

State of New Mexico
Chamberino Water MDWC & SA

Independent Accountant's Report on
Applying Agreed Upon Procedures
December 31, 2017

**STATE OF NEW MEXICO
CHAMBERINO MDWC & SA**

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**STATE OF NEW MEXICO
CHAMBERINO MDWC & SA**

**OFFICIAL ROSTER
DECEMBER 31, 2017**

BOARD OF DIRECTORS

Jose Luis Segura, President

Gloria Gonzales, Vice-President

Reyes Valtierra, Secretary / Treasurer

Luis Casteneda, Member

Jaime Marquez, Member

WATTS CPA, P.C.

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Wayne Johnson, New Mexico State Auditor and
Members of the Board of Directors
Chamberino MDWC & SA
Chamberino, New Mexico

I have performed the procedures enumerated below, which were agreed to by the Chamberino MDWC & SA and the New Mexico State Auditor, solely to assist you with respect to the compliance with Tier 5 of the Audit Act - Section 12-6-3 B (5) NMSA 1978 and Section 2.2.2.16 NMAC of Chamberino MDWC & SA as of and for the year ended December 31, 2017. Chamberino MDWC & SA's management is responsible for the association'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, I 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.

My procedures and findings are as follows:

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."

Results

I recalculated Chamberino MDWC & SA's revenue calculation and verified that tier 5 is the correct determination.

2. 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. 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.

- 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. I obtained all bank reconciliations prepared in FY 2017 and noted that all are performed on monthly basis which is considered timely. Also, I noted that all bank statements were complete and on hand at Chamberino MDWC & SA's office.

b. I selected 4 months of bank reconciliations, which is more than 30% of the reconciliations, and recalculated them, noting no errors. For four of the months' reconciliations, I traced the ending balance to the general ledger, the related supporting documentation including bank statements and details of reconciling items, and traced the balance to the quarterly financial reports submitted to DFA-Local Government Division. All accounts selected for testwork were reconciled properly.

c. As of December 31, 2017, Chamberino MDWC & SA's bank has provided more than the 50% collateral on uninsured deposits required by Section 6-10-17 NMSA 1978, NM Public Money Act.

3. Capital Assets

Procedures

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

Results

Chamberino MDWC & SA performs an annual capital asset inventory which I verified by obtaining a copy of the annual capital asset inventory.

4. 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 revenue equal to at least 30% of the total dollar amount 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.

Results

I identified the types of revenue that Chamberino MDWC & SA's receives by reviewing the budget, agreements, rate schedules and underlying documentation. Chamberino MDWC & SA's receives revenues from customers for connecting to the system, water usage fees, state grants, interest and miscellaneous other income.

a. I performed an analytical review of revenues by comparing actual revenue to the budgeted revenue for the year for each type of revenue. The results of the analytical review were as expected.

b. I judgementally selected 60 revenue transactions for three months, which totaled greater than 30% of all revenue, and agreed all to their respective supporting documentation and the bank statement.

c. I judgementally selected 60 revenue transactions for three months and found that each was recorded correctly in the general ledger for classification, amount and period based on the supporting documentation using the accrual basis of accounting.

5. Expenditures

Procedures

Select a sample of cash disbursements equal to at least 30% of the total dollars amount and test for 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 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).

Results

a. I judgementally selected greater than 30% of total cash disbursements and determined that the amount recorded as disbursed agrees to adequate supporting documentation for all selected disbursements. I also verified that the amount, payee, date and description agree to the vendor's invoice, purchase order, contract and canceled check, as appropriate for the selected disbursements.

b. I judgementally selected greater than 30% of total cash disbursements and determined that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures for all selected disbursements.

c. None of the tested disbursements required a bid process for FY 2017.

6. Journal Entries

Procedures

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.

b. The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

Results

a. & b. There were no journal entries posted to the general ledger for FY 2017.

7. 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.

