR REVIEWED

Pena Blanca Water & Sanitation District
Schedule of Findings
Year Ended June 30, 2013

Prior Year Findings:

01-2011 - Repeated – Timeliness of Report	Resolved
01-2012 - Bank reconciliations do not agree to general ledger	Resolved
02-2012 - Capital asset inventory not maintained.	Resolved
03-2012 - Balance forward information recorded as revenue in the current period.	Resolved
04-2012 – Transactions not properly authorized for payment or invoices canceled.	Resolved
05-2012 - Expenditures exceeded budgetary authorization.	Repeated

Current Year Findings:

- 05-2012 - Expenditures exceeded budgetary authorization.
- 01-2013 – IPA recommendation submitted after July 1, 2013.

Pena Blanca Water & Sanitation District
Schedule of Findings, (Continued)
Year Ended June 30, 2013

05-2012 - EXPENDITURES EXCEEDED BUDGETARY AUTHORIZATION

Statement of Condition:

The Pena Blanca Water & Sanitation District's actual expenditures exceeded the budgeted authority in the following funds:

	<u>Revised Budget</u>	<u>Expenditures</u>	<u>Over spent</u>
Proprietary Fund	\$ 81,625	\$82,440	\$ 815

Criteria:

State Statute, 6-6-6, NMSA 1978 requires the expenditures of public bodies not to exceed budget authority.

Effect:

Violation of State Statute and reflects insufficient control over budget and expenditures.

Cause:

Necessary budget adjustments were not requested on a timely basis.

Recommendation:

Continue monitoring budgets and request needed budget adjustments in a timely manner.

Response:

Budget adjustment requests will be made in a timely manner and budget will be monitored more closely.

01-2013 - IPA RECOMMENDATION SUBMITTED AFTER JULY 1, 2013

Statement of Condition:

The Pena Blanca Water & Sanitation District failed to submit their IPA recommendation prior to the due date of July 1, 2013.

Criteria:

The 2013 Audit Rule, Paragraph (6) of section D of Section 2.2.2.16 requires that the organization's IPA recommendation be submitted by July 1 of the following year.

Effect:

The organization did not comply with the State Auditor's requirement.

Cause:

The organization was not aware of the State Auditor's requirement and did not begin its contracting process on a timely basis.

Recommendation:

The organization should begin its selection and recommendation process early in the year.

Response:

The organization will begin its process earlier in the year to avoid this finding in the future.

State of New Mexico
Pena Blanca Water & Sanitation District
Final DFA Reports
June 30, 2013

Pena Blanca Water & Sanitation District
Balance Sheet
As of June 30, 2013

	<u>Jun 30, 13</u>
ASSETS	
Current Assets	
Checking/Savings	
Cash on Hand	199.00
LANB Checking 0801	4,482.19
LANB Savings Acct	<u>31,528.86</u>
Total Checking/Savings	36,190.05
Accounts Receivable	
Accounts Receivable - Water	1,788.43
Accounts Receivable Sanitation	<u>15,326.63</u>
Total Accounts Receivable	17,115.06
Other Current Assets	
Allow for Uncollectible Amts	-2,594.10
Undeposited Funds	<u>1,489.57</u>
Total Other Current Assets	<u>-1,104.53</u>
Total Current Assets	52,200.58
Fixed Assets	
Accumulated Depreciation	-12,998.10
Building	17,565.00
Office Equipment	<u>593.60</u>
Total Fixed Assets	<u>5,160.50</u>
TOTAL ASSETS	<u><u>57,361.08</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	650.00
Total Accounts Payable	<u>650.00</u>
Other Current Liabilities	
Gross Receipts Tax Payable	688.91
Payroll Liabilities	<u>1,424.37</u>
Total Other Current Liabilities	<u>2,093.28</u>
Total Current Liabilities	<u>2,743.28</u>
Total Liabilities	2,743.28
Equity	
Opening Bal Equity	42,667.37
Unrestricted Net Assets	12,013.21
Net Income	<u>-82.78</u>
Total Equity	<u>54,617.80</u>
TOTAL LIABILITIES & EQUITY	<u><u>57,361.08</u></u>

