STATE OF NEW MEXICO BLUEWATER WATER AND SANITATION DISTRICT

TIER 4 AGREED UPON PROCEDURES

JUNE 30, 2012

FIDEL A. BERNAL, PC CERTIFIED PUBLIC ACCOUNTANT ALBUQUERQUE, NEW MEXICO

State of New Mexico Bluewater Water and Sanitation District

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State of New Mexico Bluewater Water and Sanitation District

Board of Directors

Chairman Erik Garden

Vice President David Hassell

Director Steven Mayne

Director Jennifer Wengert

Director Steve Spencer

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Hector H Balderas
New Mexico State Auditor
and
Members of the Board
Bluewater Water and Sanitation District
Bluewater, NM

We have performed the procedures enumerated below, which were agreed to by Bluewater Water and Sanitation District (BWSD), solely to assist you with respect to the District's compliance for a Tier 4 engagement of Tier 4 of the Audit Act (Section 12-6-1 NMSA 1978 et seq.). The District's management is responsible for the agreed upon procedures for the Tier 4 engagement. 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 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.

Results:

- a) Based on the documents supplied the reconciliations were done in a timely manner and were complete and on-hand.
- b) Random test of bank reconciliations revealed no exceptions. Traced all ending balances to the general ledger, supporting documents and reports submitted to DFA-LGD.
- c) The District currently has three bank accounts. The total amount in these accounts is \$36,655. Under the FDIC coverage limit of \$250,000. Finding 10-2 Compliance with DFA (resolved)

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES (continued)

2. Capital Assets:

Procedures:

Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.

Results:

The district did a yearly inventory and appears to be correct and accurate.

Finding 10-3 Capital Assets (resolved)

3. Revenue:

Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

Procedures:

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: We tested 50% of revenue.

- 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.

Results:

- a) Analytical review and test of the revenue to the budget. The district fell short of its projected revenue by \$10,122, nor did they receive the grant revenue the district had budgeted for.
- b) There was a total of 248 deposits for the year we tested 124. All the deposits tested, agreed to the supporting documentation, bank statements and the general ledger.
- c) All deposits were properly recorded in the general ledger.

4. Expenditures

Select a sample of cash disbursements based on auditor judgment and test using the following attributes: We tested 50% of the expenditures.

Procedures:

- 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 canceled 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 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES (continued)

Results:

- a) There were a total of 328 disbursements for the year for a total of \$172,361. We sampled 56 items that totaled \$87,266. All disbursements sampled agreed to supporting documentations. All agreed to amount, payee, date, and description to the vendor's invoice, purchase order, contract and cancelled check, as appropriate.
- b) The disbursements were properly authorized and in compliance with the budget, legal requirements, and established policies and procedures.
- c) There was no need to go out to bid all purchases were under the threshold.

Finding 10-4 lack of control & documentation (resolved)

5. Journal Entries

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

Procedures:

- 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.

Results:

There were no Journal entries posted for the current fiscal year, no additional testing was performed.

6. Budget

Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

Procedures:

- 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.

Results:

- a) Verified through the minutes and correspondence that the original budget was approved by the District's governing body and DFA-LGD.
- b) Total actual expenditures did not exceed the final budget a the total fund level, the legal level of budgetary control.
- c) A schedule of revenues and expenditures to budget and actual was prepared from the DFA-LGD approved budget and the Districts records on the cash budgetary basis, the basis used by the District. However, the District fell short of the projected revenue by \$10,122. The District's budget had a provision for a \$50,000 grant from the New Mexico Finance Authority which did not transpire in the current fiscal year.

Finding 10-5 Budget (resolved)

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES (continued)

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 or illegal acts.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion, on the specified elements, accounts, or items. 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 the specified users listed above and is not intended to be and should not be used by anyone other than those specified parties.

Albuquerque NM

October 31, 2012

State of New Mexico Bluewater Water and Sanitation District Proprietary Fund

Schedule of Revenues, Expenses Budget and Actual (non-GAAP Budgetary Basis) Year ended June 30, 2012

