



MACIAS, GUTIERREZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESPANOLA, NEW MEXICO
www.mgandc.com

STATE OF NEW MEXICO

**BLUEWATER WATER & SANITATION
DISTRICT**

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

Year Ended June 30, 2015

STATE OF NEW MEXICO

BLUEWATER WATER & SANITATION DISTRICT

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Agreed-Upon Procedures – Tier 4**

Year Ended June 30, 2015

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

**Table of Contents
June 30, 2015**

		<u>Page</u>
Title Page		i
Table of Contents		ii
Official Roster		iii
Independent Accountants' Report on Applying Agreed-Upon Procedures		iv-viii
	<u>Exhibit</u>	
Schedule of Revenues and Expenditures – Budget and Actual (Cash Basis)	A	1
Copy of year-end reports submitted to DFA	B	2-6
Schedule of Findings and Responses		7
Exit Conference		8

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

**Official Roster
at June 30, 2015**

<u>Name</u>	<u>Title</u>
<u>Board of Directors</u>	
David Hassell	Chairman
Earl Hassell	Vice-Chairman
Mike Horton	Director
Paul Spencer	Director
Gilbert Lopez	Director



Macias, Gutierrez
& Co., P.C.

*Certified Public Accountants
Member AICPA, NMSCPA*

1302 Calle De La Merced, Suite A
Española, New Mexico 87532
505.747.4415
Fax 505.747.4417

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES – TIER 4

To: David Hassell, Chairman
Bluewater Water & Sanitation District
and
Honorable Timothy Keller
New Mexico State Auditor

We have performed the procedures enumerated below for the Bluewater Water & Sanitation District (BWSD), for the year ended June 30, 2015, 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, 2015 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 (18% of total revenue) from a total of 209 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-eight (38) disbursements (25% of total expenses) out of a total of 230 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 were no subsequent budget adjustments made.
- 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 2015 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
September 15, 2015

STATE OF NEW MEXICO
BLUEWATER WATER & SANITATION DISTRICT
Schedule of Revenues and Expenditures-Budget and Actual (Cash Basis)
Year Ended June 30, 2015

	Budgeted Amounts		Actuals	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Customer Payments	\$ 185,700	\$ 185,700	\$ 193,489	\$ 7,789
Rental Income	300	300	201	(99)
Interest Income	-	-	27	27
NMFA Grant	50,000	50,000	-	(50,000)
Total revenues	236,000	236,000	193,717	(42,283)
Cash balance budgeted	32,951	32,951	32,951	-
Total revenues and cash balance budgeted	<u>\$ 268,951</u>	<u>\$ 268,951</u>	226,668	(42,283)
Expenditures:				
Operational Expenses	\$ 171,775	\$ 171,775	\$ 162,996	8,779
Other Expenses	5,070	5,070	4,951	119
CPA-AUP	3,516	3,516	3,528	(12)
Engineer Study for Water & Sewer System	41,200	41,200	3,362	37,838
BSCC Expenses	5,100	5,100	3,422	1,678
Total expenditures	<u>\$ 226,661</u>	<u>\$ 226,661</u>	178,259	48,402
Excess revenues over expenditures			<u>\$ 48,409</u>	<u>\$ 6,119</u>

