

**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)

**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 at 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 District's 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	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Water and Sewer Income	\$ 163,366	\$ 163,366	\$ 153,286	\$ (10,080)
NMFA Grant applying for	50,000	50,000	-	(50,000)
Total revenues	<u>\$ 213,366</u>	<u>\$ 213,366</u>	<u>153,286</u>	<u>(60,080)</u>
<b>Expenses:</b>				
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	-	-	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	<u>\$ 205,854</u>	<u>\$ 205,854</u>	<u>161,849</u>	<u>44,005</u>
Excess revenues (loss) over expenditures			<u>\$ (8,563)</u>	<u>\$ (16,075)</u>

See accompanying Agreed Upon Procedures Report



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	\$	<u>20,018.26</u>
Total Beginning Balance	\$	<u><u>48,737.38</u></u>

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	\$	<u><u>165,684.38</u></u>

Refuse	\$	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	\$	180.00
Mileage Reimbursement	\$	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	\$	720.54
Total Expenditures	\$	<u><u>172,706.46</u></u>

Checking Account	\$	5,310.63
Customer Deposit Account	\$	5,347.37
Reserve Account	\$	<u>31,057.30</u>
Total Ending Balance	\$	<u><u>41,715.30</u></u>

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Accrual Basis

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

	Jul '11 - Jun 12
<b>Income</b>	
Rental Income for BSCCC	485 13
4100 - Customer Payments	152 808 45
4500 - Rebate/Refunds	0 00
4600 - Interest Income Bank	43 70
<b>Total Income</b>	<u>153,337 35</u>
<b>Gross Profit</b>	153,337 35
<b>Expense</b>	
5010 - Bank Charge	554 00
5030 - Contract Services	
David Hassell	729 00
5035 - Meter Reading	1 100 00
5036 - travel time	122 10
5039 - E & L Services	507 60
5030 - Contract Services - Other	5 871 25
<b>Total 5030 - Contract Services</b>	<u>8 129 95</u>
5040 - Accounting and Legal	5 455 70
5050 - Dues & Subscriptions	150 00
5060 - Education	1 082 12
5070 - Equipment Rental	609 13
5090 - Freight	1 112 04
5100 - Insurance	1 670 00
5110 - Land Lease	60 00
5120 - Legal and Accounting	523 00
5130 - Licenses & Fees	210 00
5135 - Water System Maint Expense	
5135a - Well House Maintenance	1 448 48
5135b - Water Testing	261 00
5135c - Sodium Hypochlorite	511 47
5136 - Water Lines	5 389 35
5137 - Water Meters And Parts	12 755 31
5135 - Water System Maint Expense - Other	11 074 32
<b>Total 5135 - Water System Maint Expense</b>	<u>31,539 93</u>
5139 - Sewer Sytem Maint Expense	
5139b - WWP Testing	841 06
5140 - Chlorine & Bactena supplements	293 90
5141 - Sewer pipe & parts	572 01
5142 - Sewer Plant	6 611 47
5143 - Sewer Pumping to Cemetery	100 00
5139 - Sewer Sytem Maint Expense - Other	4 213 58
<b>Total 5139 - Sewer Sytem Maint Expense</b>	<u>12 632 02</u>
5142a - Sewer Line Cleanout	52 41
5145 - Maintenance Expense	
5144 - Hand Tools	95 35
5147 - Equipment Repair	34 31
<b>Total 5145 - Maintenance Expense</b>	<u>127 70</u>
5150 - Mileage/Travel	1 708 58
5160 - Miscellaneous	50 00
5170 - Office Supplies	15 803 04
5200 - Small Equipment/Tools	4 875 21
5300 - Tax Expense	
5301 - Gross Receipts Tax	1 537 16
5302 - Property Tax	120 02
5303 - Sales Tax	2 110 29
5304 - WCF Tax	720 54
5300 - Tax Expense - Other	1 083 62
<b>Total 5300 - Tax Expense</b>	<u>5 578 54</u>
5400 - Travel & Entertainment	345 78

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Accrual Basis

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

	Jul '11 - Jun 12
<b>5450 - Utilities</b>	
<b>5451 - Electric</b>	
5451a - Electric - Water System	1,537.18
5451b - Electric - Sewer System	8,069.89
5451c - Electric - Lift Station	413.76
5451 - Electric - Other	-317.09
<b>Total 5451 - Electric</b>	<b>9,703.74</b>
5454 - Solid Waste Disposal	47,528.05
5455 - Telephone	835.68
5450 - Utilities - Other	1,344.42
<b>Total 5450 - Utilities</b>	<b>59,411.89</b>
5600 - WMR refuse	2,586.18
6900 - Paid in Behalf of BSCCC	4,610.42
<b>Total Expense</b>	<b>151,849.34</b>
<b>Net Income</b>	<b>-8,511.99</b>

**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

