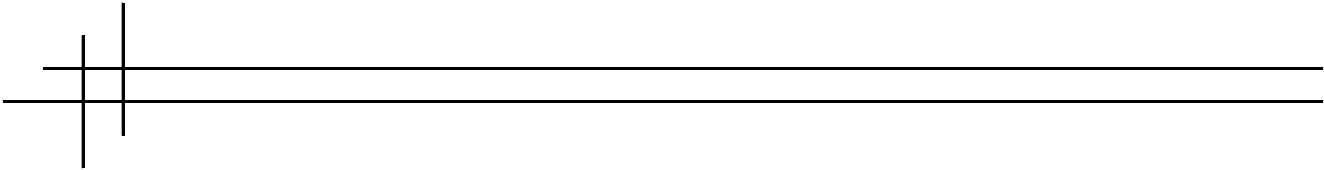


STATE OF NEW MEXICO
ALPINE VILLAGE SANITATION DISTRICT
RUIDOSO, NEW MEXICO

ANNUAL FINANCIAL REPORT
June 30, 2013

De'Aun Willoughby CPA, PC
Certified Public Accountant
Clovis, New Mexico



STATE OF NEW MEXICO
ALPINE VILLAGE SANITATION DISTRICT
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 For the Year Ended June 30, 2013

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STATE OF NEW MEXICO
ALPINE VILLAGE SANITATION DISTRICT
Official Roster
June 30, 2013

BOARD OF DIRECTORS

Bill Hanson	President
Don Adams	Vice-President
Cheryl Knobel	Secretary, Treasurer

ADMINISTRATIVE STAFF

Joe Buchanan	Manager
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De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

Independent Auditor's Report

Mr. Hector Balderas
State Auditor of the State of New Mexico
Board Members of the Alpine Village Sanitation District

Mr. Balderas and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activity of Alpine Village Sanitation District (District), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the budgetary comparison presented as supplementary information, as defined by the Government Accounting Standards Board, for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity of the District as of June 30, 2013, and the respective changes in financial position, thereof and the respective budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

De'Ann Willoughby CPA PC

Clovis, New Mexico
October 25, 2013

STATE OF NEW MEXICO
ALPINE VILLAGE SANITATION DISTRICT
Statement of Net Position-Proprietary Funds
June 30, 2013

ASSETS

Current Assets

Cash in Banks	\$ 202,340
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	7,515
Property Taxes Receivable	0
Prepaid Expenses	685
Total Current Assets	<u>210,540</u>

Non-current Assets

Capital Assets

Land	31,799
Buildings & Improvements	36,626
Utility System	423,297
Less Accumulated Depreciation	<u>(236,428)</u>
Total Non-Current Assets	<u>255,294</u>

Total Assets	<u>465,834</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	3,395
Gross Receipts Tax Payable	45
Accrued Interest	505
Current Portion of Long-term Debt	<u>11,085</u>
Total Current Liabilities	<u>15,030</u>

Non-current Liabilities

Loan Payable	<u>4,995</u>
Total Non-current Liabilities	<u>4,995</u>

Total Liabilities	<u>20,025</u>
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Net Position

Net Invested in Capital Assets	239,214
Unrestricted	<u>206,595</u>

Total Net Position	<u>\$ 445,809</u>
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The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO

ALPINE VILLAGE SANITATION DISTRICT

Statement of Revenues, Expenses, and Changes in Net Position Proprietary Funds

For the Year Ended June 30, 2013

Operating Revenues	
Sales and Services	\$ <u>42,369</u>
Operating Expenses	
Bad Debts	0
Chemicals	316
Conservation Fees	70
Depreciation	18,411
Fees	181
Insurance	3,663
Miscellaneous	41
Office & Postage	285
Professional Fees	27,071
Repairs & Maintenance	6,312
Taxes	498
Utilities	2,960
	<u>59,808</u>
Operating Income	<u>(17,439)</u>
Nonoperating Revenues (Expenses)	
Property Taxes	37,548
Interest Expense	(505)
Total Nonoperating Revenues	<u>37,043</u>
Change in Net Position	19,604
Net Position at Beginning of Year	<u>426,205</u>
Net Assets at End of Year	<u>\$ 445,809</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
ALPINE VILLAGE SANITATION DISTRICT
Statement of Cash Flows-Proprietary Fund
For the Year Ended June 30, 2013

Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 39,455
Payments to Suppliers	(40,946)
Net Cash Provided by Operating Activities	<u>(1,491)</u>
Cash Flows from Non-capital Financing Activities	
Property Taxes	<u>37,548</u>
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>37,548</u>
Cash Flows from Capital & Related Financing Activities	
Acquisition and Construction of Capital Assets	0
Principal Paid	(10,789)
Interest Expense	(505)
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(11,294)</u>
Net Increase (Decrease) in Cash	24,763
Cash, Beginning of the Year	<u>177,577</u>
Cash, End of the Year	<u>\$ 202,340</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Operating Income	(17,439)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Depreciation	18,411
(Increase) Decrease in Accounts Receivable	(1,834)
(Increase) Decrease in Property Taxes Receivable	188
(Increase) Decrease in Prepaid Expenses	(98)
Increase (Decrease) in Accounts Payable	(253)
Increase (Decrease) in Gross Receipts Tax Payable	(169)
Increase (Decrease) in Accrued Interest	(297)
Net Cash Provided by Operating Activities	<u>\$ (1,491)</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
ALPINE VILLAGE SANITATION DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Alpine Village Sanitation District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Alpine Village Sanitation District applies all GASB pronouncements. The more significant of the Village's accounting policies are described below.

Financial Reporting Entity

The Alpine Village Sanitation District (District) was created by Laws of 1941, Chapter 80 (Sections 73-21-1 through 73-21-54, New Mexico Statutes, 1978 Compilation). Under law, the District will serve a public use and will promote the health, safety, prosperity, security and general welfare of the inhabitants of the District.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The District has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected District members are financially accountable. There are no other primary governments with which the District Board Members are financially accountable. There are no other primary governments with which the District has a significant relationship.

Basis of Presentation

The District is engaged in business-type activity only. The financial statements (the statement of net assets, statement of revenues, expenses and changes in net assets and the statement of cash flows) report information on all of the activities of the District.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resource measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

The revenues susceptible to accrual are charges for services and interest income. The specific revenue recognition policy for property taxes are recognized when levied.

STATE OF NEW MEXICO
ALPINE VILLAGE SANITATION DISTRICT
Notes to the Financial Statements
June 30, 2013

Budgetary Control

Procedures followed in establishing the budgetary data reflected in the financial statements are:

Prior to each June 1, District administration submits, to the Board of Directors, a proposed budget for the fiscal year commencing the following July 1. This operating budget includes proposed expenditures and the means of financing them.

Prior to each July 1, the budget is submitted for approval and legally enacted through passage of an ordinance by the Local Government Division of the State Department of Finance and Administration.

The District Board is authorized to transfer budgeted amounts between types of expenditures; however, any revisions that alter the total expenditures must be approved by the State Department of Finance and Administration.

Formal Budgetary integration is employed as a management control device during the year.

Legal budget control for expenditures is by fund.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The District is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

Investments

All money not immediately necessary for the public uses of the District may be invested in :

(a) bonds or negotiable securities of the United States, the state or any county, municipality or Village which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or

(b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.

(c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

Receivables and Payables

Receivables include amounts due from customers for sales and service. Payables represent routine monthly bills for services rendered and products purchased.

STATE OF NEW MEXICO
ALPINE VILLAGE SANITATION DISTRICT
Notes to the Financial Statements
June 30, 2013

Capital Assets

Capital assets, which includes property, plant, equipment, and infrastructure assets are reported in the financial statements. Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 per Section 12-6-10 NMSA 1978, (SAO Rule 2.2.2.10.Y(1)), and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Buildings & Improvements	20-50 Years
Equipment	3-15 Years

Revenue

Ad valorem taxes are susceptible to full accrual on the government wide financial statements. Property Tax revenues recognize revenues net of estimated refunds and uncollectible accounts in the period for which the taxes are levied. See note for property taxes for additional information. Information for property taxes receivable at year end was not provided to the District by the County. Management was not able to determine a reasonable estimate of the property taxes receivable at year end as required by GASB 36. paragraph 14.

The policy for defining the proprietary fund's operating revenues and expenses is how individual transactions would be categorized for purposes of preparing a statement of cash flows. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities normally are not reported as components of operating income.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Property Taxes

The District receives property taxes from the Lincoln County Treasurer for operational purposes. Property taxes are assessed on all property, except on livestock, on January 1st of each year, and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year. Property taxes are considered delinquent thirty days after their due date and are a lien against the property on January 1. Property taxes are collected by the County Treasurer and remitted to the District in the month following collection.

