

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

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

**Year Ended June 30, 2016**

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, 2016**

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**State of New Mexico  
Alpine Village Sanitation District  
Official Roster  
June 30, 2016**

**Board of Supervisors**

Bill Hanson  
Mike Buechter  
Cheryl Knobel

President  
Vice President  
Secretary/Treasurer

**Staff**

Joe Buchanan

District Manager

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

Bill Hanson, President and  
The Board of Directors  
Alpine Village Sanitation District  
and Honorable Tim Keller, New Mexico State Auditor

We have performed the procedures enumerated below for the Alpine Village Sanitation District for the year ended June 30, 2016. The Alpine Village Sanitation District 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 Alpine Village Sanitation District 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 findings are as follows:

**1. Tier Determination**

Procedure:

Verify the local public body's revenue calculation and tier determination.

Findings:

Alpine Village Sanitation District's tier determination was correctly made.

**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) Perform a random test 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 Alpine Village Sanitation District has two bank accounts and two certificates of deposit while utilizing Quickbooks to record transactions. All bank reconciliations were performed within days of receiving the bank statements and all were complete and on-hand. However, numerous reconciling items and errors were not corrected resulting in inaccurate reporting. We also noted no review or oversight by the Board of Directors resulting in a failure correct reporting errors by management. See Finding 2016-001.

We noted that certificate of deposit interest earned was not recorded in the general ledger resulting in inaccurate budget reports.

The District had no uninsured deposits during the current year; therefore, pledged securities were not required as described in the New Mexico Public Money Act.

**3. Capital Assets**

**Procedures:**

- (a) Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA1978.

**Findings:**

The Alpine Village Sanitation District does not inventory as required by Section 12-6-10 NMSA 1978 because it has no equipment costing more than \$5,000.

**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 revenues based on auditor judgment using 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:**

We selected a sample of revenues consisting of 75% of recorded revenues in Quickbooks general ledger. We tested the amount recorded for supporting documentation agreement to the bank statement. We tested a sample for proper classification, amount and period recorded in the general ledger on a cash basis.

We completed an analytical review and test of actual revenue on a cash basis and compared to budgeted revenue for the year for each type of revenue. We noted one sale of used equipment for \$1,700 was not recorded as revenue. We noted that gross receipts tax was being collected at an incorrect rate and subsequently not remitted to the New Mexico Taxation and Revenue. See finding 2016-003.

**5. Expenditures**

**Procedures:**

Select a sample of cash disbursements and test the total amount of expenditures for 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 selected a sample of cash disbursements amounting to 63% of the disbursements and tested the sample for amounts recorded as disbursed, supporting documentation. We tested the amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and cancelled check. No exceptions were noted.

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

Were applicable, we tested the sample for documentation of 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 ). No exceptions were noted.

## **6. Journal Entries**

### Procedures:

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test the 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 Alpine Village Sanitation District utilizes Quickbooks to record cash transactions. The District has no a procedure to review journal entries; resulting in errors in reporting in inaccurate bank reconcilements and budget reports.

## **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 if the 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 Alpine Village Sanitation District on June 1, 2015 and submitted to the DFA-LGD. DFA-LGD approved the final budget on September 4, 2015.

Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control.

Due to errors in reconciling and reporting cash transactions noted earlier in this report, budget reports submitted were not accurate.

It was noted no interim budget reports were submitted. See finding 2016-002.

A schedule of revenues and expenditures - budget and actual was prepared on the cash budgetary basis used by the Alpine Village Sanitation District.

## 8. Other Procedures

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 (I) (3) (C)NMAC.


### Findings:

Alpine Village Sanitation District is collecting but not remitting sales tax collected on water sales to the New Mexico Taxation and Revenue. See Finding 2016-003.

Alpine Village Sanitation District has not appointed a Chief Procurement Officer per New Mexico Statutes. See Finding 2016-004.

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.

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



Dan Austin CPA, P. C.  
Ruidoso, New Mexico  
March 22, 2017



**Alpine Village Sanitation District**  
**Statement of Revenues, Expenditures, and Changes**  
**In Cash Balance – Budget and Actual (Budgetary Basis)**  
**For Year Ended June 30, 2016**

	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>	<u>Original</u>	<u>Final</u>		<u>Favorable</u>
				<u>(Unfavorable)</u>
Water Sales	\$ 27,000	\$ 27,000	\$ 27,963	\$ 963
Fees	18,670	18,670	6,825	(11,845)
Interest Income	450	450	4,715	4,265
Property Tax	38,500	38,500	47,090	8,590
Other Revenue	<u>-</u>	<u>-</u>	<u>2,128</u>	<u>2,128</u>
Total revenue	84,620	84,620	88,721	4,101
<b>Expenditures:</b>				
System Repairs	21,000	21,000	5,031	15,969
Contractual Services	47,450	47,450	37,623	9,827
Taxes	1,500	1,500	835	665
Utilities	3,000	3,000	2,443	557
Insurance	4,100	4,100	2,307	1,793
Other Expense	13,105	13,105	15,590	(2,485)
Capital Outlay	<u>42,000</u>	<u>42,000</u>	<u>38,032</u>	<u>3,968</u>
Total expenditures	<u>132,155</u>	<u>132,155</u>	<u>101,861</u>	<u>25,796</u>
<b>Excess (deficiency) of revenue and cash over expenditure:</b>	<u>\$ (47,535)</u>	<u>\$ (47,535)</u>	(13,140)	<u>\$ 29,897</u>
			<u>180,656</u>	
			<u>\$ 167,516</u>	

