

**BLUEWATER WATER AND SANITATION DISTRICT**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON THE APPLICATION OF TIER 6  
AGREED-UPON PROCEDURES  
AND COMPILED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

## **INTRODUCTORY SECTION**

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BLUEWATER WATER AND SANITATION DISTRICT  
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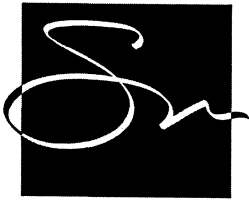
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**STATE OF NEW MEXICO  
BLUEWATER WATER AND SANITATION DISTRICT  
OFFICIAL ROSTER  
JUNE 30, 2018**

**BOARD OF DIRECTORS**

<b>Name</b>	<b>Title</b>
David Hassell	President
Earl Hassell	Vice-President
Paul Spencer	Director
Patty Lopez	Director
Joseph Thompson	Director

## **FINANCIAL SECTION**



**SCOTT NORTHAM, CPA, PC**  
Certified Public Accountants

**INDEPENDENT ACCOUNTANT'S REPORT ON THE  
APPLICATION OF TIER 6 AGREED-UPON PROCEDURES**

Wayne Johnson, New Mexico State Auditor, and  
Board of Directors of  
Bluewater Water and Sanitation District  
Bluewater, New Mexico

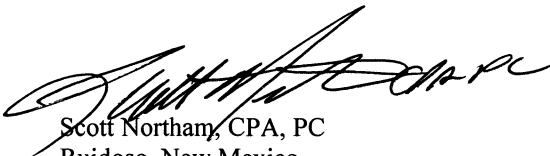
We have performed the procedures enumerated below for the Bluewater Water and Sanitation District (District), for the year ended June 30, 2018. The District was determined to be a Tier 6 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by the District through the Office of the New Mexico State Auditor. The District's management is responsible for the organization's accounting records. 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 those parties specified in the 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.

Our procedures and results are detailed under Scope of Procedures and Results as noted in the table of contents.

Our findings related to the procedures in the Scope of Procedures and Results are presented in the accompanying schedule of findings and responses as listed in the table of contents.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct, an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the District's financial position and operations as of and for the year ended June 30, 2018. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to those parties specified in the report.

This report is intended solely for the information and use of the Bluewater Water and Sanitation District, the New Mexico Office of the State Auditor, the New Mexico Legislature, and the DFA-LGD and is not intended to be and should not be used by anyone other than those specified parties.



Scott Northam, CPA, PC  
Ruidoso, New Mexico  
July 31, 2018

**BLUEWATER WATER AND SANITATION DISTRICT  
SCOPE OF PROCEDURES AND RESULTS  
JUNE 30, 2018**

<b>1. Verify the local public body's revenue calculation and tier determination documented on the form provided at <a href="http://www.osanm.org">www.osanm.org</a> under "Tiered System Reporting Main Page."</b>	
Tier 6 Requirements – Cash basis revenues of \$250,000 or more but less than \$500,000.	The District's cash basis revenues totaled approximately \$229,878. The District would qualify as a Tier 4 based on revenue, but as the District also has debt service, the District elected to have a Tier 6 AUP performed because Tier 4 procedures do not include debt service testwork.
<b>2. Cash Procedures</b>	
a. Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements are complete and on-hand.	All fiscal year bank reconciliations and statements were on-hand and available for compliance examination. Reconciliations were performed timely performed within a reasonable time after the end of the month.
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 DFA-Local Government Division.	A review of all fiscal year bank reconciliations noted the reconciliations were accurate and agreed with the general ledger and DFA reports.
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.	The District's funds on deposit with the financial institution did not exceed the \$250,000 FDIC maximum insured coverage during the year. The financial institution was not obligated to provide additional pledged collateralization to be compliant with state statutes.
<b>3. Capital Assets</b>	
Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.	The District provided a capital asset inventory listing as required under Section 12-6-10 NMSA 1978, which was approved by the District Council.
<b>4. Debt</b>	
If the local public body has any debt, verify that the required payments were made during the year. If the debt agreement requires reserves, verify that the local public body is in compliance with those requirements.	The District made the required debt payments to New Mexico Finance Authority during the fiscal year. The District is holding approximately \$46,240 in reserve to comply with debt service requirements and has approximately \$2,895 in a sinking fund account to fund future debt service payment.

**BLUEWATER WATER AND SANITATION DISTRICT  
SCOPE OF PROCEDURES AND RESULTS  
JUNE 30, 2018**

<b>5. Revenue</b> <b>Identify the nature and amount of revenue from all sources by reviewing the budget, agreements, rate schedules, and underlying documentation.</b>	
a. Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.	Analytical review and tests of actual revenue compared to budgeted revenue for the fiscal year noted no exceptions.
b. Select a sample equal to at least 30% of the total dollar amount and test following attributes: Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.	Revenue transactions amounting to 91% of total District revenue recorded in the general ledger agreed with deposit slips, utility reports and other supporting documentation provided and the bank statements with no exceptions.
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 record on: cash basis, modified accrual basis, or accrual basis.	Amounts were properly recorded on the cash basis as to classification, amount and period per review of supporting documentation.