Bluewater Water & Sanitation District
Balance Sheet
 As of June 30, 2015

	Jun 30, 15
ASSETS	
Current Assets	
Checking/Savings	
1010 · Operating (3631)	19,111.10
1020 · Reserves (5230)	
1020.1 · NMSBF Loan Reserve	5,872.50
1020 · Reserves (5230) - Other	17,573.25
Total 1020 · Reserves (5230)	23,445.75
1030 · Holding/Customer Deposits (5222)	6,936.87
Total Checking/Savings	49,493.72
Accounts Receivable	
1201 · Accounts Receivables	337.68
Total Accounts Receivable	337.68
Other Current Assets	
1090 · PrePaid Credit Card	111.19
Total Other Current Assets	111.19
Total Current Assets	49,942.59
Fixed Assets	
1500 · Operating Equipment	3,187.47
1600 · Water & WWTP Systems	463,006.44
1700 · Accumulated Depreciation	-262,247.00
Total Fixed Assets	203,946.91
TOTAL ASSETS	253,889.50
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
2100 · Refundable Customer Deposits	7,402.87
2200 · Sales Tax Payable	1,368.93
Total Other Current Liabilities	8,771.80
Total Current Liabilities	8,771.80
Long Term Liabilities	
2900 · State Board of Finance	32,778.23
Total Long Term Liabilities	32,778.23
Total Liabilities	41,550.03
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	98,389.71
Net Income	15,458.67
Total Equity	212,339.47
TOTAL LIABILITIES & EQUITY	253,889.50

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Cash Basis

Bluewater Water & Sanitation District
FY 14-15 Profit & Loss Budget vs. Actual
July 2014 through June 2015

	Jul '14 - Jun 15	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
4100 · Water	79,510.93	72,000.00	7,510.93	110.4%
4110 · Refuse	41,921.97	43,000.00	-1,078.03	97.5%
4120 · Waste	52,885.20	51,500.00	1,385.20	102.7%
4130 · Fees	818.20	0.00	818.20	100.0%
4140 · System Maintenance	18,352.66	19,200.00	-847.34	95.6%
4150 · BSCCC	200.82	300.00	-99.18	66.9%
4165 · Refundable Deposits	0.00			
4200 · Interest Income	27.42	0.00	27.42	100.0%
4300 · Grants	0.00	50,000.00	-50,000.00	0.0%
Total Income	193,717.20	236,000.00	-42,282.80	82.1%
Gross Profit	193,717.20	236,000.00	-42,282.80	82.1%
Expense				
6000 · Operational System Expenses				
6050 · Engineer Study				
6052 · PER Management & Funding	6,638.30	9,000.00	-2,361.70	73.8%
6050 · Engineer Study - Other	3,361.73	41,200.00	-37,838.27	8.2%
Total 6050 · Engineer Study	10,000.03	50,200.00	-40,199.97	19.9%
6100 · General Maintenance				
6110 · Water System - Labor	3,807.34	3,300.00	507.34	115.4%
6120 · Waste Water Plant - Labor				
6121 · Sewer Plant	4,233.17	3,500.00	733.17	120.9%
6122 · Tietjen Lift Station	1,743.46	2,000.00	-256.54	87.2%
6123 · Cemetery Lift Station	1,450.71	1,800.00	-349.29	80.6%
6124 · Contract Labor	2,478.17	2,000.00	478.17	123.9%
6120 · Waste Water Plant - Labor - Other	95.91	0.00	95.91	100.0%
Total 6120 · Waste Water Plant - Labor	10,001.42	9,300.00	701.42	107.5%
6130 · Sampling/Testing - Labor & Fees	3,160.64	5,000.00	-1,839.36	63.2%
6140 · Equipment Rental	739.04	1,000.00	-260.96	73.9%
6150 · Equipment	90.00	1,000.00	-910.00	9.0%
6160 · Materials & Supplies	5,099.21	9,000.00	-3,900.79	56.7%
6100 · General Maintenance - Other	16.25			
Total 6100 · General Maintenance	22,913.90	28,600.00	-5,686.10	80.1%
6200 · Upgrades and Repairs				
6205 · Water & Sewer Taps	4,410.06			
6210 · Water System - Labor	1,609.49	4,000.00	-2,390.51	40.2%
6220 · Waste Water Plant - Labor				
6221 · Sewer Plant	604.38	150.00	454.38	402.9%
Total 6220 · Waste Water Plant - Labor	604.38	150.00	454.38	402.9%
6230 · Equipment Rental	382.23			
6240 · Equipment	5,949.20	0.00	5,949.20	100.0%
6250 · Materials & Supplies	1,883.76	0.00	1,883.76	100.0%
6200 · Upgrades and Repairs - Other	0.00	14,000.00	-14,000.00	0.0%
Total 6200 · Upgrades and Repairs	14,839.12	18,150.00	-3,310.88	81.8%
6300 · Billing Expense				
6310 · Meter Reading - Labor	2,042.12	1,800.00	242.12	113.5%
6320 · Shut-Offs - Labor	236.52	750.00	-513.48	31.5%
6330 · Water Conservation Fees	0.00	700.00	-700.00	0.0%
6300 · Billing Expense - Other	0.00			
Total 6300 · Billing Expense	2,278.64	3,250.00	-971.36	70.1%

