

**State of New Mexico  
Alpine Village Sanitation District**

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

**Year Ended June 30, 2018**

Dan Austin CPA, PC  
700 Mechem Drive Ste. 15  
Ruidoso, NM 88345

**STATE OF NEW MEXICO  
ALPINE VILLAGE  
SANITATION DISTRICT  
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June 30, 2018**

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**STATE OF NEW MEXICO  
ALPINE VILLAGE  
SANITATION DISTRICT  
Official Roster  
June 30, 2018**

**Board of Supervisors**

Mike Buechter	Chairman
Riker Davis	Vice-Chairman
Joe Buchanan	Treasurer
Cheryl Knobel	Secretary

**Staff**

Joe Buchanan	System Operator
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## Financial Section

DAN AUSTIN CPA, P.C.

MEMBER  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
NEW MEXICO SOCIETY OF CERTIFIED PUBLIC ACCOUNTS

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

Mike Buechter, Chairman and  
The Board of Supervisors  
Alpine Village Sanitation District  
and Honorable Wayne Johnson, New Mexico State Auditor


We have performed the procedures enumerated below for the Alpine Village Sanitation District (AVSD), for the year ended June 30, 2018. The AVSD was determined to be a Tier 4 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by the AVSD through the Office of the New Mexico State Auditor. The Alpine Village 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 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 results are detailed under Scope of Procedures and Results as noted in the table of contents.

Our findings related to the procedures in the Scope of Procedures and Results are presented in the accompanying schedule of findings and responses as listed in the table of contents.

This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct an examination or review, the objective of which would be an expression of an opinion or conclusion, respectively on the District's financial position and operations as of and for the year ended June 30, 2018. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to those parties specified in the report.

This report is intended solely for the information and use of Alpine Village Sanitation District, the New Mexico State Auditor's Office, the New Mexico State Legislature and the New Mexico Department of Finance and Administration-LGD and is not intended to be and should not be used by anyone other than those specified parties.



Dan Austin CPA, PC  
Ruidoso, New Mexico  
December 14, 2018

## Alpine Village Sanitation District

### Scope of Procedures and Results

June 30, 2018

1. **Verify the local public body's revenue calculation and tier determination documented on the provided at [www.osanm.org](http://www.osanm.org) under "Tiered System Reporting Main Page."**

The above mentioned revenue calculation and tier determination was accurate. Total revenue per instructions for tier determination was \$74,446 requiring a Tier 4 agreed upon procedures report.

## 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.
- (b) Test at least 30% of 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-LGD).
- (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.

### Findings:

The AVSD has two operational bank accounts and three investment accounts. One investment account was closed in FYE 2018. It utilizes Quickbooks to record transactions.

Tests of AVSD's 24 operational monthly bank reconciliations of operational accounts revealed that 22 of the reconciliations were untimely prepared and 12 reconcilements from one account contained immaterial errors resulting in inaccurate financial statements. The main operational account was overdrawn \$77.12. See finding 2018-001 on page 12.

## 3. Capital Assets

### Procedures:

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

**Findings:**

The AVSD performed a yearly inventory as required by Section 12-6-10 NMSA 1978 and maintains a capital asset listing and all depreciation schedules were examined. No exceptions noted.

**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 equal to at least 30% based of total dollar amount and test 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.

**Findings:**

Analytical review and test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed no exceptions. We tested 58 transactions totaling \$73,839 or 99% of revenues amounts recorded in Quickbooks. All amounts recorded agreed with supporting documentation and the amounts were properly recorded on a cash basis as to classification, amount and period per review of supporting documentation. No exceptions noted.

**5. Expenditures**

**Procedures:**

Select a sample of cash disbursements equal to 30% of 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 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).

**Findings:**

We tested 81 transactions totaling \$49,471 amounting to 93% of the total disbursements. The amounts disbursed agreed with supporting documentation, amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and cancelled check, as appropriate. No exceptions noted.

All disbursements tested were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures. No exceptions noted.

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) were tested when applicable. No exceptions noted.

**6. Journal Entries**

**Procedures:**

Test all 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.