<b>6. Expenditures</b> <b>Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test the following:</b>	
a. Determine that the 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.	A representative sample of disbursement transactions totaling 58.70% of total disbursements noted no exceptions with respect to amount, payee, date and description
b. Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.	The representative sample of disbursements noted no exceptions as to authorization and approval for payment, budget compliance and compliance with 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 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).	Disbursement testwork revealed no exceptions to the process (or request for proposal process, if applicable), purchase orders, contracts and agreements being processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).



**BLUEWATER WATER AND SANITATION DISTRICT  
SCOPE OF PROCEDURES AND RESULTS  
JUNE 30, 2018**

<b>7. Journal Entries</b> <b>Test all non-routine journal entries, adjustments, and reclassifications posted to the general ledger for the following attributes:</b>	
<p>a. Journal entries appear reasonable and have supporting documentation.</p>	<p>There were no non-routine journal entries posted to the general ledger</p>
<p>b. The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.</p>	<p>There were no non-routine journal entries posted to the general ledger. The District has policies in place that require any journal entries made by the District to be reviewed and approved by the Board of Directors.</p>

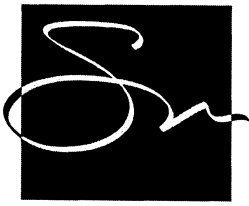
<b>8. Budget</b> <b>Obtain the original fiscal year budget and all budget adjustments made throughout the fiscal year and perform the following:</b>	
<p>a. Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local body's governing body and DFA-LGD.</p>	<p>The original budget was approved by the Board of Directors and DFA-LGD. The subsequent budget adjustments for the fiscal year were properly approved and filed with DFA-LGD</p>
<p>b. Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.</p>	<p>The District did not exceed the final budgetary expectations for the Proprietary Fund.</p>
<p>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.</p>	<p>The Schedules of Revenue and Expenditures – Budget and Actual accompanying these procedures are prepared on the cash basis used by the District and prepared from the original and final approved budgets and general ledger.</p>

**BLUEWATER WATER AND SANITATION DISTRICT  
SCOPE OF PROCEDURES AND RESULTS  
JUNE 30, 2018**

<p><b>9. Capital Outlay Appropriations</b>  <b>The scope of the agreed-upon procedures engagement shall encompass any and all state-funded capital appropriations of the New Mexico Legislature that meet TIER 6 criteria. Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay funds expended by the recipient during the fiscal year that meet TIER 6 criteria. Perform the following tests on all state-funded capital outlay expenditures:</b></p>	
<p>a. Determine that the amount recorded as disbursed agrees to the adequate supporting documentation. Verify that amount, payee, date and description to agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.</p>	<p>The District did not receive or spend any state-funded capital appropriations from the New Mexico Legislature during the fiscal year. All capital outlay expenditures were from loans and subsidies through New Mexico Finance Authority or New Mexico Environment Department.</p>
<p>b. Determine that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.</p>	<p>The District did not receive or spend any state-funded capital appropriations from the New Mexico Legislature during the fiscal year.</p>
<p>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 and State Purchasing Regulations (Section 131-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC.</p>	<p>The District did not receive or spend any state-funded capital appropriations from the New Mexico Legislature during the fiscal year.</p>
<p>d. Determine the physical existence (by observation) of the capital asset based on expenditures to date.</p>	<p>The District did not receive or spend any state-funded capital appropriations from the New Mexico Legislature during the fiscal year.</p>
<p>e. Verify that status reports were submitted to the state agency per terms of the agreement and amounts in the status report agree with the general ledger and supporting documentation.</p>	<p>The District did not receive or spend any state-funded capital appropriations from the New Mexico Legislature during the fiscal year.</p>
<p>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</p>	<p>The District did not receive or spend any state-funded capital appropriations from the New Mexico Legislature during the fiscal year.</p>
<p>g. If the project is complete, determine if there is an unexpected balance and whether it was reverted per statute and agreement with the grantor.</p>	<p>The District did not receive or spend any state-funded capital appropriations from the New Mexico Legislature during the fiscal year.</p>
<p>h. Determine whether cash received for the award was accounted for in a separate fund or a separate bank account that is non-interest bearing if so required by the capital outlay award agreement.</p>	<p>The District did not receive or spend any state-funded capital appropriations from the New Mexico Legislature during the fiscal year.</p>

