

Pena Blanca Water and Sanitation District

**Independent Accountants' Report
On Applying Agreed-Upon Procedures
June 30, 2014**



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, 2014

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Pena Blanca Water and Sanitation District
Official Roster
For the year ended June 30, 2014

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



Independent Accountants' Report on Applying Agreed-Upon Procedures

Honorable Timothy Keller, 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, 2014. 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 \$85,676 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 and the savings account were 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, 2014. 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 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

January 10, 2015

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, 2014

	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	27,039	-	3,039
Water Sales	57,600	57,600	55,433	-	(2,167)
New Meter	2,000	-	-	(2,000)	-
Meter Installation	-	-	-	-	-
Other miscellaneous sources	-	-	3,204	-	3,204
	<u>83,600</u>	<u>81,600</u>	<u>85,676</u>	<u>(2,000)</u>	<u>4,076</u>
Expenses					
Current					
Personnel services	36,020	36,195	31,463	(175)	4,732
Operating expenses	9,662	13,040	12,502	(3,378)	538
System maintenance / utilites	20,340	20,340	16,300	-	4,040
Insurance	3,600	3,600	2,933	-	667
Utilities	3,360	3,497	3,086	(137)	411
Water lease / test	9,480	11,747	9,126	(2,267)	2,621
	<u>82,462</u>	<u>88,419</u>	<u>75,410</u>	<u>(5,957)</u>	<u>13,009</u>
Revenues over (under) expenditures	<u>1,138</u>	<u>(6,819)</u>	<u>10,266</u>	<u>3,957</u>	<u>17,085</u>
Other financing sources (uses):					
Interest earned	18	18	16	-	(2)
Operating transfers in	-	-	-	-	-
	<u>18</u>	<u>18</u>	<u>16</u>	<u>-</u>	<u>(2)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ 1,138</u>	<u>(6,819)</u>	<u>10,282</u>	<u>3,957</u>	<u>17,101</u>
Budgetary notation - cash appropriated from prior year	<u>\$ 37,546</u>	<u>37,546</u>			

SEE SPECIAL PROCEDURES REPORT - NOT AUDITED OR REVIEWED

Prior Year Findings:

05-2012 - Expenditures exceeded budgetary authorization. Resolved

Current Year Findings:

2014-001 – IPA recommendation submitted after July 1, 2014.

2014-002 – Timeliness of Report

2014-001 - IPA RECOMMENDATION SUBMITTED AFTER JULY 1, 2014

Statement of Condition:

The Pena Blanca Water & Sanitation District failed to submit their IPA recommendation prior to the due date of July 1, 2014.

Criteria:

The 2014 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.

2014-002 - TIMELINESS OF AUDIT REPORT

Statement of Condition:

The New Mexico State Auditor required the special procedures report to be completed and submitted to his office by December 1, 2014. The report is past due.

Criteria:

Governmental entities, agencies, and committees review the reports and prefer to do so in a timely manner. The SAO Rule, NMAC 2.2.2.9 A (1)(d) establishes a due date of December 1 for the tiered reporting system.

Effect:

The report has not been submitted as required by the State Auditor.

Cause:

The agency was unable to complete the contracting process with the State Auditor's office on a timely basis

Recommendation:

The audit delivery date should be complied with.

Response:

The agency will attempt to start the contracting process at an earlier date.

Pena Blanca Water & Sanitation District
Balance Sheet
As of June 30, 2014

	Jun 30, 14
ASSETS	
Current Assets	
Checking/Savings	
Cash on Hand	199.00
LANB Checking 0801	9,572.26
LANB Savings Acct	31,544.63
Total Checking/Savings	41,315.89
Accounts Receivable	
Accounts Receivable - Water	1,096.84
Accounts Receivable Sanitation	18,382.38
Total Accounts Receivable	19,479.22
Other Current Assets	
Allow for Uncollectible Amts	-2,594.10
Undeposited Funds	-60.00
Total Other Current Assets	-2,654.10
Total Current Assets	58,141.01
Fixed Assets	
Accumulated Depreciation	-12,998.10
Building	17,565.00
Office Equipment	1,619.90
Total Fixed Assets	6,186.80
TOTAL ASSETS	64,327.81
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Gross Receipts Tax Payable	102.93
Payroll Liabilities	-1,023.55
Total Other Current Liabilities	-920.62
Total Current Liabilities	-920.62
Total Liabilities	-920.62