Bluewater Water & Sanitation District
FY 14-15 Profit & Loss Budget vs. Actual
July 2014 through June 2015

	Jul '14 - Jun 15	Budget	\$ Over Budget	% of Budget
6400 · Utilities				
6410 · Electric				
6412 · Tietjen Lift Station	552.98	525.00	27.98	105.3%
6410 · Electric - Other	9,078.20	9,700.00	-621.80	93.6%
Total 6410 · Electric	9,631.18	10,225.00	-593.82	94.2%
6420 · Telephone	1,946.16	2,000.00	-53.84	97.3%
Total 6400 · Utilities	11,577.34	12,225.00	-647.66	94.7%
6500 · Mileage	3,636.47	5,100.00	-1,463.53	71.3%
6600 · License & Fees	1,463.23	3,650.00	-2,186.77	40.1%
6700 · Solid Waste Disposal				
6710 · Residential	38,852.58	38,000.00	852.58	102.2%
6720 · Commercial	3,223.77	3,500.00	-276.23	92.1%
6730 · Trash Cans - Labor	132.50	950.00	-817.50	13.9%
Total 6700 · Solid Waste Disposal	42,208.85	42,450.00	-241.15	99.4%
6800 · Administrative Expenses				
6810 · Accountant/Bookkeeper	14,653.21	14,500.00	153.21	101.1%
6820 · Administrative Support				
6821 · Manager	9,434.15	12,600.00	-3,165.85	74.9%
6822 · Secretary	28,523.35	17,350.00	11,173.35	164.4%
6823 · Board	1,491.84	0.00	1,491.84	100.0%
Total 6820 · Administrative Support	39,449.34	29,950.00	9,499.34	131.7%
6830 · Office Supplies	1,207.55	2,000.00	-792.45	60.4%
6840 · Equipment and Software	0.00	400.00	-400.00	0.0%
6850 · Postage	1,622.52	2,400.00	-777.48	67.6%
6870 · Fees	0.00	0.00	0.00	0.0%
6880 · Bank Charges	378.81	600.00	-221.19	63.1%
6890 · Administration Mileage	0.00	0.00	0.00	0.0%
6895 · Advertising	128.53	0.00	128.53	100.0%
Total 6800 · Administrative Expenses	57,439.96	49,850.00	7,589.96	115.2%
6000 · Operational System Expenses - Other	0.00			
Total 6000 · Operational System Expenses	166,357.54	213,475.00	-47,117.46	77.9%
Total Expense	166,357.54	213,475.00	-47,117.46	77.9%
Net Ordinary Income	27,359.66	22,525.00	4,834.66	121.5%
Other Income/Expense				
Other Expense				
7000 · Other Expenses				
7005 · Pre Paid Card	0.00			
7010 · Training	2,753.36	1,000.00	1,753.36	275.3%
7020 · Insurance	1,883.00	3,000.00	-1,117.00	62.8%
7030 · Property Taxes	134.63	150.00	-15.37	89.8%
7040 · Dues - NMRWA	179.99	200.00	-20.01	90.0%
7060 · Land Lease	0.00	120.00	-120.00	0.0%
7070 · AUP - CPA	3,528.28	3,516.09	12.19	100.3%
7080 · Board Mileage	0.00	0.00	0.00	0.0%
7090 · Board Expenses	0.00	100.00	-100.00	0.0%
7900 · BSCCC	3,421.73	5,100.00	-1,678.27	67.1%
Total 7000 · Other Expenses	11,900.99	13,186.09	-1,285.10	90.3%
Total Other Expense	11,900.99	13,186.09	-1,285.10	90.3%
Net Other Income	-11,900.99	-13,186.09	1,285.10	90.3%
Net Income	15,458.67	9,338.91	6,119.76	165.5%