**BLUEWATER WATER AND SANITATION DISTRICT  
SCOPE OF PROCEDURES AND RESULTS  
JUNE 30, 2018**

<p><b>9. Capital Outlay Appropriations (Cont.)</b>  <b>The scope of the agreed-upon procedures engagement shall encompass any and all state-funded capital appropriations of the New Mexico Legislature that meet TIER 6 criteria. Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay funds expended by the recipient during the fiscal year that meet TIER 6 criteria. Perform the following tests on all state-funded capital outlay expenditures:</b></p>	
<p>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 of the reimbursement.</p>	<p>The District did not receive or spend any state-funded capital appropriations from the New Mexico Legislature during the fiscal year.</p>
<p><b>10. Other</b></p>	
<p>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.</p>	<p>No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud, illegal acts or internal control deficiencies.</p>



**SCOTT NORTHAM, CPA, PC**  
Certified Public Accountants

## INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Wayne Johnson, New Mexico State Auditor, and  
Board of Directors of  
Bluewater Water and Sanitation District  
Bluewater, New Mexico

Management is responsible for the accompanying financial statements of Bluewater Water and Sanitation District, which comprise the statements of net position- proprietary fund, as of June 30, 2018 and the related statement of revenues, expenses and changes in net position - proprietary fund for the year then ended, and the related notes to the financial statements in accordance with the requirements of Section 2.2.2.16 New Mexico Administrative Code (NMAC).

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

In order to comply with the requirements of Section 12-6-3(B) NMSA 1978 and 2.2.2.16 NMAC, the proprietary fund financial statements and the notes related to those financial statements were prepared using the modified accrual basis of accounting. However, in complying with these requirements, management has omitted the following financial statements and notes required by accounting principles generally accepted in the United States of America (GAAP): the statement of cash flows - proprietary funds and note disclosures related to the cash flow statement. These omissions result in the financial statements being presented on a basis of accounting other than GAAP.

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified accrual basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Management has also omitted the Management Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such omitted 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context.

Scott Northam, CPA, PC  
Ruidoso, New Mexico  
July 31, 2018

**BLUEWATER WATER AND SANITATION DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2018**

**ASSETS**

<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 6,417
NMFA Account	3,574
	9,991
<b>Total Current Assets</b>	
<b>Noncurrent Assets</b>	
Restricted Cash and Cash Equivalents	
Customer Deposits	8,102
Debt Service	2,895
Reserves	46,240
Capital Assets, Net	1,458,093
	1,515,330
<b>Total Noncurrent Assets</b>	
<b>Total Assets and Deferred Outflows</b>	
	\$ 1,525,321

**LIABILITIES AND NET POSITION**

<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 728
Gross Receipts Tax Payable	1,292
Current Portion of Long Term Debt	25,308
	27,328
<b>Total Current Liabilities</b>	
<b>Noncurrent Liabilities</b>	
Customer Deposits	8,101
Long-Term Debt, Net of Current Portion	300,449
	308,550
<b>Total Noncurrent Liabilities</b>	
<b>Total Liabilities</b>	
	335,878
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,132,336
Restricted	
Debt Service	2,895
Reserves	46,240
Unrestricted	7,972
	1,189,443
<b>Total Fund Net Position</b>	
<b>Total Liabilities and Net Position</b>	
	\$ 1,525,321

**BLUEWATER WATER AND SANITATION DISTRICT  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2018**

**OPERATING REVENUES**

Charges for Services	
Water	\$ 118,458
Sewer	50,636
Solid Waste	42,584
System Maintenance and Fees	17,031
Other Revenue	300
	<hr/>
<b>Total Operating Revenues</b>	<b>229,009</b>

**OPERATING EXPENSES**

Professional Engineering	13,768
General Maintenance	32,244
Repairs and Upgrades	9,267
Contract Audit, Accounting and Billing	37,218
Contract Operations Labor	64,623
Utilities	23,367
Solid Waste Disposal	46,010
Vehicle Expense	3,009
Insurance	1,849
Dues, Fees, Permits and Licenses	873
Taxes	259
Training	760
Office and Administrative Expenses	12,823
Depreciation	66,624
	<hr/>
<b>Total Operating Expenses</b>	<b>312,694</b>

**Operating Loss** (83,685)

**NONOPERATING REVENUE (EXPENSE)**

State Grant Income	347
Rental Income - BSCCC	427
Interest Income	95
Interest Expense	(378)
	<hr/>
<b>Total Nonoperating Revenue (Expense)</b>	<b>491</b>

**Change in Net Position** (83,194)

**Net Position, Beginning of Year** 633,082

**Capital Contributions - Loan Forgiveness Subsidy** 639,555

**Net Position, End of Year** \$ 1,189,443

**BLUEWATER WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This following summary presentation of significant accounting policies of the Bluewater Water and Sanitation District (the District) is to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of the District's management who is responsible for their integrity and objectivity. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, and the Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures, and Financial Accounting Standards Board (FASB) pronouncements applicable to governmental agencies.

