

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

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2011**

**(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, 2011

|                |                     |
|----------------|---------------------|
| Matthew Wright | President           |
| Rudy Nez       | Vice - President    |
| Walt Ishmael   | Secretary-Treasurer |

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

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JUNE 30, 2011**

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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 and the budgetary comparisons of Williams Acres Water and Sanitation District (the District), as of and for the year ended June 30, 2011, 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, 2011, 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 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 above present fairly, in all material respects, the respective financial position of the business-type activities of the District as of June 30, 2011, and the respective changes in financial position and cash flows thereof and the respective budgetary comparisons 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 22, 2011, 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 read "F. J. ...", is positioned above the date.

November 22, 2011

STATE OF NEW MEXICO  
WILLIAMS ACRES WATER AND SANITATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2011

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, 2011.

Financial Highlights

Total revenue increased by \$9,168 when compared to the prior year, which is due to the increase in connection fee.

Total expenses increased by \$63,211 when compared to the prior year this was due to an increase in depreciation and sewer treatment expenses for the new system completed last year.

The proprietary fund's change in net assets decreased by \$(23,076), which is a decrease of \$1,340,137 compared to the prior years change in net assets. This change is due to grants received from the State of New Mexico and McKinley County to help the District connect it's sewer lines to the City of Gallup's sewage treatment plant in the prior year.

As of the close of the current fiscal year, the District's proprietary fund reported ending net assets of \$1,611,078 in comparison with \$1,634,154 for the prior year.

Repairs and maintenance expenses amounted to \$2,328.

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, 2011

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 \$1,611,078 at the close of the most recent fiscal year.

An analysis of fiscal year 2011 & 2010 follows:

|                                 | <u>Net</u>                   | <u>Assets</u>       |
|---------------------------------|------------------------------|---------------------|
|                                 | <u>2011</u>                  | <u>2010</u>         |
| Assets:                         |                              |                     |
| Current assets                  | \$ 130,259                   | \$ 99,805           |
| Net property and equipment      | <u>1,488,308</u>             | <u>1,539,624</u>    |
| Total assets                    | <u>1,618,567</u>             | <u>1,639,429</u>    |
| Liabilities                     |                              |                     |
| Current liabilities             | <u>7,489</u>                 | <u>5,275</u>        |
| Invested in capital assets      | 1,488,308                    | 1,539,624           |
| Unrestricted                    | <u>122,770</u>               | <u>94,530</u>       |
| Net Assets                      | <u>\$ 1,611,078</u>          | <u>\$ 1,634,154</u> |
|                                 | <u>Changes in Net Assets</u> |                     |
| Program revenue charges         |                              |                     |
| for services                    | \$ 84,540                    | \$ 74,259           |
| General revenues                | <u>7,860</u>                 | <u>8,973</u>        |
| Total revenues                  | <u>92,400</u>                | <u>83,232</u>       |
| Expenses - water and sanitation | <u>115,476</u>               | <u>52,265</u>       |
| Grant Revenue                   | <u>0,00</u>                  | <u>1,286,094</u>    |
| Change in net assets            | (23,076)                     | 1,317,061           |
| Net assets - beginning          | <u>1,634,154</u>             | <u>317,093</u>      |
| Net assets- ending              | <u>\$ 1,611,078</u>          | <u>\$ 1,634,154</u> |

Proprietary Fund Budget Highlights

There was an decrease in the budget of \$400,866 due to the completion of the connection to the sewer lines of the City of Gallup's sewage treatment facility completed in the prior year. The district was over budget on three line items Utilities, Office expense and Payroll taxes.

Capital Assets & Long Term Debt

The District has no long term debt and there was one changes in capital assets, 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  
June 30, 2011

Exhibit-1

|                                  |              |
|----------------------------------|--------------|
| <b>Assets</b>                    |              |
| Current assets                   |              |
| Cash & cash equivalents          | \$ 104,380   |
| Receivables                      | 24,974       |
| Prepaid expenses                 | 905          |
| Total current assets             | 130,259      |
| Noncurrent assets:               |              |
| Capital assets:                  |              |
| Property, plant and equipment    | 1,733,285    |
| Less accumulated depreciation    | (244,977)    |
| Total noncurrent assets          | 1,488,308    |
| Total Assets                     | \$ 1,618,567 |
| <b>Liabilities</b>               |              |
| Current liabilities:             |              |
| Due within one year              |              |
| Accounts payable                 | \$ 5,722     |
| Accrued payroll                  | 900          |
| Accrued Taxes                    | 89           |
| Deferred income                  | 778          |
| Total current liabilities        | 7,489        |
| <b>Net Assets</b>                |              |
| Invested in capital assets       | 1,488,308    |
| Unrestricted                     | 122,770      |
| Total net assets                 | 1,611,078    |
| Total liabilities and net assets | \$ 1,618,567 |

