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**STATE OF NEW MEXICO**

**BLUEWATER WATER & SANITATION  
DISTRICT**

Independent Accountants' Report on Applying  
Agreed-Upon Procedures

Year Ended June 30, 2013

**STATE OF NEW MEXICO**

**BLUEWATER WATER & SANITATION DISTRICT**

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

**Year Ended June 30, 2013**

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**STATE OF NEW MEXICO  
BLUEWATER WATER & SANITATION DISTRICT**

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June 30, 2013**

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**STATE OF NEW MEXICO  
BLUEWATER WATER & SANITATION DISTRICT**

**Official Roster  
at June 30, 2013**

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<u>Name</u>	<u>Title</u>
<b><u>Board of Directors</u></b>	
Chris Cothran	Chairman
David Hassell	Vice-Chairman
Steve Spencer	Director
David Young	Director
Mike Horton	Director



Macias, Gutierrez  
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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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To: Chris Cothran, Chairman  
Bluewater Water & Sanitation District  
and  
Honorable Hector H. Balderas  
New Mexico State Auditor

We have performed the procedures enumerated below for the Bluewater Water & Sanitation District (BWSD), for the year ended June 30, 2013, solely to assist the BWSD in demonstrating compliance with a **Tier 4** entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978, Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978, as set forth in the accompanying Exhibits A and B. The procedures were agreed to by the BWSD through the Office of the New Mexico State Auditor. The Bluewater Water & Sanitation 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 findings are as follows:

### 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.

## **Findings**

- a) The BWSD has three bank accounts, all in one financial institution, (one operating checking account and two savings accounts) and utilizes Quickbooks to record transactions. All bank reconciliations are performed within days of receiving the bank statements and all were complete and on-hand for the entire year.
- b) Random tests of bank reconciliations revealed no exceptions. The reconciliations were accurate and agreed with supporting documentation. We did not trace the June 30, 2013 cash balances to the year-end quarterly financial report submitted to DFA-LGD since year-end cash balances were not included with their report and, currently, there is no DFA-LGD required cash reporting format.
- c) Cumulative single-institution bank account balances never exceeded uninsured limits and therefore, pledged collateral was not required on any uninsured deposits.

## **2. 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 BWSD performed a yearly inventory as required by Section 12-6-10 NMSA 1978 and maintains a capital asset listing.

## **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.

Select a sample of revenues based on auditor judgment and test 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.

### **Findings**

- a) An analytical review of prior-year to current-year revenue revealed no unexplained or unusual variations. The test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed no exceptions.
- b) We requested supporting documentation for twenty-five (25) deposits (11% of total revenue) from a total of 229 deposits for the year. For the sample selected, amounts recorded in Quickbooks agreed with supporting documentation and the bank statements without exception.

- d) Amounts were properly recorded on a cash basis as to classification, amount and period per review of supporting documentation.

#### **4. Expenditures**

##### **Procedures**

Select a sample of cash disbursements based on auditor judgment and test using 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 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 ).

##### **Findings**

- a) We requested supporting documentation for thirty-five (35) disbursements (59% of total expenses) out of a total of 329 disbursements for the year. For the sample selected, amounts recorded as disbursed agreed to supporting documentation. Amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and cancelled check copy, as appropriate.
- b) Disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c) 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 ).

#### **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.

##### **Findings**

The BWSD utilizes Quickbooks to record cash transactions only and does not prepare journal entries.

## 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.

### Findings

- a) A review of the minutes revealed that the original proposed budget was approved by the BWSD and the DFA-LGD. There was one subsequent budget adjustment approved by the BWSD and the DFA-LGD.
- b) Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control.
- c) A schedule of revenues and expenditures – budget and actual (Exhibit A) was prepared on the cash budgetary basis used by the BWSD. The BWSD submitted a year-end Budget to Actual Report for FY 2013 to DFA-LGD which is included herein (Exhibit B).

### **Other**

#### Procedures

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, disclose 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.

#### Findings

No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud, illegal acts, noncompliance or any internal control deficiencies.

\* \* \* \* \*

We were not engaged to, and did not conduct an audit of the financial statements or any part thereof, the objective of which would be the expression of an opinion on the financial statements or any part thereof, including the accompanying Exhibits A and B. 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 Bluewater Water & Sanitation District, the New Mexico State Auditor's Office and the 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.