		Original Approved Budget		Final Approved Budget		Actual	F	Variance Favorable nfavorable)
Revenues:	\ <u></u>							
Water and Sewer Income	\$	163,366	\$	163,366	\$	153,286	\$	(10,080)
NMFA Grant applying for		50,000		50,000		-		(50,000)
Total revenues	\$	213,366	\$	213,366	-	153,286		(60,080)
Expenses:		7-1						
Engineering study for water & sewer systems	\$	50,000	\$	50,000		_		50,000
Waste management		54,000		54,000		50,457		3,543
Office supplies		33,000		33,000		27,162		5,838
Audit and accounting		na in nash				5,456		(5,456)
Insurance		1,670		1,670		1,670		_
Sewer system		20,000		20,000		21,818		(1,818)
Mileage reimbursement		600		600		2,176		(1,576)
Training		700		700		1,082		(382)
Water system		30,000		30,000		40,382		(10,382)
Dues & subscriptions		334		334		390		(56)
Taxes		10,250		10,250		5,519		4,731
NSF checks & bank charges		1,000		1,000		554		446
Legal fees		300		300		523		(223)
Customer deposits		1,000		1,000		50		950
Charges for Community		3,000		3,000		4,610		(1,610)
Total operating expenses	\$	205,854	\$	205,854		161,849		44,005
Excess revenues (loss) over expenditures			(9.)		\$	(8,563)	\$	(16,075)

Bluewater Water and Sanitation District 4th Quarterly Report July 1, 2011 - June 30, 2012

	Checking Account		\$	23,442.65
	Customer Deposit Account		\$	5,276.47
	Reserve Account		S	20,018.26
		Total Beginning Balance	\$	48.737.38
	Customer Payments		\$	153,450.61
	Gross Receipts Tax Deposits		\$	10,388.64
	Rental Income from BSCCC		\$	485.19
	Customer Deposits		\$	1,316.24
	Interest Income		\$	43.70
		Total Revenue	\$	165,684.38
				±1.5
	Refuse		S	50,114.23
	Sewer System		\$	22,899.39
	Water System		\$	37,313.77
_	Equipment & Tools		\$	5,144.21
	Office Supplies		\$	28,851.61
	Insurance		\$	1,670.00
	Dues & Subscriptions		S	180.00
	Mileage Reimbursement		S	1,779.64
	Training		\$	1,459.80
	NSF checks & Bank Charges		\$	554.00
	Accounting & Legal Fees		\$	6,372.42
	Customer Deposits Paid		\$	1,250.00
	Charges for Community		\$	4,619.71
	Property Taxes		\$	120.02
	Gross Receipt Tax		\$	9.657.12
	WCF Tax		S	720.54
		Total Expenditures	\$	172,706.46
	Checking Account		S	5,310.63
	Customer Deposit Account		\$	5.347.37
*	Reserve Account		S	31.057.30
		Total Ending Balance	\$	41,715.30

