



MACIAS, GUTIERREZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESPANOLA, NEW MEXICO
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STATE OF NEW MEXICO

**BLUEWATER WATER & SANITATION
DISTRICT**

Independent Accountants' Report on Applying
Agreed-Upon Procedures

Year Ended June 30, 2014

STATE OF NEW MEXICO

BLUEWATER WATER & SANITATION DISTRICT

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Agreed-Upon Procedures**

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BLUEWATER WATER & SANITATION DISTRICT**

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

**Official Roster
at June 30, 2014**

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



Macias, Gutierrez
& Co., P.C.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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, 2014, 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 traced the June 30, 2014 cash balances to the general ledger, supporting documentation and the year-end quarterly financial report submitted to DFA-LGD, without exception.
- 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 thirty (30) deposits (17% of total revenue) from a total of 194 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 forty (40) disbursements (26% of total expenses) out of a total of 341 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 2014 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, the Department of Finance and Administration, Local Government Division, and the NM Legislature 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
August 7, 2014

STATE OF NEW MEXICO
BLUEWATER WATER & SANITATION DISTRICT
Schedule of Revenues and Expenditures-Budget and Actual (Cash Basis)
Year Ended June 30, 2014

	Budgeted Amounts		Actuals	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Customer Payments	\$ 163,000	\$ 188,618	\$ 188,519	\$ (99)
Rental Income	300	300	290	(10)
Loan from NM Board of Finance	-	-	-	-
Customer Deposits	-	-	-	-
Interest Income	-	-	455	455
NMFA Grant	50,000	50,000	-	(50,000)
Reserve Account	-	-	-	-
Total revenues	213,300	238,918	189,264	(49,654)
Cash balance budgeted	35,517	35,519	35,519	-
Total revenues and cash balance budgeted	<u>\$ 248,817</u>	<u>\$ 274,437</u>	<u>224,783</u>	<u>(49,654)</u>
Expenditures:				
Operational Expenses	\$ -	\$ 176,580	\$ 167,919	8,661
Other Expenses	-	5,756	7,985	(2,229)
CPA-AUP	-	3,516	3,516	-
Engineer Study for Water & Sewer System	50,000	50,000	-	50,000
BSCC Expenses	-	3,066	5,033	(1,967)
Refuse	51,500	-	-	-
Sewer System	30,000	-	-	-
Water Sysytem	20,000	-	-	-
Loan Payment (NM B of F)	7,830	-	-	-
Equipment & Tools	15,000	-	-	-
Office Supplies	31,300	-	-	-
Insurance	3,000	-	-	-
Dues & Subscriptions	350	-	-	-
Mileage Reimbursement	2,500	-	-	-
Training	1,500	-	-	-
NSF Checks & Bank Charges	250	-	-	-
Accounting & Legal Fees	3,500	-	-	-
Charges for Community	3,700	-	-	-
Property Taxes	150	-	-	-
WCF Tax	720	-	-	-
Total expenditures	<u>\$ 221,300</u>	<u>\$ 238,918</u>	<u>184,453</u>	<u>54,465</u>
Excess revenues over expenditures			<u>\$ 40,330</u>	<u>\$ 4,811</u>

Bluewater Water & Sanitation District
Balance Sheet
As of June 30, 2014

	<u>Jun 30, 14</u>
ASSETS	
Current Assets	
Checking/Savings	
1010 · Operating (3631)	9,650.19
1020 · Reserves (5230)	17,089.51
1030 · Holding/Customer Deposits (5222)	6,211.05
Total Checking/Savings	<u>32,950.75</u>
Total Current Assets	32,950.75
Fixed Assets	
1500 · Operating Equipment	3,604.76
1600 · Water & WWTP Systems	463,186.58
1700 · Accumulated Depreciation	-262,247.00
Total Fixed Assets	<u>204,544.34</u>
TOTAL ASSETS	<u>237,495.09</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
2100 · Customer Deposits	6,211.05
2200 · New Mexico Gross Receipts Tax	1,027.58
Total Other Current Liabilities	<u>7,238.63</u>
Total Current Liabilities	7,238.63
Long Term Liabilities	
2900 · State Board of Finance	32,778.23
Total Long Term Liabilities	<u>32,778.23</u>
Total Liabilities	40,016.86
Equity	
3000 · Opening Bal Equity	-84,808.91
3003 · Contribution - Construction Aid	1,100.00
3004 · Contribution - From State	182,200.00
3900 · Retained Earnings	94,175.60
Net Income	4,811.54
Total Equity	<u>197,478.23</u>
TOTAL LIABILITIES & EQUITY	<u>237,495.09</u>