**Findings:**

The financial records of Alpine Village Sanitation District indicated that journal entries were posted to the general ledger to record immaterial interest or bank charges. All journal entries appeared reasonable. No exceptions noted.



## **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 whether 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.

### **Findings:**

A review of the minutes revealed that the original budget was approved by the AVSC and the DFA-LGD. The subsequent budget adjustments which were approved by the DFA-LGD. No exceptions noted.

Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control. No exceptions noted.

We noted quarterly budget reports were not submitted to DFA-LGD on a timely basis. See finding 2016-002 on page 11.

A schedule of revenues and expenditures - budget and actual was prepared on the cash budgetary basis used by the AVSC. See page 9.

## **8. Other**

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, disclose 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 (L)NMAC.

We reviewed the NM Taxation and Revenue TAP site to insure AVSD had reported and remitted all governmental gross receipts tax. The examination noted nine unfiled monthly reports. See finding 2018-2 on page 12.

**State of New Mexico**  
**Alpine Village Sanitation District**  
**Schedule of Revenues and Expenditures-**  
**Budget and Actual (Non-GAAP Cash Basis)**  
**June 30, 2018**

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Water Sales	\$ 27,000	\$ 27,000	\$ 32,058	\$ 5,058
Property Tax	38,575	38,575	39,321	746
Standby Fees	9,500	9,500	1,608	(7,892)
New Meter Hook Up	8,000	8,000	-	(8,000)
Transfer Fees	770	770	330	(440)
Late Fees	400	400	-	(400)
Interest Income	450	450	1,168	718
Total revenue	<u>84,695</u>	<u>84,695</u>	<u>74,485</u>	<u>(10,210)</u>
<b>Expenditures:</b>				
Bank Charges	325	325	92	233
Capital Improvements	2,250	2,250	320	1,930
Chemicals	750	750	61	689
Corporate Filing Fees	85	85	-	85
Dues and Subscriptions	210	210	933	(723)
Equipment Rental	50	50	45	5
Filing Fees	85	85	537	(452)
Freight	400	400	-	400
Insurance & Bond	2,600	2,600	2,439	161
License	100	100	-	100
Lot clearing	3,000	3,000	3,683	(683)
Miscellaneous	3,750	3,750	106	3,644
Office Expense	780	780	378	402
Professional Fees	43,930	43,930	36,334	7,596
Propane	750	750	1,016	(266)
Repairs and Maintenance	15,550	15,550	1,044	14,506
Taxes	7,500	7,500	3,742	3,758
Training and Workshops	1,250	1,250	-	1,250
Utilities	1,750	1,750	2,231	(481)
Water Conservation Fees	750	750	-	750
Water Samples	500	500	-	500
Total expenditures	<u>86,365</u>	<u>86,365</u>	<u>52,961</u>	<u>32,904</u>
<b>Excess (deficiency) of revenue and cash over expenditures</b>	(1,670)	(1,670)	\$ 21,524	\$ <u>22,694</u>
Budget Cash Carryover	<u>181,696</u>	<u>181,696</u>	<u>181,696</u>	
Budget Ending Cash	<u>\$ 180,026</u>	<u>\$ 180,026</u>		
Ending Cash			<u>\$ 203,220</u>	
<b>Cash Accounts:</b>				
City Bank Checking			\$ (77)	
City Bank Money Market			115,420	
Fidelity Gov. Money Market			2,839	
Fidelity Gov. Cash Reserves			38	
Fidelity Certificate of Deposit			<u>85,000</u>	
			<u>\$ 203,220</u>	

**STATE OF NEW MEXICO  
ALPINE VILLAGE SANITATION DISTRICT  
Year End Financial Report Submitted to DFA  
Year Ended June 30, 2018**

**INSTRUCTIONS:** Cells in which are meant to be filled out are explained below. All other columns are locked and not meant to be filled out.  
 Fill out the Approved Budget, 1st Qtr, 2nd Qtr, 3rd Qtr, 4th Qtr columns.  
 Fill out Cash, Savings, CDs, Investments under the "Approved Budget" column with APPROVED BUDGET at beginning of yr. THESE FIGURES SHOULD BE THE SAME THROUGHOUT THE YEAR.  
 Fill out Reserves (if reserve amounts change throughout the year under the "Year to Date(YTD) Totals" column.