State of New Mexico
Pena Blanca Water & Sanitation District
Final DFA Reports
June 30, 2013

Pena Blanca Water & Sanitation District
Profit & Loss Budget vs. Actual
July 2012 through June 2013

Ordinary Income/Expense	TOTAL			
	Jul '12 - Jun 13	Budget	\$ Over Budget	% of Budget
Income				
Customer Finance Charges	1,216.16			
Meter Installation Fee	300.00			
Miscellaneous Credit	-1,460.45			
Reimbursed Expenses	900.00			
Sanitation Services Sales	24,749.04	24,000.00	749.04	103.12%
Water Rights Transfer Credit	-2,536.00			
Water Sales	57,744.64	57,600.00	144.64	100.25%
Total Income	80,913.39	81,600.00	-686.61	99.16%
Gross Profit	80,913.39	81,600.00	-686.61	99.16%
Expenses				
Accounting	3,210.00	3,210.00	0.00	100.0%
Advertising	177.44			
Bad Debt	0.00			
Bank Service Charges	-8.56			
Computer Repairs	225.00	225.00	0.00	100.0%
Contract Labor	790.00	1,000.00	-210.00	79.0%
Dues and Subscriptions	330.19	360.00	-29.81	91.72%
Electric Lift Station Oritz/Eaq	-0.33			
Employee Dishonesty Bond	100.00	100.00	0.00	100.0%
Extra Labor (Digging)	300.00	300.00	0.00	100.0%
Gas & Electric Office	1,082.15	1,320.00	-237.85	81.98%
Gas & Electric Pumphouse	3,291.21	3,360.00	-68.79	97.95%
Hydrent Maintenance & Repair	258.97	360.00	-101.03	71.94%
Liability Insurance	3,355.24	3,600.00	-244.76	93.2%
Licenses and Permits	20.00			
Lien Fees	110.00	300.00	-190.00	36.67%
Mileage	669.42	960.00	-290.58	69.75%
Office Building Repairs	1,271.50	1,320.00	-48.50	96.33%
Office Supplies	1,119.50	1,200.00	-80.50	93.29%
Payroll Taxes	3,147.02	3,030.12	116.90	103.86%
Payroll, Administrator	22,556.25	21,199.68	1,356.57	106.4%
Payroll, Office Clerk	55.00			
Payroll, Water Operator	10,254.00	10,200.00	54.00	100.53%
Postage and Delivery	1,276.77	1,680.00	-403.23	76.0%
Professional Fees	176.14			
Pumphouse Maintenance & Repair	185.30	360.00	-174.70	51.47%
Septic Tank Cleanouts	14,159.10	14,400.00	-241.90	98.32%
Telephone	1,882.91	1,800.00	82.91	104.61%
Training	460.00	600.00	-140.00	76.67%
Water Conservation Fee	335.92	300.00	35.92	111.97%
Water Disinfecting	329.47	348.00	-18.53	94.68%
Water Line Maintenance & Repair	7,988.10	7,800.00	188.10	102.41%
Water Meters & Line Supplies	1,373.51	1,680.00	-306.49	81.76%
Water Testing	519.32	900.00	-380.68	57.7%
Total Expense	80,999.54	81,312.80	-313.26	98.89%
Net Ordinary Income	-86.15	-312.80	226.65	27.54%
Other Income/Expense				
Other Income				
Interest Income	23.37	30.00	-6.63	77.9%
Total Other Income	23.37	30.00	-6.63	77.9%
Other Expense				
Other Expenses	0.00			
Total Other Expense	0.00			
Net Other Income	23.37	30.00	-6.63	77.9%
Net Income	-62.78	-382.80	220.02	22.2%

**State of New Mexico
Pena Blanca Water & Sanitation District
Exit Conference
June 30, 2013**

An exit conference was held at the offices of the Pena Blanca Water & Sanitation District in Pena Blanca, New Mexico on November 26th, 2013.

Present representing Pena Blanca Water & Sanitation District was Karman Kleinschmidt, Board President, and Sandra Gutierrez, office administrator.

Present representing Aspirion Accounting & Consulting, LLC was Chris Fogel, CPA/ABV/CFF/CGMA MBA CFE, principal of the firm.