

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, 2019**

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
BLUEWATER WATER AND SANITATION DISTRICT
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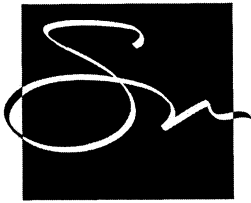
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**STATE OF NEW MEXICO
BLUEWATER WATER AND SANITATION DISTRICT
OFFICIAL ROSTER
JUNE 30, 2019**

BOARD OF DIRECTORS

Name	Title
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**

Brian Colon, 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, 2019. 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, 2019. 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
September 23, 2019

**BLUEWATER WATER AND SANITATION DISTRICT
SCOPE OF PROCEDURES AND RESULTS
JUNE 30, 2019**

1. Verify the local public body's revenue calculation and tier determination documented on the form provided at www.osanm.org under "Tiered System Reporting Main Page."	
Tier 6 Requirements – Cash basis revenues of \$250,000 or more but less than \$500,000.	The District's cash basis revenues totaled approximately \$223,691. 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.
2. Cash Procedures	
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.
3. Capital Assets	
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.
4. Debt	
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 and the State Board of Finance during the fiscal year. The District is holding approximately \$24,414 in reserve to comply with debt service requirements and has approximately \$3,158 in a sinking fund account to fund future debt service payment. The District also has \$2,751 on deposit with NMFA for future debt service payments.

**BLUEWATER WATER AND SANITATION DISTRICT
SCOPE OF PROCEDURES AND RESULTS
JUNE 30, 2019**

5. Revenue Identify the nature and amount of revenue from all 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.	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 93% 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.

6. Expenditures Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test the following:	
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 73% 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, 2019**

7. Journal Entries Test all non-routine journal entries, adjustments, and reclassifications posted to the general ledger for the following attributes:	
a. Journal entries appear reasonable and have supporting documentation.	There were no non-routine journal entries posted to the general ledger
b. The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.	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.

8. Budget Obtain the original fiscal year budget and all budget adjustments 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 body's governing body and DFA-LGD.	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
b. Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.	The District did not exceed the final budgetary expectations for the Proprietary Fund.
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.	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.

**BLUEWATER WATER AND SANITATION DISTRICT
SCOPE OF PROCEDURES AND RESULTS
JUNE 30, 2019**

<p>9. Capital Outlay Appropriations 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:</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.</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, 2019**

<p>9. Capital Outlay Appropriations (Cont.) 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:</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>10. Other</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

Brian Colon, 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, 2019 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, management has presented the proprietary fund financial statements and the notes related to those financial statements prepared using the 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
September 23, 2019

**BLUEWATER WATER AND SANITATION DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2019**

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 7,237
NMFA Account	2,751
	9,988
Total Current Assets	
 Noncurrent Assets	
Restricted Cash and Cash Equivalents	
Customer Deposits	8,451
Debt Service	3,158
Reserves	24,414
Capital Assets, Net	1,365,607
	1,401,630
Total Noncurrent Assets	
Total Assets and Deferred Outflows	
	\$ 1,411,618

LIABILITIES AND NET POSITION

LIABILITIES

Current Liabilities	
Accounts Payable	\$ 147
Gross Receipts Tax Payable	1,021
Current Portion of Long Term Debt	17,647
	18,815
Total Current Liabilities	
 Noncurrent Liabilities	
Customer Deposits	8,101
Long-Term Debt, Net of Current Portion	281,344
	289,445
Total Noncurrent Liabilities	
Total Liabilities	
	308,260
 NET POSITION	
Net Investment in Capital Assets	1,066,616
Restricted	
Debt Service	3,158
Reserves	24,414
Unrestricted	9,170
	1,103,358
Total Fund Net Position	
Total Liabilities and Net Position	
	\$ 1,411,618

**BLUEWATER WATER AND SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2019**

OPERATING REVENUES

Charges for Services	
Water	\$ 111,211
Sewer	50,779
Solid Waste	42,101
System Maintenance and Fees	17,096
Other Revenue	<u>1,471</u>
Total Operating Revenues	222,658

