

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

**Independent Accountants' Report on
Applying Tier 4 Agreed-Upon Procedures**

**For the Year Ended
June 30, 2019**



STATE OF NEW MEXICO
WILLIAMS ACRES WATER AND SANITATION DISTRICT
JUNE 30, 2019
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**STATE OF NEW MEXICO
WILLIAMS ACRES WATER AND SANITATION DISTRICT
OFFICIAL ROSTER
JUNE 30, 2019**

Board of Directors

<u>Name</u>	<u>Title</u>
Kristin Lengefeld	President
Shannon McFarland	Vice-President
Walt Ishmael	Secretary/Treasurer

Administrative Officials

Frank Scott	Maintenance
Dana Scott	Bookkeeper



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

Board of Directors
Williams Acres Water and Sanitation District
and
Brian S. Colón, Esq.
New Mexico State Auditor
Santa Fe, New Mexico

I have performed the procedures enumerated below which were agreed to by State of New Mexico Williams Acres Water and Sanitation District (the "District") and the New Mexico State Auditor (the specified parties), solely to assist users in evaluating the District's financial reporting relating to its Cash, Capital Assets, Revenues, Expenditures, Journal Entries, and Budget information and its compliance with Section 12-6-3(B) NMSA 1978 and Section 2.2.2.16 NMAC, as of and for the year ended June 30, 2019. The District is responsible for its financial reporting as described above. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

In accordance with Tier 4 of the Audit Act – Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC, my procedures and associated findings are as follows:

1. REVENUE DETERMINATION

Procedures

Verify the local public body's revenue calculation and tier determination documented on the form provided at www.osanm.org under "Tier System Reporting Main Page".

Findings

The District's revenue calculation and tier determination were verified as correct. Total revenue was \$128,810 which requires Tier 4 agreed-upon procedures.

2. CASH

Procedures

a) Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand. For purposes of performing my procedures "timely" means completion of the bank reconciliations within one month after the last day of the reporting month and "complete" means that statements for bank and investment accounts are all accounted for by the District.

b) Test at least 30% of the bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to Department of Finance & Administration - Local Government Division (DFA-LGD). For purposes of performing my procedures "accuracy" means that reconciling items agree to deposit slips and subsequent bank or investment statements, and the reconciliations are mathematically correct.

c) Determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

Findings

Bank accounts were complete and on-hand. 12 of 36 reconciliations were tested for accuracy and traced to the general ledger without exception. Cash balances were accurately reported to DFA without exception. Pledged collateral was not required.

3. CAPITAL ASSETS

Procedures

Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.

Findings

The District does not own any moveable chattel or equipment as defined by Section 12-6-10 NMSA 1978.

4. REVENUE

Procedures

Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

a) Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

Select a sample of revenue equal to at least 30% of the total dollar amount and test the following attributes:

b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.

c) Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

Findings

Revenue was analytically tested and met expectations without exception. 11 receipts totaling \$52,940 were tested and were determined to be properly recorded as to amount, classification and period.

5. EXPENDITURES

Procedures

Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test the following attributes:

a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and canceled check, as appropriate.

b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Findings

44 disbursements totaling \$73,068, including one disbursement subject to the Per Diem and Mileage Act, were tested and were agreed to supporting documentation, were properly authorized and were in compliance, without exception. No disbursements were subject to the Procurement Code.

6. JOURNAL ENTRIES

Procedures

Test all non-routine journal entries, adjustments, and reclassifications posted to the general ledger for the following attributes:

- a) Journal entries appear reasonable and have supporting documentation.
- b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

Findings

4 journal entries were tested. All journal entries were properly supported, reviewed and approved by the Board of Directors, and were reasonable.

7. BUDGET

Procedures

Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following test work:

- a) Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.
- b) Determine whether the total actual expenditures exceeded the final budget at the legal level of budgetary control; if the answer is yes, report a compliance finding.
- c) From the original and final approved budgets and general ledger, prepare a schedule of revenues and expenditures – budget and actual on the budgetary basis used by the local public body (cash, accrual or modified accrual basis) for each individual fund.

Findings

The budget was reviewed and determined to be properly authorized. Expenditures were less than budgeted amounts at the fund level, which is the legal level of budgetary control. There were 2 budget adjustment requests (BARs) approved by the Board of Directors. The first BAR increased expenditures related to a \$50,000 grant received, but the BAR did not increase revenues by \$50,000, only expenditures. The second BAR reallocated some expenditures, but the District did not modify their year-end report to DFA to reflect the budget adjustments. See item 2019-001 in the accompanying schedule of findings and responses. The Schedule of Revenues and Expenditures - Budget and Actual (Cash Basis) is presented on page 7 of this report.

8. OTHER

Procedures

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section, 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10(L) NMAC.

Findings

Nothing else was noted.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. I was not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion on the District's financial reporting and compliance as described above. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

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

James L. Hartogensis, CPA LLC

Albuquerque, New Mexico
November 21, 2019

**SCHEDULE OF REVENUES &
EXPENDITURES - BUDGET AND
ACTUAL (CASH BASIS)**

STATE OF NEW MEXICO
WILLIAMS ACRES WATER AND SANITATION DISTRICT
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (CASH BASIS)
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
REVENUES:				
Sales and Service	\$ 85,000	\$ 85,000	\$ 74,568	\$ (10,432)
Advertising Funds	3,500	3,500	3,500	-
State Grant	-	-	50,000	50,000
Interest Income	-	-	742	742
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>\$ 88,500</u>	<u>\$ 88,500</u>	<u>\$ 128,810</u>	<u>\$ 40,310</u>
EXPENDITURES:				
Salaries	\$ 15,000	\$ 15,000	\$ 14,700	\$ 300
Gross Receipts Tax	4,800	4,800	3,893	907
Repairs & Maintenance	7,000	11,500	11,364	136
Utilities	1,800	2,500	2,318	182
Legal & Professional	7,500	53,300	52,006	1,294
Insurance & Bonds	2,400	2,400	2,365	35
Office Supplies	2,500	2,500	2,095	405
Storage Expense	120	120	120	-
CPA Audit	2,700	2,700	2,697	3
Payroll Taxes	1,200	1,200	1,159	41
Sewer Treatment Services	30,000	37,000	36,957	43
Solid Waste Expense	10,000	2,000	1,932	68
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 85,020</u>	<u>\$ 135,020</u>	<u>\$ 131,606</u>	<u>\$ 3,414</u>
Cash available to balance budget		<u>\$ 46,520</u>	<u>\$ 2,796</u>	