During the fiscal year ended June 30, 2013, property taxes were imposed upon the net taxable value of property contained within the District (except property excluded or exempted by law) at a rate of 10.629 mills per \$1,000. During the fiscal year ended June 30, 2013, property taxes accruing to the benefit of the District amounted to \$37,548.

Net Position

Net position represent the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net positions are reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments.

STATE OF NEW MEXICO
ALPINE VILLAGE SANITATION DISTRICT
Notes to the Financial Statements
June 30, 2013

Restricted Net Position

For the government-wide statement of net position, net positions are reported as restricted when constraints placed are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net positions are available it will first be applied to restricted resources.

NOTE B: CASH AND INVESTMENTS

The District is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

City Bank

Name of Account	Balance Per Bank 6/30/13	Reconciled Balance	Type
Alpine Village Sanitation District	\$ 69,195	\$ 69,195	Interest-Checking
Alpine Village Sanitation District-MMDA	625	475	Non-Interest Checking
Alpine Village Sanitation District	85,231	85,231	Savings
TOTAL Deposited	155,051	\$ 154,901	
Less: FDIC Coverage	(155,051)		
Uninsured Amount	0		
50% collateral requirement	0		
Pledged securities	0		
Over (Under) requirement	\$ 0		

First National

Name of Account	Balance Per Bank 6/30/13	Reconciled Balance	Type
Alpine Village Sanitation District	\$ 47,439	\$ 47,439	Savings
TOTAL Deposited	47,439	\$ 47,439	
Less: FDIC Coverage	(47,439)		
Uninsured Amount	0		
50% collateral requirement	0		
Pledged securities	0		
Over (Under) requirement	\$ 0		

STATE OF NEW MEXICO
ALPINE VILLAGE SANITATION DISTRICT
Notes to the Financial Statements
June 30, 2013

Custodial Credit Risk-Deposits

Depository Account	Bank Balance
Insured	\$ 202,490
Collateralized:	
Collateral held by the pledging bank in District's name	0
Uninsured and uncollateralized	0
Total Deposits	\$ 202,490

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2013, none of the District's bank balance of \$202,490 was exposed to custodial credit risk.

NOTE C: ACCOUNTS RECEIVABLE

The accounts receivable are shown net of the allowance for bad debts. The reserve for uncollectible accounts for June 30, 2013 is \$2,004.

NOTE D: RECEIVABLES

Receivables as of June 30, 2013, were as follows:

Receivables	Total
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	\$ 7,515
Taxes	0
	\$ 7,515

NOTE E: CAPITAL ASSETS

Capital Assets Balances and Activity for the Year Ended June 30, 2013, is as follows:

	Beginning Balance 6/30/12	Additions	Deletions	Ending Balance 6/30/13
Business-type Activity				
Capital Assets not being Depreciated				
Land	\$ 31,799	\$ 0	\$ 0	\$ 31,799
Other Capital Assets				
Buildings & Improvements	36,625		0	36,625
Utility System	423,298		0	423,298
Total Capital Assets at Historical Cost	491,722	0	0	491,722
Accumulated Depreciation				
Buildings	9,811	1,199	0	11,010
System	208,206	17,212	0	225,418
	218,017	18,411	0	236,428
Capital Assets, net	\$ 273,705	\$ (18,411)	\$ 0	\$ 255,294

The current period depreciation expense is \$18,411.

STATE OF NEW MEXICO
ALPINE VILLAGE SANITATION DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE F: LONG TERM DEBT

A summary of activity in the Long-Term Debt is as follows:

	Beginning Balance 6/30/12	Reduction	Ending Balance 6/30/13	Due Within One Year
Business-type Activities				
Notes Payable	\$ 26,869	\$ (10,789)	\$ 16,080	\$ 11,085
Total Notes Payable	\$ 26,869	\$ (10,789)	\$ 16,080	\$ 11,085

The District borrowed \$170,000 which was used to expand and replace the water lines during the fiscal years ending June 30, 1998 and 1999. The District has been paying additional principal on the note. The annual payment was \$13,641 but has been reduced because of the additional principal payments. The maturity date has also been shortened to 2015 because of the additional principal payments. The interest rate is 4%. The following schedule shows the payments due to maturity:

	Principal	Interest	Total
2014	11,085	505	11,590
2015	4,995	200	5,195
	\$ 16,080	\$ 705	\$ 16,785

NOTE G: PREPAID EXPENSE

Prepaid expenses are insurance premiums.

