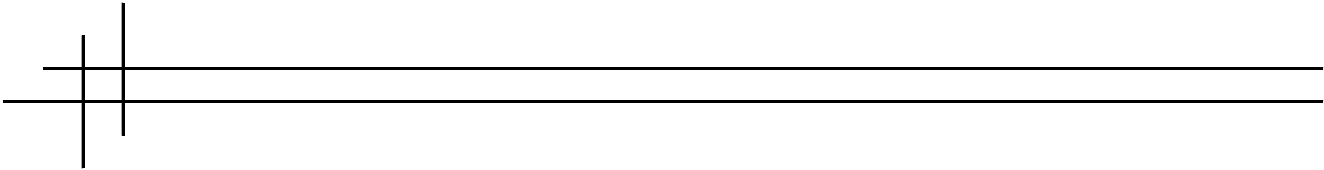


STATE OF NEW MEXICO  
**ALPINE VILLAGE SANITATION DISTRICT**  
RUIDOSO, NEW MEXICO

**ANNUAL FINANCIAL REPORT**  
June 30, 2012

**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, 2012

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STATE OF NEW MEXICO  
**ALPINE VILLAGE SANITATION DISTRICT**  
Official Roster  
June 30, 2012

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**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

We have audited the accompanying financial statements of the business-type activities of the Alpine Village Sanitation District (District), as of and for the year ended June 30, 2012, which comprise the District's basic financial statements as listed in the table of contents. We have also audited the budget comparison presented as supplementary information in the accompanying financial statements. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously present fairly in all material respects, the respective financial position of the business-type activities of the District as of June 30, 2012, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparison of the District for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a 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* and should be considered in assessing the results of our audit.

The District's management has omitted the Management's Discussion and Analysis that the Governmental Accounting Standards Board require 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.

*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, 2012

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ASSETS

Current Assets

Cash in Banks	\$ 177,577
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	5,680
Property Taxes Receivable	188
Prepaid Expenses	587
Total Current Assets	<u>184,032</u>

Non-current Assets

Capital Assets

Land	31,799
Buildings & Improvements	36,626
Utility System	423,297
Less Accumulated Depreciation	<u>(218,017)</u>
Total Non-current Assets	<u>273,705</u>

Total Assets

457,737

LIABILITIES AND NET POSITION

Current Liabilities

Accounts Payable	3,648
Gross Receipts Tax Payable	213
Accrued Interest	802
Current Portion of Long-term Debt	<u>10,788</u>
Total Current Liabilities	<u>15,451</u>

Non-current Liabilities

Loan Payable	<u>16,080</u>
Total Non-current Liabilities	<u>16,080</u>

Total Liabilities

31,531

Net Position

Net Invested in Capital Assets	246,837
Unrestricted	<u>179,369</u>

Total Net Position

\$ 426,206

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, 2012

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Operating Revenues	
Sales and Services	\$ <u>39,771</u>
Operating Expenses	
Bad Debts	1,303
Chemicals	478
Conservation Fees	105
Depreciation	18,411
Fees	389
Insurance	3,110
Miscellaneous	3,000
Office & Postage	537
Professional Fees	32,514
Repairs & Maintenance	7,426
Taxes	490
Utilities	2,648
	<u>70,411</u>
Operating Income	<u>(30,640)</u>
Nonoperating Revenues (Expenses)	
Property Taxes	36,499
Interest Expense	(802)
Total Nonoperating Revenues	<u>35,697</u>
Change in Net Position	<u>5,057</u>
Net Position at Beginning of Year	415,752
Restatement	5,397
Restated Beginning Net Position	<u>421,149</u>
Net Position at End of Year	<u>\$ 426,206</u>

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

STATE OF NEW MEXICO  
**ALPINE VILLAGE SANITATION DISTRICT**  
 Proprietary Fund Statement of Cash Flows  
 For the Year Ended June 30, 2012

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Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 35,991
Payments to Suppliers	(46,821)
Net Cash Provided by Operating Activities	<u>(10,830)</u>
Cash Flows from Non-capital Financing Activities	
Property Taxes	<u>36,499</u>
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>36,499</u>
Cash Flows from Capital & Related Financing Activities	
Acquisition and Construction of Capital Assets	0
Principal Paid	(10,509)
Interest Expense	<u>(802)</u>
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(11,311)</u>
Net Increase (Decrease) in Cash	14,358
Cash, Beginning of the Year	<u>163,219</u>
Cash, End of the Year	<u>\$ 177,577</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Operating Income	(30,640)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Depreciation	18,411
(Increase) Decrease in Accounts Receivable	575
(Increase) Decrease in Property Taxes Receivable	771
(Increase) Decrease in Prepaid Expenses	(11)
Increase (Decrease) in Accounts Payable	169
Increase (Decrease) in Gross Receipts Tax Payable	175
Increase (Decrease) in Accrued Interest	<u>(280)</u>
Net Cash Provided by Operating Activities	<u>\$ (10,830)</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, 2012