Bluewater Water and Sanitation District
Attachment A

	2013-2014 Approved Budget	June 30, 2014 Actual	2014-2015 Proposed Final Operating Budget
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Total Beginning Balance	\$ 35,519.21	\$ 35,519.21	\$ -	\$ 32,950.75
Customer Payments	\$ 188,618.00	\$ 188,518.75	\$ 99.25	\$ 185,700.00
Rental Income from BSCCC	\$ 300.00	\$ 290.57	\$ 9.43	\$ 300.00
Loan from NM Board of Finance	\$ -	\$ -	\$ -	\$ -
Interest Income	\$ -	\$ 455.10	\$ (455.10)	\$ -
NMFA Grant	\$ 50,000.00	\$ -	\$ -	\$ 50,000.00
Reserve Account	\$ -	\$ -	\$ -	\$ -
Total Revenue	\$ 238,918.00	\$ 189,264.42	\$ (346.42)	\$ 236,000.00
Operational Expenses	\$ 176,580.00	\$ 167,918.61	\$ 8,661.39	\$ 171,775.00
Engineer Study for Water & Sewer Sys	\$ 50,000.00	\$ -	\$ 50,000.00	\$ 41,200.00
Other Expenses	\$ 5,755.58	\$ 7,984.88	\$ (2,229.30)	\$ 10,170.00
CPA-AUP	\$ 3,516.09	\$ 3,516.09	\$ -	\$ 3,516.09
BSCC Expenses	\$ 3,066.33	\$ 5,033.30	\$ (1,966.97)	\$ -
Customer Deposit Adjustment/Reconciliation	\$ -	\$ -	\$ -	\$ -
Total Expenditures	\$ 238,918.00	\$ 184,452.88	\$ 54,465.12	\$ 226,661.09
Net Income Per Balance Sheet	\$ -	\$ 4,811.54	\$ (54,811.54)	\$ -
Change in Cash/Income Statement	\$ 35,519.21	\$ 40,330.75	\$ 4,811.54	\$ 42,289.66
Less Loan Payment	\$ -	\$ 7,380.00	\$ -	\$ 7,830.00
Actual Ending Cash	\$ -	\$ 32,950.75	\$ Projected Ending Cash	\$ 34,459.66

NOTES

Number of Employees is zero.

	Debit	Credit
Adjustment		
Retained Earnings		129.56
Water	129.56	

B/S Cash vs I/S Change in Cash Reconciliation	
Beginning Cash 07.1.13	\$ 35,519.21
Revenue as of 06.30.14	189,264.42
Change in A/R - Decrease + (Increase -)	
Change in A/P - Decrease - (Increase +)	(7,380.00) loan payment
Cash Basis Income (Cash)	<u>181,884.42</u>
Expenses as of 06.30.14	184,452.88
Net Cash Income	<u>(2,568.46)</u>
Cash Basis Income (Cash)	32,950.75
Ending Cash Balance as of 06.30.14	32,950.75
Net Difference	-

loan payment	-7380
asset adjustment (revenue and retained earnings)	-129.56
	-7509.56

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

**Schedule of Findings and Responses
Year Ended June 30, 2014**

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current Year Findings: None	N/A	N/A	N/A
Follow-up on Prior Year Findings: 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, 2014**

EXIT CONFERENCE

The report contents were discussed at an exit conference held on August 25, 2014 with the following in attendance:

Bluewater Water & Sanitation District

Chris Cothran, Board Chairman
Kay Spencer, Secretary
Diane Nunez, Contracted Bookkeeper

Accounting Firm

James R. (Jim) Macias, CPA