**State of New Mexico  
Alpine Village Sanitation District  
Schedule of Findings and Responses  
Year Ended June 30, 2016**

	<u>Type of Finding</u>	<u>Prior Year Finding #</u>	<u>Current Year Finding #</u>
<b>Prior Year Findings:</b>			
None	N/A	N/A	N/A
<b>Current Year Findings</b>			
Bank Reconcilements	C	N/A	2016-001
Budget Reporting	D	N/A	2016-002
Gross Receipts Tax	D	N/A	2016-003
Procurement Policy	D	N/A	2016-004
Late Report	D	N/A	2016-005

**Legend of Findings:**

- A. Fraud
- B. Illegal Acts
- C. Internal Control Deficiency
- D. Compliance

**2016-001 Bank Reconcilements-Significant Deficiency**

**Condition**

The District did not accurately prepare bank reconciliations for all months resulting in inaccurate financial reporting.

**Criteria**

Prudent internal control procedures require accurate preparation of bank reconcilements to verify monetary transactions of the District. Governance should review these reconcilements to insure accurate financial reporting.

**Effect**

Without timely and accurate account reconciliations, errors or irregularities could or have gone undetected.

**Cause**

Management failed to accurately prepare these reconcilements and the Board of Directors failed to review the monthly reconcilements resulting in reporting inaccuracies.

**Recommendation**

Establish a procedure to review the reconciliation monthly at each Board Meeting.

**Response**

The Board will establish a policy to review the reconcilements monthly and resolve any issues at that time.

**Expected Response Completion Date** June 30, 2017

**Responsible Party** Board of Directors

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

**Condition**

The District is required to adopt and monitor its budget and timely report quarterly results.

**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

**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** May 31, 2017

**Responsible Party** System Manager

**2016-003 Gross Receipts Tax-Significant Deficiency**

**Condition**

The District failed to file monthly gross receipts tax reports for physical year 2016 and failed to assess the governmental gross receipts and the correct rate of 5%.

**Criteria**

The District is required to collect and pay governmental gross receipts tax on various sales and services of the District.

**Effect**

The District has failed to report and pay approximately \$1,398 in gross receipts tax plus additional penalties and interest.

**Cause**

Contract manager failed to complete and file reports or have knowledge of the requirements for assessing governmental gross receipts tax.

**Recommendation**

The Board will establish a policy to monthly review the gross receipts tax report and require proof of filing by the contract manager and review billing procedures to properly assess the tax.

**Response**

The Board will establish a policy to require review and approval of gross receipts tax reports at monthly Board meetings and will review and approval billing procedures for various services provided by the District.

**Expected Response Completion Date** May 31, 2017

**Responsible Party** Board of Directors

**2016-004 Procurement Policy-Other Non-Compliance**

**Condition**

The District has not adopted a formal procurement policy or appointed Chief Procurement Officer per Sections 31-1-28 through 13-1-199.

**Criteria**

The New Mexico Procurement code requires all Local Government to comply with the statutes by appointing and training staff on issues relating to procurement.

**Effect**

The District has not adopted a policy or appointed a Chief Procurement Officer.

**Cause**

Oversight by the Board of Directors.

**Recommendation**

Adopt a procurement policy and obtain training for staff relating to the New Mexico Procurement Code.

**Response**

The District will adopt a procurement policy and obtain training for staff relating to the New Mexico Procurement Code as soon as possible.

**Expected Response Completion Date** June 30, 2017

**Responsible Party** Board of Directors

**2016-005 Late AUP Report-Significant Deficiency**

**Condition**

The District AUP Report was submitted after the due date of December 15, 2016.

**Criteria**

The New Mexico Audit Rule established a due date for the AUP report of December 15, 2016.

**Effect**

The District was non-compliant with the New Mexico Audit Rule requirements.

**Cause**

Lacking internal accounting records caused a delay in completion of the report.

**Recommendation**

Improve accounting policies and procedures to insure all information is available to complete the engagement.

**Response**

The Board will develop policies and procedures to monitor various accounting functions to insure all information is available to complete the annual AUP engagement.

**Expected Response Completion Date** June 30, 2017

**Responsible Party** Board of Directors

**State of New Mexico  
Alpine Village Sanitation District  
Exit Conference  
Year Ended June 30, 2016**

**EXIT CONFERENCE**

The report contents were discussed at an exit conference held at the office of Dan Austin CPA, PC on March 22, 2017 at the offices of Dan Austin CPA, PC with the following in attendance:

Alpine Village Sanitation District

Michael Buechter-Vice President  
Joe Buchanan-District Manager

Accounting Firm

Dan Austin, CPA