**Name:** Alpine Village Sanitation District  
**Mailing Address:** PO Box 1217  
**Email Address:** joeb59@gmail.com  
**Phone number:** 575-937-3636

**Fiscal Year July 2017 to June 2018**

2017

	APPROVED BUDGET	1st QR: Jan - Mar	2nd QR: Apr - Jun	3rd QR: Jul - Sept	4th QR: Oct -Dec	Year to Date(YTD) Totals	YTD (over/under BUDGET)	% of Budget	
<b>Beginning balances:</b>									
<b>Cash</b>	1,370								
<b>Savings</b>	93,179								
<b>CDs</b>	87,211								
<b>Investments</b>									
<b>Beginning Balance TOTAL</b>	<b>\$ 181,761</b>								
<b>REVENUES</b>									
Water Sales (Water Use Fees)	27,000	9,166	7,155	(2,616)	7,914	21,618	5,382	80%	
Connection/Reconnection Charges						0	0	-	
Membership and Meter Sales (Utility Service Fees)	8,000					0	8,000	0%	
Late Fees and Penalties (Other Fines and Forfeits)						0	0	-	
Gross Receipts Tax (Other State shared taxes)	1,620					0	1,620	0%	
Other Operating Revenue (miscellaneous - other)	48,075		20,230	7,718	6,754	34,702	13,373	72%	
<b>TOTAL</b>	<b>\$ 84,695</b>	<b>9,166</b>	<b>27,384</b>	<b>5,102</b>	<b>14,668</b>	<b>56,321</b>	<b>28,375</b>	<b>66%</b>	
<b>EXPENDITURES</b>									
Salaries - Operator, Bookkeeper, etc.	18,100		11,408	3,413	5,202	20,022	(1,922)	111%	
Employee Benefits and Expenses						0	0	-	
Electricity	2,350	562	408	933	328	2,231	119	95%	
Other Utilities - Gas, Water, Sewer, Telephone						0	0	-	
System Parts and Supplies	500				61	61	439	12%	
System Repairs and Maintenance	16,650	2,125	382	483	2,100	5,090	11,560	31%	
Vehicle Expenses						0	0	-	
Office and Administrative Expenses	1,985	201			142	343	1,642	17%	
Professional Services - Accounting, Engineering, Legal	24,250	8,039	7,740	7,995	3,100	26,875	(2,625)	111%	
Insurance	2,600	2,339				100	2,439	161	94%
Dues, Fees, Permits and Licenses	1,500	5	523	923	55	1,506	(6)	100%	
Taxes - Gross Receipts Tax, Water Conservation Fee	4,500	751	2,213	693	703	4,360	140	97%	
Training	750					0	750	0%	
Miscellaneous	13,180		920			1,025	12,155	8%	
Annual debt service - Loan 1						0	0	-	
Annual debt service - Loan 2						0	0	-	
<b>TOTAL</b>	<b>\$ 86,366</b>	<b>14,022</b>	<b>23,694</b>	<b>14,439</b>	<b>11,896</b>	<b>63,951</b>	<b>22,414</b>	<b>74%</b>	
<b>Ending Balance</b>	<b>180,091</b>					<b>174,131</b>			
<b>LESS: Operating Reserve</b>	<b>2,500</b>					<b>2,500</b>			
<b>Emergency Reserve</b>	<b>35,000</b>					<b>35,000</b>			
<b>Capital Improvement Reserve</b>	<b>40,000</b>					<b>40,000</b>			
<b>Debt Reserve</b>									
<b>Ending Available Cash Balance</b>	<b>\$ 102,591</b>					<b>\$ 96,631</b>			

I HEREBY CERTIFY THE CONTENTS IN THIS REPORT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND THAT THIS REPORT DEPICTS ALL FUNDS.