NOTE H: RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds is shown on the Statement of Revenues, Expenditures and Changes in Cash Balance Budget (Non-GAAP Budgetary Basis) and Actual.

STATE OF NEW MEXICO
ALPINE VILLAGE SANITATION DISTRICT
Notes to the Financial Statements
June 30, 2013

NOTE I: RISK MANAGEMENT

Commercial insurance covers all losses. There have been no significant reductions in insurance coverage. Settlement amount have not exceeded insurance coverage for the current year of the three prior years. There are no claim liabilities at year end.

NOTE J: SURETY BONDS

The Directors of the District are covered by a surety bond as required by Section 12 6-7, NMSA, 1978 Compliance and State Auditor's Rule 89-1.

NOTE K: RELATED PARTY TRANSACTIONS

Directors on the Board of the District are recipients of water sales and services. These transactions are correctly considered arm's-length transactions since these related parties are subject to the same installation, invoicing, payment expectations, and late payment procedures as all the District customers.

ALPINE VILLAGE SANITATION DISTRICT

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Property Taxes	\$ 31,000	\$ 31,000	\$ 37,736	\$ 6,736
Water Sales	26,500	26,500	25,265	(1,235)
Fees	14,500	14,500	14,190	(310)
Other	450	450	910	460
Total Revenues	<u>72,450</u>	<u>72,450</u>	<u>78,101</u>	<u>5,651</u>
Expenditures				
Advertising	200	200	0	200
Chemicals	450	450	403	47
Dues & Subscriptions	325	325	129	196
Filing Fees	225	225	52	173
Insurance	3,500	3,500	3,761	(261)
Miscellaneous	1,600	1,600	41	1,559
Office & Postage	573	573	333	240
Professional Fees	31,625	31,625	26,963	4,662
Repairs & Replacement	14,500	14,500	6,537	7,963
Taxes	700	700	498	202
Travel & Training	2,000	2,000	0	2,000
Utilities	3,300	3,300	2,960	340
Water Conservation Fees	130	130	70	60
Water Meter Installation	1,000	1,000	0	1,000
Capital Outlay	3,500	3,500	0	3,500
Principal Payment	11,590	11,590	10,789	801
Interest Payment	0	0	802	(802)
Total Expenditures	<u>75,218</u>	<u>75,218</u>	<u>53,338</u>	<u>21,880</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,768)	(2,768)	24,763	27,531
Cash Balance Beginning of Year	<u>177,577</u>	<u>177,577</u>	<u>177,577</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 174,809</u>	<u>\$ 174,809</u>	<u>\$ 202,340</u>	<u>\$ 27,531</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 24,763	
Net Change in Accounts Receivable			1,834	
Net Change in Taxes Receivable			(188)	
Net Change in Prepaid Expenses			98	
Net Change in Accounts Payable			253	
Net Change in Gross Receipts Tax Payable			169	
Net Change in Accrued Interest			297	
Depreciation			(18,411)	
Capital Outlay			0	
Principal Paid			10,789	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 19,604</u>	

The notes to the financial statements are an integral part of this statement.

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards*

Independent Auditor's Report

Mr. Hector Balderas
State Auditor of the State of New Mexico
Board Members of the Alpine Village Sanitation District

Mr. Balderas and Members of the Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activity of Alpine Village Sanitation District (District) as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 25, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that are less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

De'Ann Willoughby, CPA PC

Clovis, New Mexico
October 25, 2013

STATE OF NEW MEXICO
ALPINE VILLAGE SANITATION DISTRICT
Schedule of Findings and Responses
June 30, 2013

Prior Year Audit Findings

	<u>Status</u>
12-1 Late Audit Report	Resolved
12-2 Late Audit Contract-Other	Resolved

Current Year Audit Findings

None

Financial Statement Preparation

The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

Exit Conference

An exit conference was held on October 25, 2013. Those present were Bill Hanson-Board President, Joe Buchanan-Manager, and De'Aun Willoughby, CPA.