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



Williams Acres Water & Sanitation District  
Proprietary Fund  
Statement of Revenue, Expenses, and Changes in Net Assets  
For The Year Ended June 30, 2011

Exhibit-2

|   |              |
|---|--------------|
| <b>Operating revenue:</b>                     |              |
| Charges for services                          | \$ 84,540    |
| Fees  | 806          |
|   | 85,346       |
| Total operating revenue                       | 85,346       |
| <b>Operating expenses:</b>                    |              |
| Auditing                                      | 2,712        |
| Legal   | 2,770        |
| Office expense- bookkeeping                   | 1,646        |
| Repairs and maintenance                       | 2,328        |
| Storage expense                               | 120          |
| Salaries                                      | 10,800       |
| Payroll taxes                                 | 847          |
| Gross receipts tax                            | 4,372        |
| Utilities                                     | 1,823        |
| Sewer treatment service                       | 34,734       |
| Depreciation                                  | 51,317       |
| Insurance fidelity bond                       | 2,007        |
|   | 115,476      |
| Total operating expenses                      | 115,476      |
| Operating income (loss)                       | (30,130)     |
| <b>Non operating revenues and (expenses)</b>  |              |
| Investment income                             | 147          |
| Gross Receipts Tax Revenue                    | 4,407        |
| Advertising rental revenue                    | 2,500        |
|   | 7,054        |
| Total non operating revenue and (expenses)    | 7,054        |
| Income (loss)                                 | (23,076)     |
| Change in net assets                          | (23,076)     |
| Total net assets at the beginning of the year | 1,634,154    |
| Total net assets at the end of the year       | \$ 1,611,078 |

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, 2011

Exhibit 3

|   |                   |
|---|-------------------|
| Cash flows from operating activities:   |                   |
| Received from customer services and fees  | \$ 87,450         |
| Cash payments to employees  | (10,800)          |
| Paid to suppliers for goods and services  | (50,663)          |
| Net cash provided (used) by operating activities  | <u>25,987</u>     |
| Cash flows from investing activities:   |                   |
| Investment income   | 147               |
| Net cash provided (used) by investing activities  | <u>147</u>        |
| Cash flows from capital and related financing activities:                                     |                   |
| Grant Revenue   | 0                 |
| Acquisition of capital assets   | 0                 |
| Gross receipts tax revenue  | 4,407             |
| Other income  | 2,500             |
| Net cash provided (used) by capital and related financing activities                          | <u>6,907</u>      |
| NET INCREASE (DECREASE)   |                   |
| CASH AND CASH EQUIVALENTS   | 33,041            |
| Cash and cash equivalents at July 1, 2010   | 71,339            |
| Cash and cash equivalents at June 30, 2011  | <u>\$ 104,380</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES        |                   |
| Operating Income (Loss)   | \$ (30,130)       |
| Adjustment to reconcile operating income (loss) to net cash provided by operating activities: |                   |
| Depreciation  | 51,317            |
| Changes in assets and liabilities:  |                   |
| (increase) decrease in:   |                   |
| Accounts receivable   | 2,105             |
| Prepaid insurance   | 482               |
| (decrease) increase in:   |                   |
| Accounts payable  | 1,713             |
| Accrued liabilities   | 500               |
| Net cash provided (used) by operating activities  | <u>\$ 25,987</u>  |

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, 2011

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.

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.

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

June 30, 2011

1. Summary of significant accounting policies (continued)

**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.

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 the District had one major project. 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:

|                 | <u>Years</u> |
|-----------------|--------------|
| Sewage facility | 40           |
| Connection cost | 25           |

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

June 30, 2011

1. Summary of significant accounting policies (continued)

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

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.

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, 2011 was properly amended by the Board through the year. These amendments resulted in the following changes:

|                  | Original<br>Budget | Final<br>Budget |
|------------------|--------------------|-----------------|
| Proprietary Fund | \$ 92,878          | \$ 92,878       |

STATE OF NEW MEXICO  
WILLIAMS ACRES WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

3. Detailed notes on all funds

**A. Cash and temporary investments**

At June 30, 2011, the carrying amount of the District's deposits were \$104,350 and the bank balance was \$109,248. Of this balance \$109,248 was covered by federal depository insurance and therefore, no deposits were subject to custodial credit risk.