Joe Buchanan  
 President/Chairperson

11/9/2018  
 Date

**STATE OF NEW MEXICO  
ALPINE VILLAGE SANITATION DISTRICT  
Schedule of Findings, Responses and Exit conference  
Year Ended June 30, 2018**

	Type of Finding	Prior Year Finding #	Current Year Results
<b>Prior Year Findings:</b>			
Budget Reporting	B	2016-002	Repeated and Amended
<b>Current Year Findings</b>			
Budget Reporting	B	2016-002	
Bank Reconciliations	B	2018-001	
CRS Reports	C	2018-002	

**Legend of Findings:**

- A. Material Weakness
- B. Significant Deficiency
- C. Material Non-Compliance
- D. Other Non-Compliance

**Current Year Audit Findings**

**2016-002 Budget Reporting-Significant Deficiency**

**Condition**

The District is required to monitor its budget and timely report quarterly results. The Board failed to adopt a policy during the year requiring the Board to review or approve the budget report prior to submission and did not submit budgets timely during the current year.

**Criteria**

Pursuant to Section 6-6-2A NMSA 1978 the District adopted a budget. The District per 6-6-2f failed to timely report accurate quarterly results to DFA-LGD

**Effect**

Non-Compliance with statutory requirements.

**Cause**

Management failed to complete and forward reports to DFA-LGD and the Board failed to accept and approve the reports prior to submission.

**Recommendation**

Establish policy to review and approve budget reports on a quarterly basis prior to submission.

**Response**

Board will implement a policy to require review of Budget Reports and approval prior to submission.

**Expected Response Completion Date** February 28, 2019

**Responsible Party** Board of Directors

**2018-001 Bank Reconcilements'-Significant Deficiency**

**Condition**

The AVSD Treasurer is responsible for preparing the books and records of the District. Included in the responsibilities reconciliation of all operational banks statements. The Treasurer failed to reconcile the account on a timely basis and make corrections and adjustments to the books and records resulting in inaccurate internal financial statements.

**Criteria**

2.2.2.10.D NMAC – The financial statements and notes to the financial statements shall be prepared in accordance with accounting principles generally accepted in the United States of America. § 6-10-2 NMSA 1978 – A cash record must be maintained listing all items of receipts and disbursements of public money. The cash record must also be balanced daily to show the balance of public money on hand at the close of each business day.

**Effect**

AVSD is not maintaining adequate controls over cash to safeguard cash or facilitating prompt and accurate reporting to the New Mexico Department of Finance and Administration (DFA). This can also cause transactions to be unaccounted for.

**Cause**

Inadequate procedures by the District Treasurer.

**Recommendation**

Require the Treasurer to present the reconcilements for approval at each Board meeting.

**Response**

Board will implement a policy to require review and approval of bank reconcilements and financial statements at each Board meeting.

**Expected Response Completion Date** February 28, 2019      **Responsible Party** Treasurer

**2018-002 CRS Reporting-Significant Deficiency**

**Condition**

A review of the NM Taxation and Revenue TAP site to insure AVSD had reported and remitted all governmental gross receipts tax. The examination noted nine unfiled monthly reports.

**Criteria**

§7-9-3.2 (A) (5) NMSA 1978 defines “governmental gross receipts” to include receipts from the sale of water by a utility owned or operated by a county, municipality or other political subdivision of the state.

**Effect**

Non-Compliance with statutory reporting and payment requirements.

**Cause**

District Treasurer failed to file CRS reports. Lack of oversight by the Board of Supervisors

**Recommendation**

Develop a list of required procedures to complete prior to each Board meeting and present the results to the Board.

**Response**

Board will review all outstanding reports and complete filing requirements.

**Expected Response Completion Date** February 28, 2019      **Responsible Party** Treasurer

**EXIT CONFERENCE**

The report contents were discussed an exit conference in the office of Dan Austin CPA, PC and with the officials of Alpine Village Sanitation District on December 17, 2018. The following in attendance:

**Alpine Village Sanitation District**

Mike Buechter, Chairman  
Joe Buchanan, Treasurer

**Accounting Firm**  
Dan Austin, CPA