OPERATING EXPENSES

System Repairs and Maintenance	19,398
Professional Services	32,245
Contract Operations Labor	60,150
Utilities	28,616
Solid Waste Disposal	47,261
Vehicle Expense	3,276
Insurance	1,849
Dues, Fees, Permits and Licenses	652
Taxes	376
Training	1,763
Office and Administrative Expenses	18,010
Depreciation	<u>145,911</u>
Total Operating Expenses	<u>359,507</u>

Operating Loss (136,849)

NONOPERATING REVENUE (EXPENSE)

State Grant Income	-
Rental Income - BSCCC	822
Interest Income	211
Interest Expense	<u>(354)</u>
Total Nonoperating Revenue (Expense)	<u>679</u>

Change in Net Position (136,170)

Net Position, Beginning of Year 1,189,443

Capital Contributions - Loan Forgiveness Subsidy 50,085

Net Position, End of Year \$ 1,103,358

BLUEWATER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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 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 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, 2019.

BLUEWATER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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 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, 2019 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, 2019**

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, 2019 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, 2019

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, 2019.

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, 2019**

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, 2019, 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, 2019, of the cash and cash equivalents.

	Bank Balance June 30, 2019	Net Items Outstanding	Book Balance June 30, 2019
Wells Fargo Bank			
General Demand Checking:			
General Operating Account	\$ 8,446	\$ (1,209)	\$ 7,237
Interest Bearing Savings:			
Customer Deposits	8,451	-	8,451
Reserve Account	<u>27,572</u>	<u>-</u>	<u>27,572</u>
Total – Wells Fargo Bank	<u>\$ 44,469</u>	<u>\$ (1,209)</u>	<u>\$ 43,260</u>

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, 2019

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.

	Totals
Deposits	\$ 44,469
Less FDIC Coverage	<u>(44,469)</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, 2019, the District's bank balance of \$44,469 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 \$2,751 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, 2019 was as follows:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
Proprietary Funds:				
Non-depreciable Capital Assets				
Wastewater Treatment Plant				
Construction in Progress	\$ 80,214	\$ 53,128	\$ -	\$ 133,342
Total Non-depreciable Capital Assets	80,214	53,128	-	133,342
Depreciable Capital Assets				
Plant Systems	463,187	-	-	463,187
Water Well	1,201,705	297	-	1,202,002
Operating Equipment	<u>11,221</u>	<u>-</u>	<u>-</u>	<u>11,221</u>
Total Depreciable Capital Assets	<u>1,676,113</u>	<u>297</u>	<u>-</u>	<u>1,676,410</u>

**BLUEWATER WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE C - CAPITAL ASSETS (Cont.)

	Balance			Balance
	June 30, 2018	Increases	Decreases	June 30, 2019
Accumulated Depreciation				
Plant Systems	(260,932)	(26,820)	-	(287,752)
Water Well	(30,619)	(117,109)	-	(147,728)
Operating Equipment	<u>(6,683)</u>	<u>(1,982)</u>	<u>-</u>	<u>(8,665)</u>
Total Accumulated Depreciation	<u>(298,234)</u>	<u>(145,911)</u>	<u>-</u>	<u>(298,234)</u>
Total Depreciable Capital Assets, Net	<u>1,377,879</u>	<u>(145,614)</u>	<u>-</u>	<u>1,232,265</u>
Capital Assets, Net	<u>\$ 1,458,093</u>	<u>\$ (92,486)</u>	<u>\$ -</u>	<u>\$ 1,365,607</u>

The District reported approximately \$145,911 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, 2019, approximately \$123,264 in subsidies have been granted to the District, with approximately \$164,494 remaining to be drawn down by the District.

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, 2019 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, 2019**

NOTE D - LONG-TERM DEBT (Cont.)