**Departure from Generally Accepted Accounting Principles** - In order to comply with the requirements of Section 12-6-3(B) NMSA 1978 and 2.2.2.16 NMAC, the proprietary fund financial statements and the notes related to those financial statements were prepared using the modified accrual basis of accounting. However, in complying with these requirements, management has omitted the following financial statements and notes required by accounting principles generally accepted in the United States of America (GAAP): the statement of cash flows - proprietary funds and note disclosures related to the cash flow statement. These omissions result in the financial statements being presented on a basis of accounting other than GAAP.

Under the modified accrual method employed by the District, the financials report the District's revenue as it is collected on a cash basis and does not report accounts receivable on the balance sheet. This method differs from the accrual basis of accounting which reports revenues based on customer billings and reports the outstanding amount from customers on the balance sheet.

**Organization** - The District is a special purpose political subdivision of the State of New Mexico and was organized on October 21, 1975 under provisions of the Water and Sanitation District Act of New Mexico, Section 73-21-1 through 73-21-54 NMSA 1978, as amended. The District provides the following authorized services: water, sanitation, and solid waste. The District's basic financial statements include all activities and accounts of the District's financial reporting entity.

The financial reporting entity consists of the primary government, and any another organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The GASB 14 definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Based upon the GASB 14 criteria above, there are no component units of the District, nor is the District considered a component unit of another governmental agency during the fiscal year ended June 30, 2018.

**BLUEWATER WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**Financial Statement Presentation, Basis of Accounting, and Measurement Focus**

**Business-Type Activities** - The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position were prepared using the economic resources measurement focus and the modified accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

The Statement of Revenues, Expenses and Changes in Net Position demonstrates the degree to which the direct expense of a given function or segments is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not included among program revenues are reported as *general revenues*.

The basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied..

**Budgetary Information** - Annual budgets of the District are prepared prior to June 1 and must be approved by resolution of the District Board of Directors, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the District Board of Directors and the Department of Finance and Administration. Line items within each fund budget may be over-expended; however, it is not legally permissible to over-expend the fund's budget in total. Over-expending the authorized budget in the fund will result in a finding.

These budgets are prepared on the Non-GAAP budgetary basis, excluding encumbrances, and secure appropriation of funds for only one year. The budgetary information presented in these financial statements has been presented in accordance with the above procedures.

The accompanying Statement of Revenues, Expenses and Changes in Net Position (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2018 is presented.

**Assets, Liabilities, Net Position or Fund Equity, Other Matters**

**Cash and Investments** - Cash includes amounts in demand deposits and short-term investments. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

All investments are stated at fair value which is determined by using selected bases. Interest income and realized gains and losses on investment transactions are included for financial statement purposes as investment income.

**Cash Flow Liquidity** - For purposes of the statement of cash flows, the District'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.



**BLUEWATER WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**Restricted Cash** - The District restricts a compensating amount of cash equal to the amount of the customer deposits held on hand. These reserves are not required but are separated by management.

**Use of Restricted Cash** - When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

**Grants and Contributions** - The District receives grants as well as contributions in the course of operations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

**Utility Receivables** - Substantially all of the District's outstanding utility receivables are due from its customers for water and sewer service and solid waste collection. Collateral is generally not required on receivables, but a deposit is required to activate new service.

**Allowance for Doubtful Accounts** - It is the opinion of management that no allowance for doubtful accounts was necessary as of June 30, 2018 because services will be disconnected should an account become delinquent.

**Concentration of Credit Risk** - The District grants credit without collateral to its customers for its services, but the customers are subject to service termination if the receivables are not settled within a specified time frame. The customer deposits held by the District helps mitigate the credit risk.

**Property and Equipment** - Capital assets which may include software, property, plant, equipment, vehicles, and infrastructure assets (e.g., building, roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Land owned by the District is always capitalized.

GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* allows Phase III governments an exemption from the retroactive application of the capitalization requirements to major general infrastructure assets. The District has elected not to retroactively record infrastructure assets since being considered a Phase III municipality.

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings, Structures and Improvements	10-40
Water and Wastewater Systems	25
Infrastructure	25
Office and Maintenance Equipment	7
Vehicles	5

**BLUEWATER WATER AND SANITATION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**Analysis of Impairments** - Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is determined based on comparison of future cash flows to the recorded value of the assets. Impairment losses are measured based on the fair value of the impaired assets. No such impairment losses were recorded during the year ended June 30, 2018.

**Customer Deposits** - The District requires a deposit to establish service for the customer. Deposits are not considered revenue for the District unless or until the customer closes their account, at which time any remaining balance due on the account is deducted from the deposit and the customer is refunded the excess.

