

**STATE OF NEW MEXICO**  
**WILLIAMS ACRES**  
**WATER AND SANITATION DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2008**

**(With Independent Auditor's Report Thereon)**

**FIDEL A. BERNAL, PC**  
**CERTIFIED PUBLIC ACCOUNTANT**  
**ALBUQUERQUE, NEW MEXICO**

STATE OF NEW MEXICO  
WILLIAMS ACRES WATER AND SANITATION DISTRICT  
OFFICIAL ROSTER  
JUNE 30, 2008

Walt Ishmael  
Rudy Nez  
Matthew Wright

President  
Vice - President  
Secretary-Treasurer

**STATE OF NEW MEXICO  
WILLIAMS ACRES WATER AND SANITATION DISTRICT**

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JUNE 30, 2008**

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## INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas  
New Mexico State Auditor  
and  
Members of the Board of Directors,  
Williams Acres Water and Sanitation District  
Mentmore, New Mexico

We have audited the accompanying financial statements of the business-type activities of Williams Acres Water and Sanitation District (the District), as of and for the year ended June 30, 2008, 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 supplemental information in the accompanying financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of Williams Acres Water and Sanitation District 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 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 misstatements. 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 above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of June 30, 2008, and the respective changes in financial position and cash flows thereof 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 statement referred to above presents fairly, the budgetary comparison for the proprietary fund 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 our report dated November 24, 2008, 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 Management's discussion and analysis on pages 3 thru 4 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, appearing to be "F. J. ...", written in a cursive style.

November 24, 2008

STATE OF NEW MEXICO  
WILLIAMS ACRES WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2008

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2008.

Financial Highlights

Total revenue increased by \$1,388 when compared to the prior year, which did not significantly change.

Total expenses decreased by \$9,332 when compared to the prior year this was due to an unexpected decrease in utilities & maintenance.

The proprietary fund change in net assets increased by \$26,568, which is an increase of \$10,720 compared to the prior years change in net assets. This change is due to the aforementioned changes in revenue & expenses.

As of the close of the current fiscal year, the District's proprietary fund reported ending net assets of \$350,656 in comparison with \$324,088 for the prior year.

Repairs and maintenance expenses amounted to \$6,366.

Using This Annual Report

The District has not made significant changes in the financial statement presentation. The financial report includes the sections described below.

Management's Discussion and Analysis

This section includes information on the use of the annual report, and management's analysis of the financial position and results of operations for the District.

Government-Wide Financial Statements

The Government-Wide Financial Statements report information about the District as a whole using accounting methods similar to those used by private sector businesses. The statement of net assets includes all of the Districts assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The financial statements report the District's net assets and how they have changed.

Proprietary Fund

The District only has one fund which is proprietary in nature.

Budgetary Comparisons

The proprietary fund presents a schedule that has a legally adopted annual budget. The budgetary comparison schedules should present both the original and the final appropriated budgets for the reporting period as well as the actual inflows, outflows and balances, stated on the government's budgetary basis. As required by the Office of the State Auditor under 2NMAC2.2, the budgetary comparison statement is presented. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

Notes to the Financial Statements

The notes provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements.

STATE OF NEW MEXICO  
WILLIAMS ACHES WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2008

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$350,656 at the close of the most recent fiscal year.

An analysis of fiscal year 2007 & 2006 follows:

	Net	Assets
Assets:	<u>2008</u>	<u>2007</u>
Current assets	\$ 219,411	\$ 188,017
Net property and equipment	<u>133,140</u>	<u>138,735</u>
Total assets	<u>352,551</u>	<u>326,752</u>
Liabilities		
Current liabilities	<u>1,895</u>	<u>2,664</u>
Invested in capital assets	<u>133,140</u>	<u>138,735</u>
Unrestricted	<u>217,516</u>	<u>185,353</u>
Net Assets	<u>\$350,656</u>	<u>\$ 324,088</u>
	Changes in Net Assets	
Program revenue charges		
for services	\$ 47,954	\$ 47,564
General revenues	<u>9,805</u>	<u>8,807</u>
Total revenues	<u>57,759</u>	<u>56,371</u>
Expenses - water and sanitation	<u>31,191</u>	<u>40,523</u>
Change in net assets	26,568	15,848
Net assets - beginning	<u>324,088</u>	<u>308,240</u>
Net assets- ending	<u>\$350,656</u>	<u>\$ 324,088</u>

Proprietary Fund Budget Highlights

There was no change in the budget. The district was under budget on all line items.

