

STATE OF NEW MEXICO
WILLIAMS ACRES
WATER AND SANITATION DISTRICT

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2013

(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, 2013**

Matthew Wright
Rudy Nez
Walt Ishmael

President
Vice - President
Secretary-Treasurer

State of New Mexico
Williams Acres Water and Sanitation District

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June 30, 2013

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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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the budgetary comparisons of State of New Mexico, Williams Acres Water and Sanitation District (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the budgetary comparison presented as supplemental information, as defined by the Government Accounting Standards Board, in the accompanying financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2013, and the respective changes in financial position and cash flows thereof and the respective budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the budgetary comparisons. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



May 16, 2014

State of New Mexico
Williams Acres Water and Sanitation District
Management's Discussion and Analysis
June 30, 2013

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, 2013.

Financial Highlights

Total revenue decreased by \$15,322 when compared to the prior year, which is due to decrease in connection and sewage fees.

Total expenses decreased by \$5,193 when compared to the prior year this was due to a decrease in sewer treatment expenses and other expenses.

The proprietary fund's change in net position decreased by \$(16,157), which is a decrease of \$10,129 compared to the prior years change in net position. This change is due to the decrease in revenues and decrease in expenses.

As of the close of the current fiscal year, the District's proprietary fund reported ending net position of \$1,588,893 in comparison with \$1,605,050 for the prior year.

Repairs and maintenance expenses amounted to \$2,321.

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 position 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 position 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, 2013

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$1,588,893 at the close of the most recent fiscal year.

An analysis of fiscal year 2013 & 2012 follows:

	<u>Net</u>	<u>Assets</u>
	<u>2013</u>	<u>2012</u>
Assets:		
Current assets	\$ 207,377	\$ 172,392
Net property and equipment	<u>1,385,674</u>	<u>1,436,991</u>
Total assets	<u>\$ 1,593,051</u>	<u>\$ 1,609,383</u>
Liabilities		
Current liabilities	<u>\$ 4,158</u>	<u>\$ 4,333</u>
Total liabilities	<u>\$ 4,158</u>	<u>\$ 4,333</u>
Invested in capital assets	\$ 1,385,674	\$ 1,436,991
Unrestricted	<u>203,219</u>	<u>168,059</u>
Net Position	<u>\$ 1,588,893</u>	<u>\$ 1,605,050</u>
	<u>Changes in Net Assets</u>	
Program revenue charges		
for services	\$ 83,477	\$ 86,753
General revenues	<u>2,625</u>	<u>14,671</u>
Total revenues	<u>86,102</u>	<u>101,424</u>
Expenses - water and sanitation	<u>102,259</u>	<u>107,452</u>
Change in net position	(16,157)	(6,028)
Net position - beginning	<u>1,605,050</u>	<u>1,611,078</u>
Net position- ending	<u>\$ 1,588,893</u>	<u>\$ 1,605,050</u>

Proprietary Fund Budget Highlights

There was an increase in the budgeted expenditures of \$1,200 due to the completion of the connection to the City of Gallup's sewage treatment facility in the prior years. The District can now better estimate the cost of the connection fees which decrease from the prior year. The district was not over budget.

Capital Assets & Long Term Debt

The District has no long term debt and there was one change 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.

State of New Mexico
Williams Acres Water & Sanitation District
Proprietary Fund
Statement of Net Position
June 30, 2013

Exhibit-1

Assets	
Current assets	
Cash & cash equivalents	\$ 186,326
Receivables	20,146
Prepaid expenses	905
Total current assets	207,377
Noncurrent assets:	
Capital assets:	
Property, plant and equipment	1,733,285
Less accumulated depreciation	(347,611)
Total noncurrent assets	1,385,674
Total Assets	\$ 1,593,051
Liabilities	
Current liabilities:	
Due within one year	
Accounts payable	\$ 3,317
Deferred income	841
Total current liabilities	4,158
Net Position	
Invested in capital assets	1,385,674
Unrestricted	203,219
Total net position	1,588,893
Total liabilities and net position	\$ 1,593,051

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 Fund Net Position
For The Year Ended June 30, 2013