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**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 as well as the Financial Accounting Standards Board Pronouncements issued after November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements, in which case, GASB prevails. 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, 2012

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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, 2012

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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, 2012, 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, 2012, property taxes accruing to the benefit of the District amounted to \$36,499.

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, 2012

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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**

<u>Name of Account</u>	Balance Per Bank 6/30/12	Reconciled Balance	Type
Alpine Village Sanitation District	\$ 44,356	\$ 44,881	Interest-Checking
Alpine Village Sanitation District-MMDA	708	708	Non-Interest Checkin
Alpine Village Sanitation District	84,595	84,595	Savings
TOTAL Deposited	129,659	\$ 130,184	
Less: FDIC Coverage	(129,659)		
Uninsured Amount	0		
50% collateral requirement	0		
Pledged securities	0		
Over (Under) requirement	\$ 0		

**First National**

<u>Name of Account</u>	Balance Per Bank 6/30/12	Reconciled Balance	Type
Alpine Village Sanitation District	\$ 47,393	\$ 47,393	Savings
TOTAL Deposited	47,393	\$ 47,393	
Less: FDIC Coverage	(47,393)		
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, 2012

**Custodial Credit Risk-Deposits**

Depository Account	Bank Balance
Insured	\$ 177,052
Collateralized:	
Collateral held by the pledging bank in District's name	0
Uninsured and uncollateralized	0
Total Deposits	\$ 177,052

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, 2012, none of the District's bank balance of \$177,052 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, 2012 is \$2,004.

**NOTE D: RECEIVABLES**

Receivables as of June 30, 2012, were as follows:

Receivables	Total
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	\$ 5,680
Taxes	188
	\$ 5,868

**NOTE E: CAPITAL ASSETS**

Capital Assets Balances and Activity for the Year Ended June 30, 2012, is as follows:

	Beginning Balance 6/30/11	Additions	Deletions	Ending Balance 6/30/12
<b>Business-type Activity</b>				
Capital Assets not being Depreciated				
Land	\$ 31,799	\$ 0	\$ 0	\$ 31,799
Other Capital Assets				
Buildings & Improvements	36,625	0	0	36,625
Utility System	423,298	0	0	423,298
Total Capital Assets at Historical Cost	491,722	0	0	491,722
Accumulated Depreciation				
Buildings	8,612	1,199	0	9,811
System	190,994	17,212	0	208,206
	199,606	18,411	0	218,017
Capital Assets, net	\$ 292,116	\$ (18,411)	\$ 0	\$ 273,705

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

STATE OF NEW MEXICO  
**ALPINE VILLAGE SANITATION DISTRICT**  
Notes to the Financial Statements  
June 30, 2012

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**NOTE F: LONG TERM DEBT**

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

	Beginning Balance 6/30/11	Restatement	Restated Balance 6/30/11	Reduction
Business-type Activities				
Notes Payable	\$ 42,773	\$ (5,396)	\$ 37,377	\$ (10,509)
Total Notes Payable	\$ 42,773	\$ (5,396)	\$ 37,377	\$ (10,509)

	Ending Balance 6/30/12	Due Within One Year
Business-type Activities		
Notes Payable	\$ 26,868	\$ 10,788
Total Notes Payable	\$ 26,868	\$ 10,788

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
2013	\$ 10,788	\$ 802	\$ 11,590
2014	11,085	505	11,590
2015	4,995	200	5,195
	\$ 26,868	\$ 1,507	\$ 28,375

**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).

STATE OF NEW MEXICO  
**ALPINE VILLAGE SANITATION DISTRICT**  
Notes to the Financial Statements  
June 30, 2012

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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.

**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 and certain employees 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.

**NOTE L: RESTATEMENT**

The Statement of Activities was restated by \$5,397 for the additional principal paid in prior year on the NMFA loan. The reported balance on June 30, 2011 as stated was \$42,773. The correct balance was \$37,377 for a difference of \$5,397.