**Net Position** - The proprietary funds utilize a net position presentation. Net position is reported represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net position is reported in three categories:

- ***Net investment in capital assets*** – This category reflects the portion of net position that is associated with capital assets, net of accumulated depreciation reduced by the outstanding capital asset-related debt and adding back unspent proceeds.
- ***Restricted net position*** – This category reflects the portion of net position that has third party limitations on its use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- ***Unrestricted net position*** – This category reflects net position of the District, not restricted for any project or other purpose.

**Operating and Non-operating Revenues** - Revenues are classified as operating or non-operating according to the following criteria:

*Operating revenue* - include activities which have the characteristic of exchange transactions, such as charges for services and fees, net of any allowance for uncollectible amounts.

*Non-operating revenues* - include activities which have the characteristics of non-exchange transactions, such as capital grants and investment income.

**Operating and Non-operating Expenditures** - Expenditures are classified as operating or non-operating according to the following criteria:

*Operating expenditures* - include activities that have the characteristics of an exchange transaction such as employee salaries, benefits, and related expenses; maintenance, operations and contractual services; materials and supplies; office expenses; and depreciation expenses related to District capital assets.

*Non-operating expenditures* - include activities that have the characteristics of non-exchange transactions such as interest on capital asset-related debt and bond expenses that are defined as non-operating expenses by GASB Statement No. 9 - *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and GASB Statement No. 34.

**BLUEWATER WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**Pensions and OPEB** - The District does not have employees and has elected not to participate in either the New Mexico Public Employees Retirement Association (PERA) or the New Mexico Retiree Health Care Act. Therefore, the District has elected not to implement the following GASB statements:

- GASB Statement No. 68 - *Financial Reporting for Pension Plans – An Amendment to GASB Statement 27,*
- GASB Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date,*
- GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits other than Pensions.*

**Compensated Absences** – The District does not have employees, therefore does not accrue compensated absences.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Risk Management** - The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any preceding years. A surety bond as required by Section 12-6-7 NMSA 1978 Compilation and the New Mexico State Auditor Rule covers the officials and certain employees of the District.

**Subsequent Events** - GASB 56 requires reporting entities to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or available to be issued. Management has evaluated subsequent events through the date of the auditor’s report, which is the date the financial statements were available to be issued.

**NOTE B - CASH AND CASH EQUIVALENTS**

During the fiscal year, the District had several accounts held with a local financial institution. At June 30, 2018, the District had cash and cash equivalents on deposit with the local financial institution in a demand deposit account and interest-bearing accounts. Following is a schedule as of June 30, 2018, of the cash and cash equivalents.

	<b>Bank Balance June 30, 2018</b>	<b>Net Items Outstanding</b>	<b>Book Balance June 30, 2018</b>
<b>Wells Fargo Bank</b>			
<b>General Demand Checking:</b>			
General Operating Account	\$ 7,520	\$ (1,103)	\$ 6,417
<b>Interest Bearing Savings:</b>			
Customer Deposits	8,102	-	8,102
Reserve Account	<u>49,135</u>	<u>-</u>	<u>49,135</u>
<b>Total – Wells Fargo Bank</b>	<b><u>\$ 64,757</u></b>	<b><u>\$ (1,103)</u></b>	<b><u>\$ 63,654</u></b>

**Collateralization** - The FDIC provides coverage of up to \$250,000 for interest-bearing and non-interest-bearing demand accounts separately from an additional \$250,000 for interest-bearing time and savings accounts. Excess coverage from one category is not transferrable to the other. No security is required for the deposit of public money being insured by the Federal Deposit Insurance Corporation.

**BLUEWATER WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE B - CASH AND CASH EQUIVALENTS (Cont.)**

In accordance with Section 6-10-17, NMSA 1978 compilation, deposits of public monies are required to be collateralized. Pledged collateral is required in amounts in aggregate equal to one half of the amount of uninsured public money in each account during the fiscal year. Securities which are obligations of the State of New Mexico, its agencies, institutions, counties, or municipalities or other subdivisions are accepted as security at par value; all other securities are accepted as security at market value.

	<b>Totals</b>
Deposits	\$ 64,757
Less FDIC Coverage	<u>(64,757)</u>
Uninsured Funds	-
Pledged Securities	<u>-</u>
Uninsured and Uncollateralized	<u><u>\$ -</u></u>

**Custodial Credit Risk - Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to them. The District does not have a deposit policy for custodial credit risk other than that of state statutes. As of June 30, 2018, the District's bank balance of \$64,757 was fully covered by FDIC insurance and not exposed to custodial credit risk during the year.

**New Mexico Finance Authority Deposits** - The District has approximately \$3,574 on deposit with the New Mexico Finance Authority (NMFA). The amounts on deposits are being held in escrow by NMFA for debt service purposes. The amounts on deposit with NMFA are not covered by FDIC and not considered in the collateralization requirement calculation.

