

**NOGAL MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON THE APPLICATION OF TIER 3  
AGREED-UPON PROCEDURES  
YEAR ENDED JUNE 30, 2016**

**NOGAL MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
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JUNE 30, 2016**

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**NOGAL MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
OFFICIAL ROSTER  
JUNE 30, 2016**

**BOARD OF DIRECTORS**

<b>Name</b>	<b>Title</b>
Richard Rotert	President
Michael Ross	Vice President
Patricia Young	Secretary
Archie Witham	Director
Ward Scharbauer	Director



**SCOTT NORTHAM, CPA, PC**  
Certified Public Accountants

**INDEPENDENT ACCOUNTANT'S REPORT ON THE  
APPLICATION OF TIER 3 AGREED-UPON PROCEDURES**

Timothy Keller, New Mexico State Auditor, and  
Board of Directors of  
Nogal Mutual Domestic Water Consumers Association  
Nogal, New Mexico

We have performed the procedures enumerated below for the Nogal Mutual Domestic Water Consumers Association (Association), for the year ended June 30, 2016. The Association was determined to be a Tier 3 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 Association through the Office of the New Mexico State Auditor. The Association's management is responsible for the organization's accounting records and compliance with State Auditor Rules as described above.

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, if any, 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.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the Association's financial reporting to the State Auditor as described above. 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 Nogal Mutual Domestic Water Consumers Association, 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  
April 25, 2017

**NOGAL MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
SCOPE OF PROCEDURES AND RESULTS  
JUNE 30, 2016**

**1. Verify the local public body's revenue calculation and tier determination documented on the form provided at [www.osanm.org](http://www.osanm.org) under "Tiered System Reporting Main Page."**

<p>Tier 3 Requirements – Cash basis revenues of \$50,000 or more but less than \$250,000 with capital outlay award expenditures.</p>	<p>The Association's cash basis revenues totaled approximately \$24,071 and the Association expended approximately \$155,390 of capital outlay awards during the fiscal year. The Association is properly categorized as a Tier 3 agency.</p>
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**2. Capital Outlay Appropriations**  
**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:**

<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>Colonias Grant capital outlay funds were disbursed for the Association by NMFA directly to the vendor. Disbursement of NMED grant funds were reimbursements to the Association. Documentation provided to the Association by NMFA agreed to the disbursements. Documents provided by the Association for the NMED grant agreed to the disbursements and reimbursements.</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 disbursements were properly authorized by the Association and approved by NMFA/NMED for disbursement.</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>Bid processes were conducted in a prior year regarding this capital outlay project. The invoices presented for reimbursement during the fiscal year were properly processed in accordance with the New Mexico Procurement Code and State Purchasing Regulations.</p>
<p>d. Determine the physical existence (by observation) of the capital asset based on expenditures to date.</p>	<p>Because of the nature of the disbursements for engineering services and subsurface pipeline infrastructure, the capital assets are unable to be physically inspected other than engineering plans.</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>All status reports were properly completed and submitted and agree with supporting documentation.</p>

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WATER CONSUMERS ASSOCIATION  
SCOPE OF PROCEDURES AND RESULTS  
JUNE 30, 2016**

<b>2. Capital Outlay Appropriations (Cont.)</b>	
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	Colonias Grant funds are in the custody of NMFA until requested by the Association and approved by the project engineer. Funding is direct-to-vendor. NMED grant funds are in the custody of NMED until a reimbursement request is submitted by the Association.
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.	The Colonias Grant project was not complete as of the fiscal year end.
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.	No cash has been received from NMFA for the Colonias Grant. Disbursements are remitted directly to the contractors by NMFA on behalf of the Association. Reimbursement funds received from NMED are not subject to being deposited in a separate fund or bank account.
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	Five total reimbursement requests have been initiated by the Association for the NMED grant, of which three were in the current fiscal year. Costs were paid by the Association after the requests for reimbursement were approved and funds transferred to the Association. Colonias grant costs were paid directly by NMFA after approval.
<b>3. Other</b>	
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.	Compliance findings were noted when applying the procedures described above (regardless of materiality) indicating any fraud, illegal acts or internal control deficiencies. <b>See Findings 2016-001 and 2016-002.</b>