Capital Assets & Long Term Debt

The District has no long term debt and the only change in capital assets was due to depreciation.

Currently Known Facts, Decisions, or Conditions

There are currently no known facts that would significantly effect the future operations of the District.

Request for Information

This financial report is designed to provide a general overview of the Williams Acres Water and Sanitation District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or a request for additional financial information should be addressed to the Williams Acres Water and Sanitation District Chairman, 181 Street Highway 118, Mentmore, NM 87319.

Williams Acres Water & Sanitation District  
Proprietary Fund  
Balance Sheet  
As of June 30, 2008

Exhibit-1

**Assets**

Current assets

Cash & cash equivalents	\$	205,421
Receivables		12,603
Prepaid expenses		1,387
		219,411

Noncurrent assets:

Capital assets:

Property, plant and equipment		311,801
Less accumulated depreciation		(178,661)

Total noncurrent assets		133,140
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Total Assets	\$	352,551
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**Liabilities**

Current liabilities:

Due within one year

Accounts payable	\$	196
Accrued payroll		775
Accrued Taxes		69
Deferred income		855

Total current liabilities		1,895
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**Net Assets**

Invested in capital assets		133,140
Unrestricted		217,516

Total net assets		350,656
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Total liabilities and net assets	\$	352,551
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The notes to the financial statements are an integral part of this statement



Williams Acres Water & Sanitation District  
Proprietary Fund  
Statement of Revenues, Expenses and Changes in Net Assets  
For The Year Ended June 30, 2008

Exhibit-2

<b>Operating revenue:</b>	
Charges for services	\$ 47,954
Fees	2,237
Total operating revenue	50,191
<b>Operating expenses:</b>	
Auditing	2,603
Bad Debt Expense	43
Legal	108
Office expense- bookkeeping	1,124
Repairs and maintenance	6,366
Storage expense	120
Salaries	9,452
Payroll taxes	725
Gross receipts tax	2,367
Utilities	406
Depreciation	5,595
Insurance fidelity bond	2,282
Total operating expenses	31,191
Operating income (loss)	19,000
<b>Non operating revenues and (expenses)</b>	
Investment income	2,670
Gross Receipts Tax Revenue	2,398
Advertising rental revenue	2,500
Total non operating revenue and (expenses)	7,568
Income (loss)	26,568
Change in net assets	26,568
Total net assets at the beginning of the year	324,088
Total net assets at the end of the year	\$ 350,656

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

State of New Mexico  
Williams Acres Water and Sanitation District  
Proprietary Fund  
Statement of Cash Flows  
For the Year ended June 30, 2008

Exhibit 3

	06/30/08
Cash flows from operating activities:	
Received from customer services and fees	\$ 46,746
Cash payments to employees	(9,300)
Paid to suppliers for goods and services	(16,558)
Net cash provided (used) by operating activities	20,889
Cash flows from investing activities:	
Investment income	2,670
Net cash provided (used) by investing activities	2,670
Cash flows from capital and related financing activities:	
Gross receipts tax revenue	2,398
Other income	2,500
Net cash provided (used) by capital and related financing activities	4,898
NET INCREASE (DECREASE)	
CASH AND CASH EQUIVALENTS	28,457
Cash and cash equivalents at July 1, 2007	176,964
Cash and cash equivalents at June 30, 2008	\$ 205,421
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ 19,000
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	5,595
Changes in assets and liabilities:	
(increase) decrease in:	
Accounts receivable	(2,804)
Prepaid insurance	(132)
(decrease) increase in:	
Accounts payable	(620)
Accrued liabilities	161
Deferred Income	(311)
Net cash provided (used) by operating activities	\$ 20,889

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

STATE OF NEW MEXICO  
WILLIAMS ACRES WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

1. Summary of significant accounting policies

**A. Reporting entity**

The Williams Acres Water and Sanitation District is a special purpose government corporation governed by an elected three-member Board of Directors. The Board of Directors is the base level of government, which has oversight responsibility and control over the deliver of sewer service to residents of the District. The District receives funding from user charges.

The summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of Williams Acres Water and Sanitation District's management who is responsible for their integrity and objectivity. The financial statements of the District conform to generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District's financial statements include all financial information over which the Board of Directors exercises oversight responsibility. Oversight responsibility includes such aspects as appointment of governing body members, designation of management, the ability to significantly influence operations, and accountability for fiscal matters. Based upon the application of these criteria, no component units were included in the financial statements.

**B. Measurement focus, basis of accounting and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements, neither fiduciary funds or component units that are fiduciary in nature are included. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government uses a proprietary fund to record all of its financial transactions.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions.

STATE OF NEW MEXICO  
WILLIAMS ACRES WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

1. Summary of significant accounting policies (continued)

**B. Measurement focus, basis of accounting and financial statement presentation (continued)**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District enterprise fund are charges to customers for sales and services. Operating expense for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**C. Assets, liabilities, and net assets or equity**

1. Deposits and investments

The government'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.

State statutes authorize the investment of the District's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The District is also allowed to invest in United States Government obligations. All funds for the District must follow the above investment policies.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within time geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by time financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States Treasury bills of the same maturity on time day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

Investments for the District are reported at fair value.

2. Accounts Receivable

The accounts receivable (customer receivables) reported in the Statement of Net Assets are considered fully collectible; and therefore, no allowance for doubtful accounts has been recorded.

STATE OF NEW MEXICO  
WILLIAMS ACRES WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

1. Summary of significant accounting policies (continued)

3. Capital assets

The District's policy is to capitalize all disbursements for equipment in excess of \$5,000. Property and equipment are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expenses as incurred. It is the policy of the District to capitalize the cost of Infrastructure assets (water and sewer lines). Interest incurred during the construction period of major projects is capitalized and depreciated over the estimated lives of the respective assets. During the current period there were no major projects. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of activities. The District's assets have the following estimated useful lives:

Sewage facility	<u>Years</u> 40
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4. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at time date of the financial statements and time reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. Stewardship, compliance, and accountability

**A. Budgetary information**

A budget for the Proprietary Fund is prepared by management and approved by the Board of Directors and the State Department of Finance and Administration.

This budget is prepared on time Non-GAAP cash basis, excluding encumbrances, and secures appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. The budget process in time State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year.

Actual expenditures may not exceed the budget on a line item basis, i.e., each budgeted expenditure must be within budgeted amounts. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a 'series', this may be accomplished with only local Board of Directors approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from State Department of Finance and Administration.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

STATE OF NEW MEXICO  
WILLIAMS ACRES WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

2. Stewardship, compliance, and accountability (continued)

**A. Budgetary information (continued)**

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In April or May, the management submits to the Board of Directors a proposed operating budget of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the State Department of Finance and Administration.
2. In May or June, the budget is approved by the Board of Directors.
3. The board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called for.
4. The management is authorized to transfer budgeted amounts between departments within any fund; however, the Board of Directors and the State Department of Finance and Administration must approve revisions that alter the total expenditure of the Proprietary Fund.
5. Formal budgetary integration is employed as a management control device during the year.
6. The budget for the Proprietary Fund is adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for budget purposes.

The Board of Directors may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending balances. The appropriated budget for the year ended June 30, 2008 was properly amended by the Board through the year. These amendments resulted in the following changes:

	Original Budget	Final Budget
Proprietary Fund	\$ 49,300	\$ 49,300

3. Detailed notes on all funds

**A. Cash and temporary investments**

At June 30, 2008, the carrying amount of the District's deposits was \$205,390 and the bank balance was \$205,589. Of this balance \$205,589 was covered by federal depository insurance and therefore, no deposits were subject to custodial credit risk.