YEAR-END FINANCIAL REPORT
SUBMITTED TO DFA

STATE OF NEW MEXICO
WILLIAMS ACRES WATER AND SANITATION DISTRICT
YEAR-END FINANCIAL REPORT SUBMITTED TO DFA
YEAR ENDED JUNE 30, 2019

Blue / Red Cells in Workbook are Data Entry Cells

DEPARTMENT OF FINANCE AND ADMINISTRATION
 LOCAL GOVERNMENT DIVISION
 BUDGET AND FINANCE BUREAU
SPECIAL DISTRICT FINANCIAL QUARTERLY REPORT FORM

UBMIT TO LOCAL GOVERNMENT DIVISION NOT LATER
 THAN ONE MONTH AFTER THE CLOSE OF EACH QUARTER
 HEREBY CERTIFY THAT THE CONTENTS IN THIS
 REPORT ARE TRUE AND CORRECT TO THE BEST OF
 MY KNOWLEDGE.

Special District: Williams Acres Sanitation District
 Quarter Ending: 6/30/2019
 Prepared by: Dana Scott

Dana M. Scott
 (signature line)

QUARTERLY YEAR TO DATE TRANSACTIONS PER BOOKS

FUND TITLE	FUND NUMBER	UNAUDITED BEGINNING CASH BALANCE @ JULY 1 (or JAN. 1)	INVESTMENTS	REVENUES TO DATE	NET TRANSFERS	EXPENDITURES TO DATE	BOOK BALANCE END OF PERIOD	ADD: OUTSTANDING CHECKS	LESS: DEPOSITS IN TRANSIT	ADJUSTMENTS	ADJUSTED BALANCE END OF PERIOD	BALANCE PER BANK STATEMENTS	DIFFERENCE
GENERAL FUND - Operating (GF)	101	331,655	-	132,843	-	131,436	333,063	1,906	1,368	-	333,601	333,601	-
INTERGOVERNMENTAL GRANTS	218	-	-	-	-	-	-	-	-	-	-	-	-
OTHER	299	-	-	-	-	-	-	-	-	-	-	-	-
DEBT	400	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total		\$ 331,655	\$ -	\$ 132,843	\$ -	\$ 131,436	\$ 333,063	\$ 1,906	\$ 1,368	\$ -	\$ 333,601	\$ 333,601	\$ -

STATE OF NEW MEXICO
WILLIAMS ACRES WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019

Current Year Findings

2019-001 – Budget Deficiencies (noncompliance)

Condition: The budget was amended twice during the fiscal year. The first amendment was for a grant received for \$50,000 for an engineering study. The District requested an increase in expenditures but did not include the source of funding to pay for those expenditures. The second budget amendment reallocated expenses for a few line items that had exceeded their budgeted amounts. This budget amendment was not reflected in the year-end report to the New Mexico Department of Finance and Administration (DFA).

Criteria: Chapter 6 Article 6 Section 2 (I) NMSA allows local public bodies to increase budgeted expenditures for a grant that was received that was not contemplated at the time the final budget was adopted, when the program will produce sufficient revenue to pay for those expenditures. Chapter 6 Article 6 Section 3 NMSA requires local public bodies to file reports as required by the DFA Local Government Division (LGD) and conform to the rules and regulations adopted by DFA-LGD.

Cause: The District had enough cash on hand to cover the budget increases so it did not consider increasing budgeted revenue for the grant received. Not including the amended budget in the year-end report to DFA was a clerical error.

Effect: Although DFA approved the first budget amendment because there was sufficient cash to cover the increase, it was never the District's intent to use cash reserves to pay for the engineering study, therefore DFA did not have accurate information. The District also did not report accurate budget information to DFA for the 4th quarter of fiscal year 2018-19.

Recommendation: When funding is received that was not included in the original budget, any expenditure increase should include the revenue source that will pay for increased expenditures. Quarterly reports filed with DFA should include all budget amendments that were approved by the Board of Directors and be carefully reviewed and approved by the Board prior to submission to DFA.

Agency Response: Williams Acres Water and Sanitation District hasn't had to manage grant money before, and Bookkeeper was not aware that this grant revenue needed a resolution. Bookkeeper now knows that all unexpected revenues will need a Budget adjustment request (BAR) with NMDFA and will comply with this rule effective immediately. Williams Acres Sanitation District's bookkeeper has volunteered for the LGBMS pilot program with the hopes that this program will keep better track of changes within the budget.

STATE OF NEW MEXICO
WILLIAMS ACRES WATER AND SANITATION DISTRICT
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2019

Prior Year Findings

None.

STATE OF NEW MEXICO
WILLIAMS ACRES WATER AND SANITATION DISTRICT
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2019

The report contents were discussed at an exit conference held on November 22, 2019 with the following in attendance:

Williams Acres Water and Sanitation District

Walt Ishmael	Secretary/Treasurer
Dana Scott	Bookkeeper

James L. Hartogenesis, CPA LLC

James Hartogenesis, CPA, CGFM	Principal
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