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Accrual Basis

Pena Blanca Water & Sanitation District
Balance Sheet
As of June 30, 2014

	<u>Jun 30, 14</u>
Equity	
Opening Bal Equity	42,667.37
Unrestricted Net Assets	12,298.81
Net Income	<u>10,282.25</u>
Total Equity	<u>65,248.43</u>
TOTAL LIABILITIES & EQUITY	<u><u>64,327.81</u></u>

Pena Blanca Water & Sanitation District
Profit & Loss Budget vs. Actual
 July 2013 through June 2014

	Jul '13 - Jun 14	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
Customer Finance Charges	1,126.09			
Meter Installation Fee	200.00			
Miscellaneous Credit	-220.00			
New water meter fee	0.00	2,000.00	-2,000.00	0.0%
Program Fees	0.00	0.00	0.00	0.0%
Reimbursed Expenses	1,350.00			
Sanitation Services Sales	27,038.84	24,000.00	3,038.84	112.7%
Water Rights Transfer Credit	-2,557.00			
Water Sales	57,989.53	57,600.00	389.53	100.7%
Total Income	<u>84,927.46</u>	<u>83,600.00</u>	<u>1,327.46</u>	<u>101.6%</u>
Gross Profit	84,927.46	83,600.00	1,327.46	101.6%
Expense				
Accounting	2,675.00	3,000.00	-325.00	89.2%
Advertising	0.00	240.00	-240.00	0.0%
Bank Service Charges	18.06			
Computer Repairs	0.00	180.00	-180.00	0.0%
Contract Labor	60.00	900.00	-840.00	6.7%
Contract office cleaning	282.00			
Contract office clerical	995.00			
Dues and Subscriptions	255.92	330.00	-74.08	77.6%
Electric Lift Station Ortiz/Esq	9.51			
Employee Dishonesty Bond	200.00	100.00	100.00	200.0%
Extra Labor (Digging)	0.00	300.00	-300.00	0.0%
Gas & Electric Office	1,029.58	1,440.00	-410.42	71.5%
Gas & Electric Pumphouse	2,704.47	3,180.00	-475.53	85.0%
Hydrant Maintenance & Repair	5.00	600.00	-595.00	0.8%
Install New Water Meters	0.00	1,500.00	-1,500.00	0.0%
Legal	459.80			
Liability Insurance	2,933.34	3,600.00	-666.66	81.5%
Lien Fees	75.00	300.00	-225.00	25.0%
Mileage	2,686.28	960.00	1,726.28	279.8%
Miscellaneous	150.00	100.00	50.00	150.0%
Office Building Repairs	1,732.33	240.00	1,492.33	721.8%
Office Supplies	1,449.67	1,440.00	9.67	100.7%
Payroll Taxes	1,709.10	4,860.00	-3,150.90	35.2%
Payroll, Administrator	21,195.00	21,199.68	-4.68	100.0%
Payroll, Office Clerk	535.00	360.00	175.00	148.6%
Payroll, Water Operator	8,023.68	9,600.00	-1,576.32	83.6%
Postage and box rent	1,462.58	1,872.00	-409.42	78.1%
Pumphouse Maintenance & Repair	0.00	360.00	-360.00	0.0%
Septic Tank Cleanouts	13,520.00	14,400.00	-880.00	93.9%
Small Tools	61.15			
Telephone	2,056.82	1,920.00	136.82	107.1%

Pena Blanca Water & Sanitation District
Profit & Loss Budget vs. Actual
 July 2013 through June 2014

	Jul '13 - Jun 14	Budget	\$ Over Budget	% of Budget
Training	450.00	720.00	-270.00	62.5%
Water Conservation Fee	269.24	360.00	-90.76	74.8%
Water Disinfecting	167.56	360.00	-192.44	46.5%
Water Line Maintenance & Repair	2,989.85	4,800.00	-1,810.15	62.3%
Water Meters & Line Supplies	4,667.19	2,400.00	2,267.19	194.5%
Water Operator Supplies	62.84			
Water Testing	519.32	840.00	-320.68	61.8%
Total Expense	75,410.29	82,461.68	-7,051.39	91.4%
Net Ordinary Income	9,517.17	1,138.32	8,378.85	836.1%
Other Income/Expense				
Other Income				
Interest Income	15.77	18.00	-2.23	87.6%
Other Income	749.31			
Total Other Income	765.08	18.00	747.08	4,250.4%
Net Other Income	765.08	18.00	747.08	4,250.4%
Net Income	10,282.25	1,156.32	9,125.93	889.2%

State of New Mexico
Pena Blanca Water & Sanitation District
Exit Conference
June 30, 2014

An exit conference was held at the offices of the Pena Blanca Water & Sanitation District in Pena Blanca, New Mexico on December 22, 2014.

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.