**NOTE C - CAPITAL ASSETS**

The following capital asset activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
<b>Proprietary Funds:</b>				
<b>Non-depreciable Capital Assets</b>				
Wastewater Treatment Plant				
Construction in Progress	\$ 39,093	\$ 41,121	\$ -	\$ 80,214
Total Non-depreciable Capital Assets	39,093	41,121	-	80,214
<b>Depreciable Capital Assets</b>				
Plant Systems	463,006	181	-	463,187
Water Well	438,307	763,398	-	1,201,705
Operating Equipment	<u>11,221</u>	<u>-</u>	<u>-</u>	<u>11,221</u>
Total Depreciable Capital Assets	<u>912,534</u>	<u>763,579</u>	<u>-</u>	<u>1,676,113</u>

**BLUEWATER WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE C - CAPITAL ASSETS (Cont.)**

	<b>Balance</b>			<b>Balance</b>
	<b>June 30, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2018</b>
<b>Accumulated Depreciation</b>				
Plant Systems	(227,085)	(33,847)	-	(260,932)
Water Well	-	(30,619)	-	(30,619)
Operating Equipment	<u>(4,525)</u>	<u>(2,158)</u>	<u>-</u>	<u>(6,683)</u>
Total Accumulated Depreciation	<u>(231,610)</u>	<u>(66,624)</u>	<u>-</u>	<u>(298,234)</u>
Total Depreciable Capital Assets, Net	<u>680,924</u>	<u>696,955</u>	<u>-</u>	<u>1,377,879</u>
Capital Assets, Net	<u>\$ 720,017</u>	<u>\$ 738,076</u>	<u>\$ -</u>	<u>\$ 1,458,093</u>

The District reported approximately \$66,624 in depreciation expense during the fiscal year. This amount was reported on the financial statements as a separate line item in the expenses.

**Commitment** – The District has agreement RIP-00015 with the Construction Programs Bureau of the New Mexico Environment Department. This Loan/Grant agreement provides up to \$279,758 in subsidy funding from the state for the design of infrastructural improvements to the District’s water and wastewater systems. As of June 30, 2018, approximately \$65,179 in subsidies have been granted to the District, with approximately \$214,579 remaining to be drawn down by the District. The District has until March 2019 to completely use the subsidies.

**NOTE D - LONG-TERM DEBT**

The District uses funds from operations to pay for the debt service. The following long-term debt activity for the year ended June 30, 2018 was as follows:

**BWSD #210-48 - Colonias Infrastructure Project Grant** - The District entered into an agreement with the New Mexico Board of Finance in September 2012 to repair a well. Terms of the loan are 10 annual, non-interest-bearing payments of approximately \$7,830, and maturing in December 2022.

**DW-3393 – Drinking Water Sate Revolving Loan and Subsidy Agreement** - The District entered into an agreement with NMFA in March 2016 for the construction of a new well, designing the system to treat both wells for contaminant removal, construction of new meter houses, and other well system improvements. Under the terms of the agreement, the maximum principal amount of the loan/subsidy agreement is \$1,206,979, with the maximum principal forgiveness being \$905,234. The remaining \$301,475 is to be repaid in 20 annual payments of approximately \$15,490 at an annual interest rate of 0.250% and matures in May 2038.

**WWTP RIP 00015 – Rural Infrastructure Program Project** - The District entered into an agreement with the Construction Programs Bureau of the New Mexico Environment Department in March 2017 for the design of a new wastewater treatment plant and other infrastructural improvements. This Loan/Grant agreement provides up to a maximum of \$294,482 in funding, with \$279,758 in principal forgiveness subsidy funding. The remaining \$14,724 is to be repaid in five annual installments of approximately \$3,158 at an interest rate of 2.375% and matures in August 2022.

**BLUEWATER WATER AND SANITATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE D - LONG-TERM DEBT (Cont.)**

Long-term debt activity for the year ended June 30, 2018 was as follows:

<b>Obligation</b>	<b>Balance June 30, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2018</b>	<b>Due Within One Year</b>
BWSD #201-48	\$ 17,118	\$ -	\$ (7,830)	\$ 9,288	\$ 7,830
NMFA – DW 3393	108,447	193,298	-	301,745	14,670
WWTP RIP 00015	<u>14,724</u>	<u>-</u>	<u>-</u>	<u>14,724</u>	<u>2,808</u>
Total Long-term Debt	<u>\$ 140,289</u>	<u>\$ 193,298</u>	<u>\$ (7,830)</u>	<u>\$ 325,757</u>	<u>\$ 25,308</u>