Exhibit-2

Operating revenue:	
Charges for services	\$ 79,886
Fees	3,591
	83,477
Total operating revenue	83,477
Operating expenses:	
Auditing	2,819
Legal	4,097
Office expenses - other	1,490
Repairs and maintenance	2,321
Storage expense	120
Salaries	11,400
Payroll taxes	827
Gross receipts tax	1,182
Utilities	1,486
Sewer treatment service	23,676
Depreciation	51,317
Insurance fidelity bond	1,524
	102,259
Total operating expenses	102,259
Operating income (loss)	(18,782)
Non operating revenues and (expenses)	
Investment income	125
Advertising rental revenue	2,500
	2,625
Total non operating revenue and (expenses)	2,625
Income (loss)	(16,157)
Change in net position	(16,157)
Total net position - beginning	1,605,050
Total net position -ending	\$ 1,588,893

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, 2013

Exhibit 3

Cash flows from operating activities:	
Received from customer services and fees	\$ 95,031
Cash payments to employees	(11,400)
Paid to suppliers for goods and services	(39,717)
Net cash provided (used) by operating activities	43,914
Cash flows from investing activities:	
Investment income	125
Net cash provided (used) by investing activities	125
Cash flows from capital and related financing activities:	
Grant Revenue	0
Acquisition of capital assets	0
Gross receipts tax revenue	0
Other income	2,500
Net cash provided (used) by capital and related financing activities	2,500
NET INCREASE (DECREASE)	
CASH AND CASH EQUIVALENTS	46,539
Cash and cash equivalents at July 1, 2012	139,787
Cash and cash equivalents at June 30, 2013	\$ 186,326
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (18,782)
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	11,554
(decrease) increase in:	
Accounts payable	119
Accrued liabilities	(294)
Net cash provided (used) by operating activities	\$ 43,914

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, 2013

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.

Per GASBS 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34 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.

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-continued
June 30, 2013

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. 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-continued
June 30, 2013

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, 2013 was properly amended by the Board through the year. These amendments resulted in the following changes:

	Original Budget	Final Budget
Proprietary Fund	\$ 66,970	\$ 66,970

State of New Mexico
Williams Acres Water and Sanitation District
Notes to Financial Statements-continued
June 30, 2013

3. Detailed notes on all funds

A. Cash and temporary investments

At June 30, 2013, the carrying amount of the District's deposits were \$186,326 and the bank balance was \$190,154. Of this balance \$190,154 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:

<u>Depository</u>	<u>Account Name</u>	<u>Maturity Date</u>	<u>Type of Account</u>	<u>Bank Balance</u>
Bank Pinnacle Bank				
	State Public Checking	--	Non-interest bearing checking	\$ 13,468
	State Public Savings	--	Savings	89,860
	Total First State Bank			<u>103,328</u>
	Less: FDIC coverage			<u>250,000</u>
	Total uninsured public funds			-0-
	Collateral Requirements (50% of uninsured public fund bank deposits)			-0-
	Pledged collateral			-0-
	Total not federally insured			<u>\$ -0-</u>
First Community Bank				
	State Public Savings	--	Savings	\$ 86,826
	Total First State Bank			86,826
	Less: FDIC coverage			<u>250,000</u>
	Total uninsured public funds			-0-
	Collateral Requirements (50% of uninsured public fund bank deposits)			-0-
	Pledged collateral			-0-
	Total not federally insured			<u>\$ -0-</u>
	Total cash in bank			\$ 190,154
	Plus cash on hand			30
	Plus deposits in transit			-0-
	Less outstanding checks			<u>(3,858)</u>
	Reconciled cash balance			<u>\$ 186,326</u>

State of New Mexico
Williams Acres Water and Sanitation District
Notes to Financial Statements-continued
June 30, 2013

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, 2013 was as follows:

	Beginning June 30,2012	Increases	Decrease	Ending June 30, 2013
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
	1,645,285	-	-	1,645,285
Less accumulated depreciated for:				
Sewage facility	(296,294)	(51,317)	-	(347,611)
Total capital assets, being depreciated, net	1,348,991	(51,317)	-	1,297,674
Business type activities capital assets, net	\$ 1,436,991	\$ (51,317)	\$ -	\$ 1,385,674