5:07 PM :07/20/12 Accrual Basis

Bluewater Water & Sanitation District Profit & Loss

July 2011 through June 2012

Rental Income for BSCCC		Jul '11 - Jun 12
### ### ### ### ### ### ### ### ### ##	Income	
### ### ### ### ### ### ### ### ### ##		485 19
### 4600 - Interest Income Bank	. 4100 - Customer Payments	
Total Income	4600 - Internet Income Pro-	
Section		43.73
Same	Total Income	153,237 35
Solid - Bank Charge Solid Contract Services Solid - Contract Services Taylor Hassell Taylor Solid - Hassell Taylor Solid - Contract Services Taylor Solid - Contract Services Taylor Solid - Contract Services - Other Taylor Solid - Contract Services - Other Taylor Solid - Contract Services - Other Solid - Contract Services - Other Solid - Contract Services Solid - Contract Services Solid - Contract Services - Other Solid - Contract Services Solid - Solid - Contract Services Solid -	Gross Profit	153,337.35
### State	Expense	
David Hassell 729 00	5010 · Bank Charge	554.00
5035 Meter Reading		22-60
5035 - Meter Reading		729 00
\$039 - E & L Services	5035 - Meter Reading	
Solid Contract Services Solid		
Total 5030 - Centract Services	5019 · E & L Services	507 60
\$040 - Accounting and Legal	5030 - Contract Services - Other	5.871.25
\$950 - Quies & Subscriptions \$960 - Education \$960 - Education \$960 - Education \$991 13 5090 - Freight \$1112 04 \$100 - Insurance \$110 - Land Lease \$110 - La		8 129 35
\$080 - Education	5040 - Accounting and Legal	5.455 70
\$090 - Equipment Rental \$090 13 \$090 - Freight \$1112.04 \$100 - Insurance \$100 - Insurance \$110 - Land Lease \$110 - Land Lease \$120 - Legal and Accounting \$120 - Legal and	5050 · Dues & Subscriptions	
\$990 - Freight		1 082 12
\$100 - Insurance	5070 - Equipment Rental	609 13
6110 - Land Lease 60.07 6120 - Legal and Accounting 523.00 5130 - Licenses & Fees 720.00 5131 - Water System Maint Expense 7210.00 5135 - Water System Maint Expense 7210.00 5135 - Water Testing 261.00 6135c - Sodium Hypochlorite 511.47 6136 - Water Lines 53.85.35 6137 - Water Meters And Parts 12.755.31 6135 - Water System Maint Expense - Other 11.074.32 Total 5135 - Water System Maint Expense 931,539.93 5139 - Sewer System Maint Expense 931,539.93 5139 - Sewer System Maint Expense 931,539.93 5140 - Chlorine & Bacteria supplements 931,539.93 5141 - Sewer Plant 95142 - Sewer Plant 95143 - Sewer Plant 95143 - Sewer Plant 95143 - Sewer Plant 95143 - Sewer System Maint Expense 95142 - Sewer Plant 95143 - Sewer System Maint Expense 95142 - Sewer Line Cleanout 95143 - Sewer System Maint Expense 95142 - Sewer Line Cleanout 95143 - Sewer Line Cleanout 95144 - Hand Tools 953.65 5147 - Equipment Repair 953.65 5147 - Equipment Repair 953.65 5147 - Equipment Repair 953.65 5148 - Maintenance Expense 953.65 5149 - MileagerTravel 95160 - Miscellaneous 953.05 5140 - Office Supplies 953.00 - Tax Expense 953.01 - Gross Receipts Tax 953.01 - Gross Rec		1,112.04
\$130 - Legal and Accounting \$23.00 \$130 - Licenses & Fees \$210.00 \$131 - Licenses & Fees & 261.00 \$135 - Water Testing \$261.00 \$135 - Water Testing \$261.00 \$131 - Licenses & 5389.35 \$137 - Water Meters And Parts \$2755.31 \$135 - Water System Maint Expense - Other \$11.074.32 \$135 - Water System Maint Expense - Other \$11.074.32 \$135 - Water System Maint Expense \$1350 - WWP Testing \$140 - Chlorine & Bacteria supplements \$253.50 \$141 - Sewer Plant \$572.01 \$142 - Sewer Plant \$572.01 \$142 - Sewer Plant \$572.01 \$143 - Sewer Pumping to Cemetery \$100.00 \$139 - Sewer Sytem Maint Expense - Other \$4.213.58 \$141 - Sewer Plant \$572.01 \$142 - Sewer Plant \$572.01 \$143 - Sewer Sytem Maint Expense - Other \$4.213.58 \$144 - Hand Tools \$530 - Sewer Sytem Maint Expense \$530 - \$530 - \$530 - \$530 - \$530 - \$530 - \$530 - \$530 - \$530 - \$530 - \$530 - \$530 - \$530 - \$530 - \$530 - \$530 - \$530 - \$530 - \$60 - \$530 - \$60 - \$530 - \$60 - \$530 - \$60		1 670 CO
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\$139 - Sewer Sysem Maint Expense \$1390 - WWP Testing \$41 06 \$140 - Chlorine & Bactena supplements \$253 50 \$141 - Sewer pipe & parts \$72 01 \$142 - Sewer Plant \$6 11 47 \$143 - Sewer Pumping to Cemetery \$100 00 \$139 - Sewer Sysem Maint Expense - Other \$4.213 58 \$139 - Sewer Sysem Maint Expense \$12 532 02 \$142 - Sewer Line Cleanout \$2.41 \$143 - Sewer Line Cleanout \$2.41 \$145 - Maintenance Expense \$3.35 \$147 - Equipment Repair \$3.4 31 \$147 - Equipment Repair \$3.4 31 \$150 - Mileage/Travel \$1.708 58 \$160 - Miscellaneous \$5.00 \$170 - Office Supplies \$1.623 04 \$200 - Small Equipment /Tools \$1.623 04 \$200 - Small Equipment /Tools \$1.623 04 \$100 - Tax Expense \$1.20 02 \$100 - Tax Expense - Other \$1.623 62 \$100 - Tax Expense \$1.623 64		
51390 WWP Testing	5139 - Sewer Sytem Maint Expense	31,239 23
S140 Chlorine & Bactena supplements 253 SU	51395 · WWP Testing	841.06
5141 Sewer Pipe & parts 572 01	5140 - Chlorine & Bacteria supplements	
142 Sewer Plant 6 611 47	5141 - Sewer pipe & parts	
\$143 - Sewer Pumping to Cemetery \$139 - Sewer Sytem Maint Expense - Other \$139 - Sewer Sytem Maint Expense - Other \$139 - Sewer Sytem Maint Expense - Other \$1232 02 \$1421 - Sewer Line Cleanout \$145 - Maintenance Expense \$144 - Hand Tools \$144 - Hand Tools \$144 - Hand Tools \$147 - Equipment Repair \$145 - Maintenance Expense \$147 - Equipment Repair \$145 - Maintenance Expense \$150 - Mileage/Travel \$150 - Miscellaneous \$150 - Othice Supplies \$1500 - Small Equipment /Tools \$200 - Small Equipment /Tools \$1500 - Tax Expense \$1501 - Gross Receipts Tex \$1500 - Tax Expense \$1500 - Tax Expense - Other		
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5142a - Sewer Line Cleanout 52.41		4.213 58
5145 - Maintenance Expense 5145 - Maintenance Expense 5144 - Hand Tools 53 35 5147 - Equipment Repair 34 31 Total 5145 - Maintenance Expense 127 70 5150 Mileage/Travel 1 708 58 5160 - Miscellaneous 50 00 5170 - Office Supplies 15 403 04 5200 - Small Equipment /Tools 15 403 04 4873 31 5300 - Tax Expense 5301 - Gross Receipts Tax 120 02 5303 - Sales Tax 120 02 5303 - Sales Tax 120 02 5304 - WCF Tax 5304 - WCF Tax 5304 - WCF Tax 5306 - Other 5306 57 5306 57 5307 - Tax Expense 5308 57 5309 - Tax Expense 5539 54 5400 - Tax Expense 55300 - Tax Expense 55300 - Tax Expense 5		12 332 02
\$144 - Hand Tools \$147 - Equipment Repair Total \$145 - Maintenance Expense \$127 70 \$150 - Mileage/Travel \$150 - Miscellaneous \$50 00 \$170 - Office Supplies \$15 40 304 \$200 - Small Equipment /Tools \$15 403 04 \$215 30 - Tax Expense \$100 - Tax Expense - Other \$100 - Tax Expense - Other \$100 - Tax Expense	51443 - Sewer Line Cleanout 5145 - Maintenance Expense	52.41
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\$100 - Crance Supplies 15 200 - Small Equipment /Tools 2 2 875 3 -	5160 Miscellaneous	
5200 - Small Equipment /Tools	5170 Office Supplies	
5300 Tax Expense 5301 Gross Receipts Tax	5200 Small Equipment /Tools	
5302 - Property Tax	5300 Tax Expense	
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5304 - WCF Tax 720 54 5300 - Tax Expense - Other 623 62 Total 5300 - Tax Expense 5 514 54		120 02
5300 Tax Expense - Other		2 117 29
Total 5300 - Tax Expense 5.51a 54		
\$400 Terus & Estado anno		023 63
5400 Travel & Entertainment 345 78		5.518.34
	5400 - Travel & Entertainment	345.78