STATE OF NEW MEXICO  
WILLIAMS ACRES WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

3. Detailed notes on all funds (continued)

**A. Cash and temporary investments (continued)**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico Office of the State Auditor's requirements in reporting the insured and uninsured portion of deposits:

Depository	Account Name	Maturity Date	Type of Account	Bank Balance
<b>Gallup Federal Savings Bank</b>				
	State Public Checking	--	Checking	\$ 6,623
	State Public Savings	--	Savings	99,104
	Total First State Bank			105,727
	Less: FDIC coverage			200,000
	Total uninsured public funds			-0-
	Collateral Requirements ( 50% of uninsured public fund bank deposits)			-0-
	Pledged collateral			-0-
	Total not federally insured			\$ -0-
<b>Pinnacle Bank</b>				
	State Public Savings	--	Savings	99,862
	Total First State Bank			99,862
	Less: FDIC coverage			100,000
	Total uninsured public funds			-0-
	Collateral Requirements ( 50% of uninsured public fund bank deposits)			-0-
	Pledged collateral			-0-
	Total not federally insured			-0-
	Total cash in bank			\$ 205,589
	Plus cash on hand			30
	Plus deposits in transit			-0-
	Less outstanding checks			(198)
	Reconciled cash balance per balance sheet			\$ 205,421

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of time State of New Mexico.

STATE OF NEW MEXICO  
WILLIAMS ACRES WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

3. Detailed notes on all funds (continued)

**A. Cash and temporary investments (continued)**

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the District. Time deposits, savings deposits and interest bearing now accounts of a public unit in an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

**B. Capital assets**

Capital assets activity for time year ended June 30, 2008 was as follows:

	Beginning June 30, 2007	Increases	Decrease	Ending June 30, 2008
Business type activities:				
Capital assets, not being depreciated:				
Land	\$ 88,000	\$ -	\$ -	\$ 88,000
Capital assets, being depreciated:				
Sewage facility	223,801	-	-	223,801
Less accumulated depreciated for:				
Sewage facility	(173,066)	(5,595)	-	(178,661)
Total capital assets, being depreciated, net	50,735	(5,595)	-	45,140
Business type activities capital assets, net	\$ 138,735	\$ (5,595)	\$ -	\$ 133,140

Depreciation expense for the year ended June 30, 2008 totaled \$ 5,595.

4. Retained risks of loss

The District is exposed to various risks of loss related to torts, theft to, damage to, and destruction of assets, error and omissions, injuries to employees, and natural disasters. The District carries commercial insurance for all risks. Settlement of claims resulting from these risks have not exceeded commercial insurance coverage at any time in the past three years.

5. Pension plan, Deferred Compensation, and Retiree Health Care

The District did not participate in the Public Employees' Retirement Act (PERA) of the State of New Mexico, a deferred compensation plan, or the Retiree Health Care act program.