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<br>Date | Type of<br>Account | Bank<br>Balance   |
|-----------------------------|--|------------------|--------------------|-------------------|
| <b>Bank Pinnacle Bank</b>   |  |                  |                    |                   |
|                             | State Public Checking  | --               | Checking           | \$ 10,538         |
|                             | State Public Savings   | --               | Savings            | 64,059            |
|                             | Total First State Bank   |                  |                    | <u>74,597</u>     |
|                             | Less: FDIC coverage  |                  |                    | 250,000           |
|                             | Total uninsured public funds   |                  |                    | <u>-0-</u>        |
|                             | Collateral Requirements ( 50% of<br>uninsured public fund bank deposits) |                  |                    | -0-               |
|                             | Pledged collateral   |                  |                    | <u>-0-</u>        |
|                             | Total not federally insured  |                  |                    | <u>\$ -0-</u>     |
| <b>First Community Bank</b> |  |                  |                    |                   |
|                             | State Public Savings   | --               | Savings            | <u>34,651</u>     |
|                             | Total First State Bank   |                  |                    | 34,651            |
|                             | Less: FDIC coverage  |                  |                    | <u>250,000</u>    |
|                             | Total uninsured public funds   |                  |                    | <u>-0-</u>        |
|                             | Collateral Requirements ( 50% of<br>uninsured public fund bank deposits) |                  |                    | -0-               |
|                             | Pledged collateral   |                  |                    | <u>-0-</u>        |
|                             | Total not federally insured  |                  |                    | <u>-0-</u>        |
|                             | Total cash in bank   |                  |                    | \$ 109,248        |
|                             | Plus cash on hand  |                  |                    | 30                |
|                             | Plus deposits in transit   |                  |                    | 0                 |
|                             | Less outstanding checks  |                  |                    | <u>(4,898)</u>    |
|                             | Reconciled cash balance per<br>balance sheet                             |                  |                    | <u>\$ 104,380</u> |

STATE OF NEW MEXICO  
WILLIAMS ACRES WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

3. Detailed notes on all funds (continued)

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

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.

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 \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

**B. Capital assets**

Capital assets activity for time year ended June 30, 2011 was as follows:

|  | Beginning<br>June 30,2010 | Increases          | Decrease    | Ending<br>June 30, 2011 |
|--|---------------------------|--------------------|-------------|-------------------------|
| Business type activities:                    |                           |                    |             |                         |
| Capital assets, not being depreciated:       |                           |                    |             |                         |
| Land   | \$ 88,000                 | \$ -               | \$ -        | \$ 88,000               |
| Capital assets, being depreciated:           |                           |                    |             |                         |
| Sewage facility                              | 966,311                   | -                  | -           | 966,311                 |
| Connection fees                              | 678,974                   | -                  | -           | 678,974                 |
|  | <u>1,645,285</u>          | <u>-</u>           | <u>-</u>    | <u>1,645,285</u>        |
| Less accumulated depreciated for:            |                           |                    |             |                         |
| Sewage facility                              | (193,660)                 | (51,317)           | -           | (244,977)               |
| Total capital assets, being depreciated, net | <u>1,451,625</u>          | <u>(51,317)</u>    | <u>-</u>    | <u>1,400,308</u>        |
| Business type activities capital assets, net | <u>\$ 1,539,625</u>       | <u>\$ (51,317)</u> | <u>\$ -</u> | <u>\$ 1,488,308</u>     |

Depreciation expense for the year ended June 30, 2011 totaled \$ 51,317.

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.

6. Commitments and Contingent Liabilities

In the event that waste water in the lagoons contaminates the local ground water, the District has 24 hours to notify the New Mexico Environmental Department (NMED). If the District fails to provide the proper information and submit a corrective action plan within 15 days, The NMED may assess civil penalties up to \$15,000 per day.

State of New Mexico  
Williams Acres Water and Sanitation District  
Proprietary Fund

Exhibit 4

Schedule of Revenue, Expenses, Budget and Actual (non-GAAP Budgetary Basis)  
Year ended June 30, 2011