Results

a. I verified by reviewing the board of director's minutes and correspondence from DFA-LGD that the original budget and subsequent budget adjustments were approved by Chamberino MDWC & SA's governing body and DFA-LGD, respectively.

b. I determined that total actual expenditures did not exceed the final budget at the legal level of budgetary control. Chamberino MDWC & SA does not budget for grants, loan proceeds and capital outlay.

c. See the attached page 8 for the statement of revenues and expenditures budget and actual - budgetary basis.

8. Capital Outlay Appropriations

Procedures

Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the fiscal year. Test all capital outlay expenditures during the fiscal year to:

a. Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.

b. Determine that disbursements were properly authorized and approved in accordance 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 and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).

d. Determine the physical existence (by observation) of the capital asset based on expenditures to date.

e. Verify that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.

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.

g. If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.

h. Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.

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 for reimbursement.

Results

a. I determined all amounts recorded as disbursed agrees to adequate supporting documentation. I verified that amount, payee, date and description agrees to the purchase order, contract, vendor's invoice and canceled check, as appropriate.

b. I determined that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.

c. I determined 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 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).

d. This step is not applicable as the project is in the planning and design stage.

e. I verified that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.

f. The project is not funded in advance.

g. The project is not complete.

h. Cash received for the award was not required to be accounted for in a separate fund or separate bank account that is non-interest bearing.

i. I determined that all reimbursement requests were properly supported by costs incurred by the recipient. I determined the costs were paid by the local public body prior to the request for reimbursement.

9. Other

Procedures

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.

Results

No information came to my attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. I was 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 accounting records. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the information and use of Chamberino MDWC & SA, the New Mexico 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.

Watts CPA, P.C.

El Paso, Texas
March 20, 2018

**STATE OF NEW MEXICO
CHAMBERINO MDWC & SA**

**CAPITAL OUTLAY AWARDS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017**

	14-1620-STB	3421-PG	3345-CIF
Amount awarded	\$ 100,000	\$ 40,000	\$ 200,875
Received through December 31, 2017	\$ 53,095	\$ 40,000	\$ 38,766
Expended through December 31, 2017	\$ 100,000	\$ 40,000	\$ 38,766
Remaining balance as of December 31, 2017	\$ -	\$ -	\$ 162,505
Project effective date through	June 30, 2018	January 20, 2018	January 21, 2019

Legislation:

14-1620-STB - The Laws of 2014, Chapter 66, Section 16, Paragraph 27 to the Department of Environment to purchase property and plan, design and construct water system improvements and a well for the Chamberino MDWC & SA.

3421-PG - Grant funds to evaluate and estimate the costs of implementing the most feasible alternatives for meeting water and/or wastewater public project needs and created under and pursuant to NMSA 1978 Sec 6-21-6.4.

3345-CIF - Loan/Grant to plan, design and construct water system improvements and a well for the Chamberino MDWC & SA from the Colonias Infrastructure Project Fund created by the Colonias Infrastructure Act, NMSA 1978 Sec 6-30-1 through 6-30-8.

**STATE OF NEW MEXICO
CHAMBERINO MDWC & SA**

**STATEMENT OF REVENUES AND EXPENDITURES
- BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget- Favorable (Unfavorable)
Revenues:				
Water sales	\$ 101,305	\$ 101,305	\$ 101,105	\$ (200)
Tap hook up fees	6,000	6,000	6,377	377
Customer deposits	500	500	-	(500)
Miscellaneous	515	515	-	(515)
Interest	800	800	914	114
Total revenues	<u>109,120</u>	<u>109,120</u>	<u>108,396</u>	<u>(724)</u>
Expenditures:				
Current:				
Contractual services	38,825	38,825	33,188	5,637
Operating expenses	47,594	47,594	42,780	4,814
Debt Service				
Loan payments	10,620	10,620	11,670	(1,050)
Total expenditures	<u>97,039</u>	<u>97,039</u>	<u>87,638</u>	<u>9,401</u>
Revenues over expenditures	<u>12,081</u>	<u>12,081</u>	<u>20,758</u>	<u>8,677</u>
Non-operating revenue (expenditures)				
Loan reserve contributions	(9,566)	(9,566)	(9,706)	(140)
Total non-operating	<u>(9,566)</u>	<u>(9,566)</u>	<u>(9,706)</u>	<u>(140)</u>
Increase in cash	<u>2,515</u>	<u>2,515</u>	<u>11,052</u>	<u>8,537</u>
Cash - beginning of year	<u>213,206</u>	<u>213,206</u>	<u>213,206</u>	<u>-</u>
Cash - end of year	<u>\$ 215,721</u>	<u>\$ 215,721</u>	<u>\$ 224,258</u>	<u>\$ -</u>

