

**BLUEWATER ACRES DOMESTIC  
WATER USERS ASSOCIATION  
INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON  
PROCEDURES FOR THE YEAR ENDED  
JUNE 30, 2015**

**BLUEWATER ACRES DOMESTIC WATER USERS ASSOCIATION  
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**BLUEWATER ACRES DOMESTIC WATER USERS ASSOCIATION  
OFFICIAL ROSTER  
JUNE 30, 2015**

**Board of Directors**

Jesse Gomez, President

Gordon Drone, Vice President

Ray D. Vernon, Secretary / Treasurer

Joe Olivar, Director

**Principal Employees (On Contract)**

Dereck Smith, Contract Maintenance Operator

Evelyn Gomez, Contract Billing Assistant



## Independent Accountants' Report for Applying Agreed-Upon Procedures

Honorable Timothy Keller  
New Mexico State Auditor  
and  
To: Jesse Gomez, President  
Bluewater Acres Domestic Water Users Association  
Cibola County, New Mexico

We have performed the procedures enumerated below, which were agreed to by the Bluewater Acres Domestic Water Users Association (Association), and the New Mexico State Auditor's Office, solely to assist in determining if the Association is in compliance with New Mexico State Audit Rule, Tier 5, as of June 30, 2015. The Association is the responsible party and the subject matter is the responsibility of the Association. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

### **1. Cash**

#### **Procedures:**

- a) Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand.
- b) Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division (DFA-LGD).
- c) Determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

**Results:**

- a) Bank reconciliations are included as part of the board meetings. We reviewed to ensure they were included in the directors' packets. No exceptions were noted. The reconciliations reviewed were all within 10 calendar days of the subsequent month. Reconciliations are completed timely. We selected these months to test: For the checking account: July, 2014, August, 2014, December, 2014, March, 2015 and May, 2015. For the Savings account: September, 2014 and December, 2014. For the Construction account: November, 2014 and January, 2015.
- b) Reconciliations for all four months were complete and tied to the general ledger.
- c) It was determined that the average balance in all accounts is below \$250,000, therefore additional procedures were not deemed necessary.

**2. Capital Assets**

**Procedures**

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

**Results:**

The procedures performed showed that the annual physical inventory was taken. Therefore additional procedures were not deemed necessary.

**3. 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.

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Water User Fees	\$ 54,212	\$ 88,039	\$ (33,827)
Interest and Dividends	5	5	-
Grants - Capital Appropriations	-	-	-
Total	<u>\$ 54,217</u>	<u>\$ 88,044</u>	<u>\$ (33,827)</u>

**Select a sample of revenue based on auditor judgment using the following attributes:**

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

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

**Results:**

a) All revenues are considered reasonable.

**Select a sample of revenue based on auditor judgment using the following attributes:**

b) The Association does not maintain a general ledger. See finding 2015-001.

c.) We tested 7 revenue transactions for the year ended June 30, 2015 for the above attributes. No exceptions were found.

**4. Expenditures**

**Procedures**

Select a sample of cash disbursements based on auditor judgment using the following attributes (the sample must be representative of the population):

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

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

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

**Results:**

a) A sample of 16 expenditure transactions for the year ended June 30, 2015, representative of the population, was selected. All amounts recorded as disbursed agrees to adequate supporting documentation.

b) All disbursements tested were properly authorized.

c) No transactions were related to bids or requests for proposals.

## **5. Journal Entries**

### **Procedures**

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

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

### **Results:**

a & b) Our performance of the agreed upon procedures showed no non-routine journal entries for the year ended June 30, 2015; therefore additional procedures were not performed.

## **6. Budget**

### **Procedures**

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

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

### **Results:**

- a) We reviewed the final version of the budget for the year ended June 30, 2015. It was approved by Board, and approved by DFA – Local Government Division. In the course of performing our agreed upon procedures, we found that the Board had submitted all the DFA Quarterly reports on a timely basis as required.
- b) Our review of the budgeted expenditures compared to the actual expenditures at the level of budgetary control showed no instances of actual expenditures exceeding budgeted expenditures.
- c) See attached Statement of Revenues and Expenditures – Budget and Actual on page 7.

## **7. Capital Outlay Appropriations**

Request and review all state-fund capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay awards expended by the recipient during the fiscal year. Test all capital outlay expenditures during the fiscal year to:

- a) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date, and description agree to the purchase order, contract, vendor's invoice, and canceled check, as appropriate.
- b) Determine that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.
- c) Determine that the bid process (or request for proposal services if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).
- d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.
- e) Verify that the status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.
- f) If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.
- g) If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.
- h) Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.
- i) Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.