**ALPINE VILLAGE SANITATION DISTRICT**

Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 31,000	\$ 31,000	\$ 37,270	\$ 6,270
Water Sales	26,500	26,500	25,577	(923)
Fees	14,200	14,200	10,414	(3,786)
Other	450	450	3,050	2,600
Total Revenues	<u>72,150</u>	<u>72,150</u>	<u>76,311</u>	<u>4,161</u>
<b>Expenditures</b>				
Advertising	300	300	0	300
Chemicals	250	250	434	(184)
Dues & Subscriptions	75	75	300	(225)
Filing Fees	110	110	116	(6)
Insurance	3,350	3,350	3,121	229
Miscellaneous	1,145	1,145	2,824	(1,679)
Office & Postage	646	646	490	156
Professional Fees	31,058	31,058	32,455	(1,397)
Repairs & Replacement	12,500	12,500	5,499	7,001
Taxes	525	525	490	35
Travel & Training	2,000	2,000	0	2,000
Utilities	2,900	2,900	2,648	252
Water Conservation Fees	130	130	105	25
Water Meter Installation	1,000	1,000	1,881	(881)
Capital Outlay	4,500	4,500	0	4,500
Principal Payment	11,589	11,589	10,509	1,080
Interest Payment	0	0	1,081	(1,081)
Total Expenditures	<u>72,078</u>	<u>72,078</u>	<u>61,953</u>	<u>10,125</u>
Excess (Deficiency) of Revenues Over Expenditures	72	72	14,358	14,286
Cash Balance Beginning of Year	<u>163,219</u>	<u>163,219</u>	<u>163,219</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 163,291</u>	<u>\$ 163,291</u>	<u>\$ 177,577</u>	<u>\$ 14,286</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 14,358	
Net Change in Accounts Receivable			(575)	
Net Change in Taxes Receivable			(771)	
Net Change in Prepaid Expenses			11	
Net Change in Accounts Payable			(169)	
Net Change in Gross Receipts Tax Payable			(175)	
Net Change in Accrued Interest			280	
Depreciation			(18,411)	
Capital Outlay			0	
Principal Paid			10,509	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 5,057</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 the financial statements of the business-type activities, the general fund and the related budgetary comparison presented as supplemental information of the Alpine Village Sanitation District (District), as of and for the year ended June 30, 2012, and have issued our report thereon dated October 25, 2013. 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.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 12-1 and 12-2.

The District's responses to the findings identified in our audit as described in the accompanying Schedule of Findings and Responses. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the New Mexico State Legislature and its committees, the Office of the State Auditor, the New Mexico Department of Finance and Administration - Local Government and is not intended to be and should not be used by anyone other than these specified parties.

 CPA PC

Clovis, New Mexico  
October 25, 2013

STATE OF NEW MEXICO  
**ALPINE VILLAGE SANITATION DISTRICT**  
Schedule of Findings and Responses  
June 30, 2012

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**Prior Year Audit Findings**

None

**Current Year Audit Findings**

**12-1 Late Audit Report-Compliance-Other Matter**

**Condition**

The audit report was issued after the due date of December 1, 2012.

**Criteria**

Special District audits are to be submitted to the State Auditor by December 1 as required by NMAC 2.2.2.9A (1) (d).

**Cause**

The current auditor was limited by Office of State Auditor. Quotes for the audit were four times greater than the cost had been. Although the District qualifies for an agreed upon procedures engagement, management prefers an audit. Management decided to wait until the current auditor was no longer limited to save a substantial amount of money.

**Effect**

The users of the financial statements such as legislators, creditors, management, etc., do not have timely audit reports and financial statements for their review.

**Recommendation**

The audit should be filed timely.

**Response**

We will be sure the audit is filed timely.

**12-2 Late Audit Contract-Compliance-Other Matter**

**Condition**

The audit contract was not received by the Office of the State Auditor by the required due date of May 15, 2012.

**Criteria**

Paragraph (6) or Subsection G of 2.2.2.8 NMAC requires the contract be received by the Office of the State Auditor by May 15, 2012.

**Cause**

The auditor was not on the approved audit list until after that date.

**Effect**

Paragraph (6) or Subsection G of 2.2.2.8 NMAC was violated.

**Recommendation**

The District will contract with an auditor in a timely matter.

**Agency Response**

We will contract with an approved auditor timely.

**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-President, Joe Buchanan-Manager, and De'Aun Willoughby, CPA.