*Macias, Gutierrez & Co., CPAs, P. C.*

Macias, Gutierrez & Co., CPAs, P. C.  
Española, New Mexico  
October 24, 2013

**STATE OF NEW MEXICO**  
**BLUEWATER WATER & SANITATION DISTRICT**  
**Schedule of Revenues and Expenditures-Budget and Actual (Cash Basis)**  
**Year Ended June 30, 2013**

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues:</b>				
Customer Payments	\$ 158,208	\$ 176,634	\$ 176,634	\$ -
Rental Income	300	313	313	-
Loan from NM Board of Finance	-	78,300	78,300	-
Customer Deposits	700	2,477	2,477	-
Interest Income	35	35	384	349
NMFA Grant	50,000	50,000	-	(50,000)
Reserve Account	20,000	20,000	-	(20,000)
Total revenues	229,243	327,759	258,108	(69,651)
Cash balance budgeted	-	-	-	-
Total revenues and cash balance budgeted	<u>\$ 229,243</u>	<u>\$ 327,759</u>	<u>258,108</u>	<u>(69,651)</u>
<b>Expenditures:</b>				
Engineer Study for Water & Sewer System	\$ 50,000	\$ -	\$ -	-
Refuse	50,000	51,137	51,137	-
Sewer System	30,000	48,426	48,426	-
Water Sysytem	20,000	68,359	68,359	-
Loan Payment (NM B of F)	-	37,692	37,692	-
Equipment & Tools	15,000	17,044	17,044	-
Office Supplies	30,000	33,043	33,043	-
Insurance	2,000	2,920	2,920	-
Dues & Subscriptions	350	180	180	-
Mileage Reimbursement	2,000	2,857	2,857	-
Training	1,500	1,504	1,504	-
NSF Checks & Bank Charges	500	149	149	-
Accounting & Legal Fees	3,000	3,102	3,102	-
Customer Deposits Paid	500	984	984	-
Charges for Community	3,600	3,661	3,661	-
Property Taxes	150	114	114	-
Gross Receipts Tax	10,600	-	-	-
WCF Tax	720	653	653	-
Total expenditures	<u>\$ 219,920</u>	<u>\$ 271,825</u>	<u>271,825</u>	<u>-</u>
Excess revenues over expenditures			<u>\$ (13,717)</u>	<u>\$ (69,651)</u>

**Bluewater Water and Sanitation District  
4th QTR Report FY 2012 - 2013 with Final Budget for FY 2013-2014**

	<b>06.30.13</b>	<b>2012-2013 Budget</b>	<b>\$ Over Budget (Under)</b>	<b>Budget Adjustment Request</b>	<b>Proposed Final 2012-2013 Budget</b>	<b>Proposed Final 2013-2014 Budget</b>
Checking Account						
Customer Deposit Account						
Reserve Account						
Checking Account Beginning Balance Understated. See attachment						
Total Beginning Balance	\$ 49,234.62	\$ 49,234.62	\$ 41,715.30	\$ -	\$ 49,234.62	\$ 35,516.98
Customer Payments	\$ 176,633.83	\$ 158,208.00	\$ 18,425.83	\$ 18,425.83	\$ 176,633.83	\$ 163,000.00
Rental Income from BSCCC	\$ 312.82	\$ 300.00	\$ 12.82	\$ 12.82	\$ 312.82	\$ 300.00
Loan from NM Board of Finance	\$ 78,300.00	\$ 78,300.00	\$ -		\$ 78,300.00	
Customer Deposits	\$ 2,476.99	\$ 700.00	\$ 1,776.99	\$ 1,776.99	\$ 2,476.99	
Interest Income	\$ 384.16	\$ 35.00	\$ 349.16	\$ 0.16	\$ 35.16	
NMFA Grant	\$ -	\$ 50,000.00	\$ (50,000.00)	\$ (50,000.00)	\$ -	\$ 50,000.00
Reserve Account	\$ -	\$ 20,000.00	\$ (20,000.00)	\$ (20,000.00)	\$ -	\$ -
Total Revenue	\$ 258,107.80	\$ 307,543.00	\$ (49,435.20)	\$ (49,784.20)	\$ 257,758.80	\$ 213,300.00
			\$ -			
Engineer Study for Water & Sewer Sys	\$ -	\$ 50,000.00	\$ (50,000.00)	\$ (50,000.00)	\$ -	\$ 50,000.00
Refuse	\$ 51,137.10	\$ 51,500.00	\$ (362.90)	\$ (362.90)	\$ 51,137.10	\$ 51,500.00
Sewer System	\$ 48,426.36	\$ 35,000.00	\$ 13,426.36	\$ 13,426.36	\$ 48,426.36	\$ 30,000.00
Water System	\$ 68,358.76	\$ 87,427.81	\$ (19,069.05)	\$ (19,069.05)	\$ 68,358.76	\$ 20,000.00
Loan Payment (NM B of F)	\$ 37,691.77	\$ 45,521.77	\$ (7,830.00)	\$ (7,830.00)	\$ 37,691.77	\$ 7,830.00
Equipment & Tools	\$ 17,043.73	\$ 15,000.00	\$ 2,043.73	\$ 2,043.73	\$ 17,043.73	\$ 15,000.00
Office Supplies	\$ 33,042.87	\$ 31,300.00	\$ 1,742.87	\$ 1,742.87	\$ 33,042.87	\$ 31,300.00
Insurance	\$ 2,920.00	\$ 2,920.00	\$ -		\$ 2,920.00	\$ 3,000.00
Dues & Subscriptions	\$ 180.00	\$ 350.00	\$ (170.00)	\$ (170.00)	\$ 180.00	\$ 350.00