The District paid approximately \$1,169 in interest on the following loans. Long-term debt activity for the year ended June 30, 2019 was as follows:

Obligation	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019	Due Within One Year
BWSD #201-48	\$ 9,288	\$ -	\$ (9,288)	\$ -	\$ -
NMFA – DW 3393	301,745	-	(14,670)	287,075	14,772
WWTP RIP 00015	<u>14,724</u>	<u>-</u>	<u>(2,808)</u>	<u>11,916</u>	<u>2,875</u>
Total Long-term Debt	<u>\$ 325,757</u>	<u>\$ -</u>	<u>\$ (26,766)</u>	<u>\$ 298,991</u>	<u>\$ 17,647</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 17,647	\$ 1,001	\$ 18,648
2021	17,752	896	18,648
2022	17,859	789	18,648
2023	17,968	680	18,648
2024	14,920	569	15,489
2025-2029	75,164	2,285	77,449
2030-2034	76,107	1,342	77,449
2035-2038	<u>61,574</u>	<u>385</u>	<u>61,959</u>
Totals	<u>\$ 298,991</u>	<u>\$ 7,947</u>	<u>\$ 306,938</u>

NOTE E – RELATED PARTY TRANSACTIONS

The spouse of a board member is contracted as the secretary of the District. The spouse was paid approximately \$20,172 for secretarial duties and reimbursed approximately \$7,797 for various office supplies and other expenses.

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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Charges for Services				
Water	\$ 230,000	\$ 230,000	\$ 110,940	\$ (119,060)
Sewer	-	-	50,779	50,779
Solid Waste	-	-	42,101	42,101
System Maintenance and Fees	800	800	17,096	16,296
Other Revenue	1,100	1,100	1,471	371
Total Operating Revenues	<u>231,900</u>	<u>231,900</u>	<u>222,387</u>	<u>(9,513)</u>
OPERATING EXPENSES				
Current				
System Repairs and Maintenance	60,000	53,050	19,979	33,071
Professional Services	35,000	30,500	32,245	(1,745)
Contract Operations Labor	-	-	60,150	(60,150)
Utilities	22,700	28,500	28,616	(116)
Solid Waste Disposal	-	-	47,261	(47,261)
Vehicle Expense	3,000	3,300	3,276	24
Insurance	1,850	1,850	1,849	1
Dues, Fees, Permits and Licenses	500	630	652	(22)
Taxes	120	120	376	(256)
Training	1,000	1,400	1,763	(363)
Office and Administrative Expenses	40,000	36,150	18,010	18,140
Miscellaneous	45,930	59,930	-	59,930
Capital Outlay	214,580	214,580	53,425	161,155
Debt Service				
Principal	25,308	26,766	26,766	-
Interest	1,170	1,170	354	816
Total Operating Expenses	<u>451,158</u>	<u>457,946</u>	<u>294,722</u>	<u>163,224</u>
Operating Income (Loss)	<u>(219,258)</u>	<u>(226,046)</u>	<u>(72,335)</u>	<u>153,711</u>
NONOPERATING REVENUE				
State Loan and Subsidy Income	214,580	214,580	50,085	(164,495)
Rental Income - BSCCC	-	-	822	822
Interest Income	-	-	211	211
Total Nonoperating Revenue	<u>214,580</u>	<u>214,580</u>	<u>51,118</u>	<u>(163,462)</u>
Change in Net Position	<u>(4,678)</u>	<u>(11,466)</u>	<u>(21,217)</u>	<u>\$ (9,751)</u>
Cash - Beginning of Year	<u>67,228</u>	<u>67,228</u>	<u>67,228</u>	
Cash - End of Year	<u>\$ 62,550</u>	<u>\$ 55,762</u>	<u>\$ 46,011</u>	
Reconciliation to Modified Accrual Basis				
Change in Net Position - Budget Basis			\$ (21,217)	
Depreciation			(145,911)	
State Loan and Subsidy Income			(50,085)	
Capital Outlay			53,425	
Principal Payments			26,766	
Change in:				
Accounts Payable			581	
Gross Receipts Tax Payable			271	
Change in Net Position - Modified Accrual Basis			<u>\$ (136,170)</u>	

BLUEWATER WATER AND SANITATION DISTRICT

YEAR-END FINANCIAL REPORT SUBMITTED TO DFA

JUNE 30, 2019

INSTRUCTIONS: Cells to which are meant to be filled out are explained below. All other columns are locked and not meant to be filled out.
 Fill out the Approved Budget, 1st Qtr, 2nd Qtr, 3rd Qtr, 4th Qtr columns.
 Fill out Cash, Savings, COA, Investments under the "Approved Budget" column with APPROVED BUDGET at beginning of yr.
 Fill out Reserves (if Reserve amounts change throughout the year under the "Year to Date(YTD) Totals" column.