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5:07 PM 07/20/12 Accrual Basis

Bluewater Water & Sanitation District Profit & Loss July 2011 through June 2012

	Jul 111 - Jun 12
5450 - Utilities 5451 - Electric	1 - 4 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -
S451a · Electric - Water System S451b · Electric - Sewer System S451c · Electric - Lift Station S451 · Electric - Other	1 537,18 6,069 89 413 76 -317 09
Total 5451 - Electric	9.703 74
\$454 - Solid Waste Disposat \$455 - Telephone 6450 - Utilities - Other	47,528 05 835 68 1 344 42
Total 5450 : Utilities	59,411.89
5600 · WMRefuse 6900 · Paid in Behalf of BSCCC	2,586 18 4,610.42
Total Expense	151,849 34
Net Income	-8,511.99

State of New Mexico Bluewater Water and Sanitation District Schedule of Findings and Responses June 30, 2012

PRIOR YEAR FINDINGS:

10-2	Compliance with DFA Reporting	Resolved
10-3	Capital Assets	Resolved
10-4	Lack of control & documentation	Resolved
10-5	Approved budget	Resolved
10-6	SAO Reporting	Resolved
10-7	Minutes	Resolved

State of New Mexico Bluewater Water and Sanitation District Exit Conference June 30, 2012

Exit Conference

An exit conference was held on October 31, 2012:

Representing Bluewater Water and Sanitation District were:

Steven Mayne

Chairman

Lynette Garden

Bookkeeper

Melissa Young

Bookkeeper

Representing the firm of Fidel A. Bernal, P.C. was:

Fidel A. Bernal, CPA

The second of the second