Long-term debt service requirements to maturity are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 25,308	\$ 1,169	\$ 26,477
2020	19,105	1,000	20,105
2021	17,752	896	18,648
2022	17,859	789	18,648
2023	17,968	680	18,648
2024-2028	74,976	2,473	77,449
2029-2033	75,917	1,532	77,449
2034-2038	<u>76,872</u>	<u>577</u>	<u>77,449</u>
<b>Totals</b>	<u>\$ 325,757</u>	<u>\$ 9,116</u>	<u>\$ 334,873</u>

**BLUEWATER WATER AND SANITATION DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)  
YEAR ENDED JUNE 30, 2018**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for Services				
Water	\$ 244,200	\$ 244,200	\$ 117,802	\$ (126,398)
Sewer	-	-	50,636	50,636
Solid Waste	-	-	42,584	42,584
System Maintenance and Fees	800	800	17,031	16,231
Other Revenue	1,100	1,100	300	(800)
<b>Total Operating Revenues</b>	246,100	246,100	228,353	(17,747)
<b>OPERATING EXPENSES</b>				
<b>Current</b>				
Professional Engineering	-	-	13,768	(13,768)
General Maintenance	22,400	30,800	23,550	7,250
Repairs and Upgrades	34,450	62,350	9,267	53,083
Contract Audit, Accounting and Billing	24,200	40,200	37,218	2,982
Contract Operations Labor	-	-	64,623	(64,623)
Utilities	12,900	23,385	23,367	18
Solid Waste Disposal	63,930	44,930	46,010	(1,080)
Vehicle Expense	4,100	3,100	3,009	91
Insurance	1,850	1,850	1,849	1
Dues, Fees, Permits and Licenses	3,970	920	873	47
Taxes	-	270	259	11
Training	3,000	800	760	40
Office and Administrative Expenses	44,200	38,900	12,823	26,077
<b>Capital Outlay</b>	-	825,373	825,321	52
<b>Debt Service</b>				
Principal	7,830	7,830	7,830	-
Interest	3,969	3,969	378	3,591
<b>Total Operating Expenses</b>	226,799	1,084,677	1,070,905	13,772
<b>Operating Income (Loss)</b>	19,301	(838,577)	(842,552)	(3,975)
<b>NONOPERATING REVENUE</b>				
State Loan and Subsidy Income	-	811,234	814,099	2,865
Rental Income - BSCCC	-	-	427	427
Interest Income	-	-	95	95
<b>Total Nonoperating Revenue</b>	-	811,234	814,621	3,387
<b>Change in Net Position</b>	19,301	(27,343)	\$ (27,931)	\$ (588)
<b>Cash - Beginning of Year</b>	102,150	102,150		
<b>Cash - End of Year</b>	\$ 121,451	\$ 74,807		
<b>Reconciliation to Modified Accrual Basis</b>				
<b>Change in Net Position - Budget Basis</b>			\$ (27,931)	
Depreciation			(66,624)	
State Loan and Subsidy Income			(813,752)	
Capital Outlay			825,321	
Principal Payments			7,830	
Change in:				
Accounts Payable			(8,694)	
Gross Receipts Tax Payable			41	
Customer Meter Deposits			615	
<b>Change in Net Position - Modified Accrual Basis</b>			\$ (83,194)	

**BLUEWATER WATER AND SANITATION DISTRICT  
YEAR-END FINANCIAL REPORT SUBMITTED TO DFA  
JUNE 30, 2018**

**INSTRUCTIONS:** Figures which are placed in the shaded area are estimated before. All other columns are actual and not subject to change.  
 The 2017 Approved Budget, 1st Qtr, 2nd Qtr, 3rd Qtr, 4th Qtr, and Year to Date (YTD) Totals are subject to change with APPROVED BUDGET at beginning of 11. THESE AMOUNTS DO NOT REPRESENT THE YEAR TO DATE (YTD) TOTALS.  
 The 2017 Reserve amounts change throughout the year. The Year to Date (YTD) Totals column.

**MDWCA Name:** Bluewater Water & Sanitation District  
**Mailing Address:** PO Box 128, Placitas NM 87043  
**Email Address:** dialed@water.dfa.com  
**Phone number:** 505-771-7038