MDWCA Name: Bluewater Water & Sanitation District
Mailing Address: 320 Osuna Rd NE Unit G3 Albuquerque, N.M. 87107
Email Address:
Phone number: 505-205-1900

Calendar Year
 July 2018 - June 2019

	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
Beginning balances:								
Cash	6,817							
Savings	60,811							
COA								
Investments								
Beginning Balance TOTAL	\$ 67,228							
REVENUES								
Water Sales (Water Use Fees)	230,000	60,142	56,230	56,293	48,522	221,187	8,813	98%
Construction/Development Charges						0	0	-
Membership and Other Sales (Other Service Fees)						0	0	-
Lake Fees and Penalties (Other Fines and Forfeits)	800					0	800	0%
Grass Receipts Tax (Other State Shared Taxes)						0	0	-
Other Operating Revenue (Miscellaneous - other)	1,100	138	570	842	949	2,500	1,398	227%
Loans and Grants Income	214,560			25,005	14,159	50,164	164,418	82%
TOTAL	\$ 446,460	60,280	56,800	82,140	64,630	273,851	172,629	61%
EXPENDITURES								
Salaries - Computer, Retirement, etc.						0	0	-
Services, Rentals and Expenses						0	0	-
Electricity	32,300	8,643	5,448	4,631	5,907	22,130	70	100%
Other Utilities - Gas, Water, Sewer, Telephone	6,500	589	4,160	601	1,008	6,498	14	100%
Business Prints and Supplies	12,000	6,177	15,737	9,050	2,497	11,967	13	100%
Business Rentals and Maintenance	42,150	7,862	11,847	12,525	9,293	42,952	62	100%
Vehicle Expenses	3,300	324	701	1,433	618	3,279	24	99%
Office and Administrative Expenses	26,180	8,478	6,341	10,287	11,018	36,122	28	100%
Professional Services - Auditors, Engineers, Legal, Insurance	20,700	13,110	5,221	4,231	6,424	28,986	1,514	89%
Travel	1,800	1,800				1,800	1	100%
Deem, Fees, Rentals and Licenses	880	(363)	281	675	70	863	27	100%
Supplies - Grass Receipts Tax, Water Conservation Fee	800		72		304	376	244	61%
Training	1,800	17	608	632	518	1,783	37	99%
Miscellaneous	50,000	14,277	13,006	17,892	13,583	58,779	1,190	99%
Expenses to be Capitalized	214,000	2,188	1,458	3,426	15,078	63,150	181,481	29%
TOTAL	\$ 460,196	\$1,277	\$5,861	\$8,273	15,047	286,072	165,124	64%
Ending Balance	\$3,612					48,007		
Operating Reserve								
Emergency Reserve								
Capital Investment Reserve								
Debt Reserve								
Ending Available Cash Balance	\$ 3,612					\$ 48,007		

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.

Don He
 President/Chairperson

Date: 2-16-19

INTERNAL CONTROL AND COMPLIANCE

**BLUEWATER WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

SUMMARY OF AUDITOR RESULTS:

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued | Tier 6 AUP |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| c. Noncompliance material to the financial statements noted? | No |

FINANCIAL STATEMENT FINDINGS

CURRENT YEAR FINDINGS:

NONE

PRIOR YEAR FINDINGS:

NONE

**BLUEWATER WATER AND SANITATION DISTRICT
EXIT CONFERENCE
JUNE 30, 2019**

An entrance conference was held with Bluewater representatives on July 27, 2019. The contents of this report were discussed with the Bluewater Water and Sanitation District, New Mexico representatives on September 23, 2019. The following individuals were present for the conference:

Bluewater Water and Sanitation District

Scott Northam, CPA, PC

Earl Hassell, VP

Scott Northam, CPA

Kay Spencer, Secretary

Benjamin Arguello – Integrity Accounting & Consulting LLC

(Contract Accountant)

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.