### **Results:**

- a) – i) There were no capital asset-related transactions during the 2015 fiscal year.

### **Other**

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 (I) (3) (C) NMAC.



**Results:**

No information indicating any fraud, illegal acts, noncompliance or any internal control deficiencies came to our attention during the performance of this engagement.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and others within the Association, the State Auditor, the Department of Finance and Administration – Local Government Division, and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Kubiak Melton & Associates, LLC

*Kubiak Melton & Associates, LLC*

Accountants – Business Consultants – CPAs  
Albuquerque, New Mexico  
December 15, 2015

**STATE OF NEW MEXICO  
BLUEWATER ACRES DOMESTIC WATER USERS ASSOCIATION  
SCHEDULE OF REVENUES AND EXPENSES –  
BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual - Budget Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Water User Fees	\$ 88,039	\$ 88,039	\$ 54,212	\$ (33,827)
Interest and Dividends	5	5	5	-
Grants - Capital Appropriations	-	-	-	-
<b>Total Revenues</b>	<u>88,044</u>	<u>88,044</u>	<u>54,217</u>	<u>(33,827)</u>
<b>Expenditures:</b>				
Current:				
System Operation and Maintenance	35,967	35,967	40,845	(4,878)
Management	35,475	35,475	23,330	12,145
Board Expenses	900	900	191	709
Depreciation Expense	6,912	6,912	6,912	-
<b>Total Expenditures</b>	<u>79,254</u>	<u>79,254</u>	<u>71,278</u>	<u>7,976</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ 8,790</u>	<u>\$ 8,790</u>	<u>\$ (17,061)</u>	<u>\$ (41,803)</u>

**STATE OF NEW MEXICO  
BLUEWATER ACRES DOMESTIC WATER USERS ASSOCIATION  
PROJECTS SCHEDULE - SUMMARY  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>Grant No.</b>	<b>Pay Request</b>	<b>Certification Request Date</b>	<b>Amount Awarded</b>	<b>Amount Requested / Received *</b>	<b>Actual Amount Expended</b>	<b>Remaining Balance</b>	<b>Enabling Legislation</b>	<b>Effective Dates</b>
SAP 12-1340-STB			\$ 50,000					
	1	2/7/2014	-	\$ 2,227	\$ 2,227	\$ 16,169	Laws of 2012, Chapter 64, Section 11, Paragraph 6: To renovate water well number 2, water pipe and well pump, for the Bluewater Acres Domestic Water Users Association in Cibola County.	Through June 30, 2016
	2	7/31/2014	-	12,803	12,803	3,366		
			<u>\$ 50,000</u>	<u>\$ 15,030</u>	<u>\$ 15,030</u>	<u>\$ 3,366</u>		

No activity for this project in fiscal 2015; balances are unchanged from the previous year.

\* Held and administered by New Mexico Environment Department, Construction Programs Bureau

**STATE OF NEW MEXICO  
BLUEWATER ACRES DOMESTIC WATER USERS ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2015**

**2015-001 – The Association is not tracking transactions in a general ledger**

**Condition:** The Association does not record transactions in a general ledger.

**Criteria:** Sound internal control policies include tracking transactions by using a general ledger to enhance accountability.

**Cause:** The Association does not own software that would enable them to post transactions to a general ledger.

**Effect:** By not posting transactions to a general ledger the Association relies on a manual check register. It is possible that not all transactions are recorded.

**Accountants' Recommendation:** The Association should acquire an accounting package and post accounting transactions to a general ledger.

**Management's Response:** This is the responsibility of the contract accountant. The Board agrees with the recommendation. All revenue and expenditure transactions will be recorded in a general ledger beginning in Fiscal 2016.

**BLUEWATER ACRES DOMESTIC WATER USERS ASSOCIATION  
STATUS OF PRIOR YEAR FINDINGS  
JUNE 30, 2015**

2014-001 The Association is not posting state grant related revenue to the general ledger  
(Resolved)

**STATE OF NEW MEXICO  
BLUEWATER ACRES MUTUAL WATER USERS ASSOCIATION  
EXIT CONFERENCE  
JUNE 30, 2015**

An exit conference was held on December 1, 2015 at the Bluewater Acres Administration Building to discuss the agreed upon procedures.

Attending were the following:

Jesse Gomez, Board President

Don Wittman, CPA, Kubiak Melton & Associates, LLC