|   | <u>Original<br/>Approved<br/>Budget</u> | <u>Final<br/>Approved<br/>Budget</u> | <u>Actual</u>      | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|---|---|--------------------------------------|--------------------|---|
| <b>Revenues:</b>  |   |                                      |                    |   |
| Charges for services and fees   | \$ 91,000                               | \$ 91,000                            | \$ 85,160          | \$ (5,840)                                      |
| Miscellaneous revenue   | 0                                       | 0                                    | 806                | 806   |
| Total revenues  | <u>91,000</u>                           | <u>91,000</u>                        | <u>85,966</u>      | <u>(5,034)</u>                                  |
| <b>Expenses:</b>  |   |                                      |                    |   |
| Repairs and maintenance   | 5,000                                   | 5,000                                | 1,891              | 3,109   |
| Utilities   | 960                                     | 1,760                                | 1,823              | (63)  |
| Office expense  | 950                                     | 1,450                                | 1,646              | (196)   |
| Insurance   | 2,400                                   | 2,400                                | 1,524              | 876   |
| Legal, accounting and audit   | 5,800                                   | 5,800                                | 4,931              | 869   |
| Salaries  | 10,000                                  | 11,000                               | 10,800             | 200   |
| Payroll taxes   | 750                                     | 850                                  | 857                | (7)   |
| GRT   | 3,000                                   | 5,000                                | 4,372              | 628   |
| Storage expense   | 120                                     | 120                                  | 120                | 0   |
| Sewer Treatment Service   | 21,000                                  | 35,000                               | 33,850             | 1,150   |
| Connection fees   | 42,898                                  | 24,498                               | 0                  | 24,498  |
| Total expenditures  | <u>92,878</u>                           | <u>92,878</u>                        | <u>61,814</u>      | <u>31,064</u>                                   |
| <b>Non-operating revenues</b>   |   |                                      |                    |   |
| Advertising revenue   | 2,300                                   | 2,300                                | 2,500              | 200   |
| Gross Receipts tax  | 0                                       | 0                                    | 4,407              | 4,407   |
| Investment income   | 0                                       | 0                                    | 147                | 147   |
| Grant Revenue   | 0                                       | 0                                    | 0                  | 0   |
| Total non operating revenue   | <u>2,300</u>                            | <u>2,300</u>                         | <u>7,054</u>       | <u>4,754</u>                                    |
| Excess (deficiency) of revenues and other sources<br>over expenses and other uses | 422                                     | 422                                  | 31,206             | <u>\$ 30,784</u>                                |
| Prior year cash balance required<br>to balance the budget                         | <u>\$ (422)</u>                         | <u>\$ (422)</u>                      |                    |   |
| <b><u>RECONCILIATION TO GAAP:</u></b>   |   |                                      |                    |   |
| Depreciation  |   |                                      | (51,317)           |   |
| Accounts receivable   |   |                                      | (621)              |   |
| Prepaid Insurance   |   |                                      | (482)              |   |
| Accounts payable and accrued expenses   |   |                                      | (1,862)            |   |
| Change in Net Assets( Exhibit 2)  |   |                                      | <u>\$ (23,076)</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*  
(No Material Weaknesses Identified; Significant Deficiencies and Reportable Instances of  
Noncompliance, and Other Matters Identified)**

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, 2011, and have issued our report thereon dated November 22, 2011. 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 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 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 deficiencies, 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying (*schedule of findings and responses*) that we consider to be significant deficiencies in internal control over financial reporting, listed as item 08-1. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 08-1 and 11-1.

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 dark ink, appearing to read "Paul" followed by a stylized flourish.

November 22, 2011

**STATE OF NEW MEXICO**  
**WILLIAMS ACRES, WATER AND SANITATION DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2011**

CURRENT YEAR FINDINGS

08-1 — Auditor Preparation of Financial Statements (Significant deficiency & Other)

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**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2011**

CURRENT YEAR FINDINGS - continued

11-1 Budget control of expenditures (Other)

Condition:

The District overspent the budget in the following (2) line items (Section 6-6-6; NMSA 1978):

| <u>Line Item:</u> | <u>Amount</u> |
|-------------------|---------------|
| Utilities         | \$ 63         |
| Office expense    | \$ 196        |
| Payroll Tax       | \$ 7          |

Criteria:

The authority by which the District can spend money is the Commission and DFA approved budget (Section 6-6-6; NMSA 1978).

Effect:

Overspending of the budget is a violation of applicable laws, regulations and policies established by the State, District and DFA, which could impact future budget approvals.

Cause:

The District completed a new system at the end of last year and did not budget enough to cover expenses. A purchase of a printer at year end was not budgeted and the payroll taxes were not sufficiently budgeted. The over expenditures were detected in May, however there was not a board meeting held in May or June because there were not enough directors available for a quorum to request a budget adjustment to correct the over expenditures on the budget.

Recommendation:

We recommend that The District comply with State Statutes and work within the limits of their budget. If necessary a budget adjustment request should be requested on a timely basis prior to exceeding the budgeted expenditure.

Agency Response:

The District concurs with the Auditor's recommendations and in the future will request a budget adjustment in a timely manner prior to the year end to eliminate this problem.

STATE OF NEW MEXICO  
WILLIAMS ACRES WATER AND SANITATION DISTRICT  
SUMMARY OF PRIOR YEAR AUDIT FINDINGS  
Year Ended June 30, 2011

Prior Year Audit Finding

Current Status

08-1 Auditor Preparation of Financial Statements  
10-1 Late Audit Report

Repeated  
Resolved

STATE OF NEW MEXICO  
WILLIAMS ACRES WATER AND SANITATION DISTRICT  
REQUIRED DISCLOSURE  
Year Ended June 30, 2011

Exit Conference

An exit conference was held on November 22, 2011.

Representing Williams Acres Water and Sanitation District:

Matthew Wright, 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.