**NOGAL MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
SCHEDULE OF CAPITAL OUTLAY EXPENDITURES  
YEAR ENDED JUNE 30, 2016**

Grant Source	Program or Grant Number	Execution Date	Reversion Date	Grant/ Loan Amount	Prior Years Expenditures	Current Year Expenditures	Remaining Grant/Loan Expenditures
New Mexico Finance Authority	CIF-2967	4/4/2014	4/4/2017				
Grant Amount				\$ 1,080,000	\$ 561,960	\$ 138,830	\$ 379,210
Loan Amount				120,000	120,000	-	-
New Mexico Environment Department	SAP-13-1465-STB	8/28/2014	8/28/2017	25,000	8,440	16,560	-
				<u>\$ 1,225,000</u>	<u>\$ 690,400</u>	<u>\$ 155,390</u>	<u>\$ 379,210</u>

**NOGAL MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016**

**2016-001 - Late Submission of AUP Contract and Recommendation**

**CONDITION** - Per 2.2.2.8(G)(6)(c) NMAC Audit Rule, the Association did not meet the deadline for submission of the agreed-upon procedures contract and recommendation by the deadline for the fiscal year ending 2016.

**CRITERIA** - 2.2.2.8(G)(6)(c) NMAC Audit Rule requires that the AUP contract and recommendation be submitted to the Office of the State Auditor by July 1st of each year for those agencies with a June 30 fiscal year end.

**CAUSE** - The AUP contract and recommendation was prepared on February 2, 2017 by Association personnel and received by the State Auditor's Office on February 17, 2017.

**EFFECT** - Late preparation of the AUP contract and recommendation caused the submission to arrive to the Office of the State Auditor after the statutory deadline.

**RECOMMENDATION** - We recommend the Association management personnel prepare the AUP contract and recommendation in before June of each fiscal year to allow enough time to submit to the Office of the State Auditor by the due date.

**MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION** – The Board of Directors will assess the Association's tier situation before the end of the 2017 fiscal year to determine which tier category and submit the appropriate contract to the State Auditor. We expect to have this finding resolved in June 2017.

**2016-002 - Late Submission of Audit Report - Compliance**

**CONDITION** – The Tier 3 agreed-upon procedures report for the fiscal year ended June 30, 2016 was not submitted by the New Mexico State Audit Rule deadline.

**CRITERIA** - New Mexico State Auditor Rule 2.2.2.9A (1) requires audit reports for municipalities be submitted by December 15th following the end of the fiscal year.

**CAUSE** – Submission of a late AUP contract and recommendation after the report deadline.

**EFFECT** - The Association is out of compliance with New Mexico State Auditor Rule 2.2.2.9A (1).

**RECOMMENDATION** - We recommend the Association be proactive in the AUP selection procedure and remit the contract within the timeframe to have the report prepared and submitted before deadline.

**MANAGEMENT RESPONSE AND PLANNED CORRECTIVE ACTION** – With the timely submission of the AUP contract and recommendation, the Board of Directors plan to coordinate with the independent auditor to be able to prepare and submit the AUP report before the statutory deadline. We expect to have this finding resolved by the December 2017 deadline for the next fiscal year report.



**NOGAL MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS  
JUNE 30, 2016**

*PRIOR YEAR FINDINGS:*

NONE

**NOGAL MUTUAL DOMESTIC  
WATER CONSUMERS ASSOCIATION  
EXIT CONFERENCE  
JUNE 30, 2016**

The contents of this report were discussed with the Nogal Mutual Domestic Water Consumers Association representatives on April 25, 2017. The following individuals were available for the conference:

**Nogal Mutual Domestic Water Consumers Association**

Archie Witham – Treasurer  
Michael Ross – Vice President

**Scott Northam, CPA, PC**

Scott Northam, CPA

The agreed-upon procedures report of the Nogal Mutual Domestic Water Consumers Association was prepared by Scott Northam, CPA, PC, from original books and records provided by and with assistance from the management of the Association.