**STATE OF NEW MEXICO
CHAMBERINO MDWC & SA**

**YEAR END FINANCIAL REPORT AS SUBMITTED TO DFA
DECEMBER 31, 2017**

**CHAMBERINO MDWC & SA
Income Statement
For the Quarter Ending: December 31, 2017**

INCOME

	2017 Budget	YTD This Year	% of Budget
Water Sales	\$101,305.00	\$101,105.16	99.80%
Tap Hook up Fees	\$6,000.00	6,377.20	106.29%
Customer Deposits	\$500.00	-	0.00%
Miscellaneous	\$515.00	-	0.00%
Interest	\$800.00	913.82	114.23%
TOTAL	\$109,120.00	\$108,396.18	99.34%

EXPENSES

El Paso Electric	\$10,627.00	\$ 7,430.32	69.92%
AWSD Contract	\$38,825.00	33,188.25	85.48%
Operation Expenses	\$12,000.00	15,187.87	126.57%
Petty Cash	\$2,163.00	1,824.27	84.34%
Taxation & Revenue (Gross Receipts)	\$5,665.00	6,420.25	113.33%
USDA Loan	\$10,620.00	11,670.00	109.89%
Loan Reserves	\$9,566.16	9,706.16	101.46%
San Luis Church (Hall Rental)	\$600.00	600.00	100.00%
State Public Regulation	\$10.00	-	0.00%
NM Office of State Engineer	\$206.00	-	0.00%
NM One Call	\$300.00	199.17	66.39%
Manuel Lujan Insurance	\$5,150.00	4,415.00	85.73%
Customer Deposits Refunds	\$100.00	307.09	307.09%
Postmaster	\$48.00	52.00	108.33%
Training	\$1,236.00	-	0.00%
Water Conservation Fees	\$600.00	558.00	93.00%
NM Rural Water Association	\$200.00	198.00	99.00%
Check & Deposit Slip Order	\$85.00	49.60	58.35%
Donations	\$250.00	300.00	120.00%
Miscellaneous expenses	\$500.00	429.61	85.92%
Contract Services Badger Meter Ann	\$1,854.00	-	0.00%
Property Taxes (Dona Ana County T1	\$0.00	-	0.00%
Legal Expense (Coplper Law Firm)	\$3,000.00	939.07	31.30%
Audit Expense (Beckham & Penner, P	\$3,000.00	3,100.00	103.33%
Credit Card	\$515.00	-	0.00%
Engineering	\$2,000.00	769.90	38.50%
TOTAL	\$106,605.16	\$97,344.56	91.31%

**STATE OF NEW MEXICO
CHAMBERINO MDWC & SA**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2017**

Summary of Findings:

Current year findings:

None

Prior year findings:

None

**STATE OF NEW MEXICO
CHAMBERINO MDWC & SA**

**EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2017**

An exit conference was conducted on March 20, 2018 with the following individuals in attendance:

Chamberino MDWC & SA

Jose Luis Segura
Jose Terrones
Robert Coleman

President
AWSD
AWSD

Watts CPA, P.C.

Brad Watts

Shareholder