**Calendar Year**  
**July 2017- June 2018**

	2017 APPROVED BUDGET	1st QR: Jul - Sep	2nd QR: Oct - Dec	3rd QR: Jan - Mar	4th QR: Apr - Jun	Year to Date(YTD) Totals	YTD (over/under BUDGET	% of Budget
<b>Beginning balances:</b>								
Cash	38,375							
Savings	65,775							
CDs								
Investments								
<b>Beginning Balance TOTAL</b>	<b>\$ 102,150</b>							
<b>REVENUES</b>								
Water Sales (Water Use Fees)	244,200	58,086	58,552	55,072	66,369	228,059	16,141	93%
Connection/Reconnection Charges						0	0	-
Membership and Meter Sales (Utility Service Fees)						0	0	-
Late Fees and Penalties (Other Fines and Forfeits)	800	50	45		556	651	149	81%
Gross Receipts Tax (Other State shared taxes)						2,021	(2,021)	-
Other Operating Revenue (miscellaneous - other)	1,100	536	128	223	282	1,169	(69)	106%
Loan and Subsidy Income	811,234			802,651	11,448	814,099	(2,866)	100%
<b>TOTAL</b>	<b>\$ 1,057,334</b>	<b>58,632</b>	<b>58,725</b>	<b>857,946</b>	<b>78,675</b>	<b>1,045,988</b>	<b>11,336</b>	<b>99%</b>
<b>EXPENDITURES</b>								
Salaries - Operator, Bookkeeper, etc.						0	0	-
Employee Benefits and Expenses						0	0	-
Electricity	18,900	2,592	4,943	5,744	5,806	18,885	15	100%
Other Utilities - Gas Water Sewer Telephone	4,485	881	1,873	1,050	578	4,482	3	100%
System Parts and Supplies	30,800	6,317	7,187	11,082	6,206	30,793	7	100%
System Repairs and Maintenance	62,350	8,120	14,019	17,125	22,987	62,251	99	100%
Vehicle Expenses	3,100	327	1,058	855	768	3,009	91	97%
Office and Administrative Expenses	38,900	11,251	8,916	10,921	7,894	38,782	118	100%
Professional Services - Accounting Engineering Legal	48,200	8,072	11,296	10,173	10,634	40,175	25	100%
Insurance	1,850	1,849				1,849	1	100%
Dues, Fees, Permits and Licenses	920	90		279	504	873	47	95%
Taxes - Gross Receipts Tax Water Conservation Fee	270		94		165	329	11	96%
Training	800	60	361	339		760	40	95%
Miscellaneous	44,930	15,489	12,270	15,064	2,481	45,274	214	101%
Expenses to be Capitalized	825,373			803,590	21,781	825,371	2	100%
Annual debt service - Loan 1	7,830		7,830			7,830	0	100%
Annual debt service - Loan 2	3,969	66	140	171		378	3,591	10%
Annual debt service - Loan 3								
<b>TOTAL</b>	<b>\$ 1,084,677</b>	<b>55,083</b>	<b>70,089</b>	<b>876,388</b>	<b>78,353</b>	<b>1,080,920</b>	<b>4,315</b>	<b>100%</b>
<b>Ending Balance</b>	<b>74,807</b>					<b>67,228</b>		
LESS: Operating Reserve								
Emergency Reserve								
Capital Improvement Reserve								
Debt Reserve								
<b>Ending Available Cash Balance</b>	<b>\$ 74,807</b>					<b>\$ 67,228</b>		

I HEREBY CERTIFY THE CONTENTS IN THIS REPORT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND THAT THIS REPORT DEPICTS ALL FUNDS.  
 7/17/18



## **INTERNAL CONTROL AND COMPLIANCE**

**BLUEWATER WATER AND SANITATION DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2018**

**CURRENT YEAR FINDINGS:**

None noted

**PRIOR YEAR FINDINGS:**

<b>Finding</b>	<b>Status</b>
2017-001 – Late Agreed-upon Procedures Contract and Report	Resolved
2017-002 – Actual Expenses Exceeded the Approved Budget	Resolved
2017-003 – Lack of Supporting Documentation for Journal Entries	Resolved
2017-004 – Incomplete Financial Statements and Notes	Resolved
2017-005 – No Written Procurement Policies and Procedures	Resolved
2017-006 – No Review Procedure for Non-standard Journal Entries	Resolved

**BLUEWATER WATER AND SANITATION DISTRICT  
EXIT CONFERENCE  
JUNE 30, 2018**

The contents of this report were discussed with the Bluewater Water and Sanitation District, New Mexico representatives on July 31, 2018. The following individuals were present for the conference:

**Bluewater Water and Sanitation District**

Earl Hassell, VP  
Kay Spencer – Secretary  
Benjamin Arguello – Integrity Accounting & Consulting LLC  
(Contract Accountant)

**Scott Northam, CPA, PC**

Scott Northam, CPA

The agreed-upon procedures, compiled financial statements and budgetary comparisons of the Bluewater Water and Sanitation District were prepared by Scott Northam, CPA, PC, from original books and records provided by and with assistance from the management of the District.

Although standards strongly emphasize the District prepare its own financial statements, the consensus between District management and the auditor was that it would be more time and cost efficient for the auditor to prepare the financial statements and the related notes. Accordingly, the District designated a competent management-level individual to oversee the auditor's services, make all management decisions and perform all management functions. The District reviewed, approved, and accepted responsibility for the accompanying compiled financial statements and related notes, supplemental budgetary comparisons, and for ensuring that the underlying accounting records adequately support the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America and that the records are current and in balance.