Depreciation expense for the year ended June 30, 2013 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
Schedule of Revenue, Expenses, Budget and Actual (non-GAAP Budgetary Basis)
For the year ended June 30, 2013

Exhibit 4

	<u>Original Approved Budget</u>	<u>Final Approved Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Charges for services and fees	\$ 91,000	\$ 91,000	\$ 80,628	\$ (10,372)
Miscellaneous revenue	0	0		0
Total revenues	<u>91,000</u>	<u>91,000</u>	<u>80,628</u>	<u>(10,372)</u>
Expenses:				
Repairs and maintenance	6,000	6,000	2,320	3,680
Utilities	2,700	2,200	1,321	879
Office expense	1,700	2,200	1,891	309
Insurance	1,600	1,600	1,524	76
Legal, accounting and audit	7,400	8,400	7,092	1,308
Salaries	12,500	12,500	12,350	150
Payroll taxes	950	1,050	1,029	21
GRT	5,000	5,500	4,723	777
Storage expense	120	120	120	0
Sewer Treatment Service	29,000	27,400	23,399	4,001
Total expenditures	<u>66,970</u>	<u>66,970</u>	<u>55,769</u>	<u>11,201</u>
Non-operating revenues				
Advertising revenue	2,300	2,300	2,500	200
Gross Receipts tax	0	0		0
Investment income	0	0		0
Grant Revenue	0	0		0
Total non operating revenue	<u>2,300</u>	<u>2,300</u>	<u>2,500</u>	<u>200</u>
Excess (deficiency) of revenues and other sources over expenses and other uses	26,330	26,330	27,359	<u>\$ 1,029</u>
Prior year cash balance required to balance the budget	<u>\$ (26,330)</u>	<u>\$ (26,330)</u>		
<u>RECONCILIATION TO GAAP:</u>				
Depreciation			(51,317)	
Accounts receivable			8,354	
Accounts payable and accrued expenses			(553)	
Change in Net Position (Exhibit 2)			<u>\$ (16,157)</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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type 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, 2013, and the related notes to the financial statements, which collectively comprise the Districts' basic financial statements and have issued our report thereon dated May 16, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying (*schedule of findings and responses*) that we consider to be significant deficiencies listed as items 08-1 and 12-1.

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 12-1.

The Districts Responses to Findings

The District's responses to the finding identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Albuquerque, New Mexico
May 16, 2014

State of New Mexico
Williams Acres Water and Sanitation District
Schedule of Findings and Responses
June 30, 2013

CURRENT YEAR FINDINGS

12-1 Audit Report (Other)

Condition:

The audit firm did not submit the audit report for the year ended June 30, 2013, by the due date for the District.

Criteria:

The New Mexico State Auditor rules require that Special District audit reports be submitted by December 1st of each year. (SAO Rule 2.2.2.9 A (1) (d))

Cause:

The District did not submit the audit report by the due date of December 1, 2013, due to various reasons. There was a late start by the Auditor, due to problems with information furnished by District. The files were corrupt for some reason when opened by the auditor which wasn't discovered until a later date. These issues were in part because the Auditor's office suffered a break in that left the work papers in a disorganized mess but there was no loss of data, however the data disk was rendered unreadable.

Effect:

The District is not in compliance with the New Mexico State Auditor Rules and Regulations.

Recommendation:

The Auditor needs to ensure that all future audit reports are up to date and filed in a timely manner.

Agency Response:

Concur with the Auditor's recommendation.

State of New Mexico
Williams Acres Water and Sanitation District
Schedule of Findings and Responses-continued
June 30, 2013

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
Summary of Prior Year Audit Findings
Year Ended June 30, 2013

Prior Year Audit Finding

Current Status

08-1 Auditor Preparation of Financial Statements
12-1 Audit Report

Repeated
Repeated

**State of New Mexico
Williams Acres Water and Sanitation District
Required Disclosure
Year Ended June 30, 2013**

Exit Conference

An exit conference was held on May 16, 2014.

Representing Williams Acres Water and Sanitation District:

Rudy Nez , Vice-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.