## Williams Acres Water and Sanitation District

## Proprietary Fund

## Schedule of Revenue, Expenses, Budget and Actual (non-GAAP Budgetary Basis)

Year ended June 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Charges for services and fees	\$ 47,000	\$ 47,000	\$ 47,954	\$ 954
Miscellaneous revenue	0	0	2,237	2,237
Total revenues	<u>47,000</u>	<u>47,000</u>	<u>50,191</u>	<u>3,191</u>
<b>Expenses:</b>				
Repairs and maintenance	14,400	14,400	6,366	8,034
Utilities	1,500	1,500	406	1,094
Office expense	1,200	1,200	1,167	33
Insurance	2,200	2,200	2,150	50
Legal, accounting and audit	3,900	3,900	2,711	1,189
Salaries	10,000	10,000	9,452	548
Payroll taxes	850	850	725	125
GRT	3,000	3,000	2,367	633
Storage expense	120	120	120	0
Total expenditures	<u>37,170</u>	<u>37,170</u>	<u>25,464</u>	<u>11,706</u>
<b>Non-operating revenues</b>				
Advertising revenue	2,300	2,300	2,500	200
Gross Receipts tax	0	0	2,398	2,398
Investment income	0	0	2,670	2,670
Total non operating revenue	<u>2,300</u>	<u>2,300</u>	<u>7,568</u>	<u>5,268</u>
Excess (deficiency) of revenues and other sources over expenses and other uses	12,130	12,130	32,295	<u>20,165</u>
Prior year cash balance required to balance the budget	<u>\$ (12,130)</u>	<u>\$ (12,130)</u>		
<b><u>RECONCILIATION TO GAAP:</u></b>				
Depreciation			(5,595)	
Prepaid Insurance			(132)	
Capital outlay			0	
Change in Net Assets( Exhibit 2)			<u>\$ 26,568</u>	

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

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*

Hector H. Balderas,  
New Mexico State Auditor

And

Members of the Board of Directors  
Williams Acres Water and Sanitation District  
Mentmore, New Mexico 87319

We have audited the financial statements of the business-type activities and the budget comparison presented as supplemental information of Williams Acres Water and Sanitation District (the District), as of and for the year ended June 30, 2008, and have issued our report thereon dated November 24, 2008. 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

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 opinion 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We considered the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting as item 08-1. However, we believe that none of the significant deficiencies described above are a material weakness.

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 item 08-1.

The District's responses to the finding identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

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

A handwritten signature in black ink, appearing to be 'Paul A.', written in a cursive style.

November 24, 2008

**STATE OF NEW MEXICO**  
**WILLIAMS ACRES, WATER AND SANITATION DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2008**

CURRENT YEAR FINDINGS

08-1 — Auditor Preparation of Financial Statements

Condition

The District does not have controls over the preparation of the financial statements which would prevent or detect a misstatement in the financial statements. The District's employees and management lack the training and qualifications to apply generally accepted accounting principles in recording the District's financial transactions and preparation of the financial statements.

Criteria

A system of internal control over financial reporting includes controls over financial statement preparation (including footnote disclosures). Employees and management need to have training and qualifications to apply generally accepted accounting principles in recording the District's financial transactions and preparation of the financial statements. (SAO Rule 2.2.2.8.J.(4) and SAS 112)

Cause

The auditor prepared the audited financial statements (including footnote disclosures) because the District's employees and management lack the proper training and qualifications to apply generally accepted accounting principles in recording the District's financial transactions and preparation of the financial statements.

Effect

The financial statements (including footnotes) could have misstatements that are not discovered on a timely basis.

Recommendation

The District should adopt policies and procedures for controls over financial statement preparation (including footnotes). Also the District should invest in its employees and management so they may receive the proper training and qualifications to apply generally accepted accounting principles in recording the District's financial transactions and preparation of the financial statements.

Agency Response:

The District will consider adopting policies and procedures for controls over financial statement preparation (including footnotes).

STATE OF NEW MEXICO  
WILLIAMS ACRES WATER AND SANITATION DISTRICT  
SUMMARY OF PRIOR YEAR AUDIT FINDINGS  
Year Ended June 30, 2008

Prior Year Audit Finding

Current Status

07-1 Budget control of expenditures

Resolved

STATE OF NEW MEXICO  
WILLIAMS ACRES WATER AND SANITATION DISTRICT  
REQUIRED DISCLOSURE  
Year Ended June 30, 2008

Exit Conference

An exit conference was held on November 24, 2008.

Representing Williams Acres Water and Sanitation District:

Rudy Nez, Vic President  
Dana Scott, Bookkeeper

Representing the firm of Fidel A. Bernal, P.C. was:

Fidel A. Bernal, CPA

Report Drafting

The financial statements, accompanying notes, and independent auditor's reports were drafted by Fidel A. Bernal, P.C.; however, maintaining the audited books and records is the responsibility of management. Accordingly, management is responsible for ensuring that these books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are current and in balance.