Mileage Reimbursement	\$ 2,856.77	\$ 2,500.00	\$ 356.77	\$ 356.77	\$ 2,856.77	\$ 2,500.00
Training	\$ 1,504.19	\$ 1,500.00	\$ 4.19	\$ 4.19	\$ 1,504.19	\$ 1,500.00
NSF checks & Bank Charges	\$ 149.10	\$ 500.00	\$ (350.90)	\$ (350.90)	\$ 149.10	\$ 250.00
Accounting & Legal Fees	\$ 3,102.19	\$ 3,102.19	\$ -	\$ -	\$ 3,102.19	\$ 3,500.00
Customer Deposits Paid	\$ 983.71	\$ 1,950.00	\$ (966.29)	\$ (966.29)	\$ 983.71	\$ -
Charges for Community	\$ 3,661.71	\$ 3,700.00	\$ (38.29)	\$ (38.29)	\$ 3,661.71	\$ 3,700.00
Property Taxes	\$ 113.89	\$ 150.00	\$ (36.11)	\$ (36.11)	\$ 113.89	\$ 150.00
WCF Tax	\$ 653.29	\$ 720.00	\$ (66.71)	\$ (66.71)	\$ 653.29	\$ 720.00
Total Expenditures	<u>\$ 271,825.44</u>	<u>\$ 333,141.77</u>	<u>\$ (61,316.33)</u>	<u>\$ (10,953.43)</u>	<u>\$ 271,825.44</u>	<u>\$ 221,300.00</u>

Ending Cash	\$ 35,516.98	\$ 35,167.98	\$ 27,516.98
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**STATE OF NEW MEXICO  
BLUEWATER WATER & SANITATION DISTRICT**

**Schedule of Findings and Responses  
Year Ended June 30, 2013**

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	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
<b>Current Year Findings:</b> None	N/A	N/A	N/A
<b>Follow-up on Prior Year Findings:</b> None	N/A	N/A	N/A

**\* Legend for Findings:**

- A. Fraud
- B. Illegal Act(s)
- C. Internal Control Deficiency(ies)
- D. Noncompliance

**STATE OF NEW MEXICO  
BLUEWATER WATER & SANITATION DISTRICT**

**Exit Conference  
Year Ended June 30, 2013**

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**EXIT CONFERENCE**

The report contents were discussed at an exit conference held on November 9, 2013 with the following in attendance:

Bluewater Water & Sanitation District

Chris Cothran, Board Chairman  
Lynette Garden, Secretary (contractor)  
Kay Spencer, Assistant Secretary (contractor)  
Diane Nunez, Bookkeeper (contractor)

Accounting Firm

James R. (Jim) Macias, CPA