Bluewater Water and Sanitation District

	2014-2015 Final Operating Budget	June 30, 2015 Actual	\$ Over Budget (Under)	2015-2016 Final Operating Budget
Total Beginning Balance	\$ 32,950.75	\$ 32,950.75	\$ -	\$ 49,493.72
Customer Payments	\$ 185,700.00	\$ 193,488.96	\$ (7,788.96)	\$ 216,279.12
Rental Income from BSCCC	\$ 300.00	\$ 200.82	\$ 99.18	\$ 300.00
Loan from NM Board of Finance	\$ -	\$ -	\$ -	\$ -
Interest Income	\$ -	\$ 27.42	\$ (27.42)	\$ -
NMFA Grant	\$ 50,000.00	\$ -	\$ -	\$ 50,000.00
Reserve Account	\$ -	\$ -	\$ -	\$ -
Total Revenue	\$ 236,000.00	\$ 193,717.20	\$ (7,717.20)	\$ 266,579.12
Operational Expenses	\$ 171,775.00	\$ 166,357.54	\$ 5,417.46	\$ 190,000.00
Engineer Study for WWTP	\$ 41,200.00	\$ -	\$ 41,200.00	\$ 50,000.00
Other Expenses	\$ 10,170.00	\$ 4,950.98	\$ 5,219.02	\$ 11,000.00
CPA-AUP	\$ 3,516.09	\$ 3,528.28	\$ -	\$ 4,000.00
BSCC Expenses	\$ -	\$ 3,421.73	\$ (3,421.73)	\$ 5,000.00
Other Expenses	\$ -	\$ -	\$ -	\$ -
Total Expenditures	\$ 226,661.09	\$ 178,258.53	\$ 48,414.75	\$ 260,000.00
Net Income Per Balance Sheet	\$ -	\$ 15,458.67	\$ (56,131.95)	\$ -
Change in Cash/Income Statement	\$ 42,289.66	\$ -	\$ (42,289.66)	\$ 56,072.84
Less Loan Payment	\$ 7,830.00	\$ -	\$ -	\$ 7,830.00
Customer Deposit Adjust. Reconciliation	\$ -	\$ 1,084.30	\$ -	\$ -
Ending Cash	\$ 34,459.66	\$ 49,493.72	\$ -	\$ 48,242.84

NOTES

Accounts Payables

06.30.14	current	difference
7,238.63	8,771.80	(1,533.17)

B/S Cash vs I/S Change in Cash Reconciliation

Beginning Cash 07.01.13		\$	32,950.75	
Revenue as o 06.30.15	193,717.20			
Change in A/R - Decrease + (Increase -)				
Change in A/P - Decrease - (Increase +)	1,533.17			
Cash Basis Income (Cash)	195,250.37			
Expenses as of 06.30.15	178,369.72	plus prepaid card balance		
Net Cash Income	16,880.65		16,880.65	
Cash Basis Income (Cash)			49,831.40	
Ending Cash Balance as of 05.31.15			49,831.40	plus accounts receivables
Net Difference			-	

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

**Schedule of Findings and Responses
Year Ended June 30, 2015**

	<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, 2015**

EXIT CONFERENCE

The report contents were discussed at a telephone exit conference held on September 22, 2015 with the following:

Bluewater Water & Sanitation District

David Hassell, Board Chairman
Kay Spencer, Secretary
Diane Nunez, Contracted Bookkeeper

Accounting Firm

James R. (Jim) Macias, CPA