

Accounting & Auditing Services, LLC

Financial Audits + Agreed Upon Procedures + Tax + Consulting

El Creston Mutual Domestic Water Consumers Association

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the Fiscal Year Ended December 31, 2017

El Creston Mutual Domestic Water Consumers Association
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Fiscal Year Ended December 31, 2017

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**El Creston Mutual Domestic Water Consumers Association
Official Roster
Fiscal Year Ending December 31, 2017**

Board of Directors

Gene Solyntjes, President

Dennis Ditmanson, Vice President

Cheryl Zebrowski, Secretary

Crystal Gallegos, Treasurer

Anna Aragon, Director

Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Directors
El Creston Mutual Domestic Water Consumers Association
and
Wayne Johnson, New Mexico State Auditor

I have performed the procedures enumerated below for the El Creston Mutual Domestic Water Consumers Association (Association) for the year ended December 31, 2017, solely to assist in determining compliance with the provisions of the Audit Act for a Tier 3 entity per Section 12-6-3 B (3) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by the Association through the New Mexico Office of the State Auditor. The Association's management is responsible for its accounting records and the subject matter. 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 the parties specified in this 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 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."

Based on a review of the Association's general ledger, total revenues for the fiscal year ending December 31, 2017 were \$4,996 (excluding capital outlay grants of \$74,992). Based on this information, the Association was properly determined to be a Tier 3 entity for FY17 since their total revenues were less than \$10,000 and they expended at least 50% of a capital outlay appropriation during 2017.

2. Perform the following tests on all state-funded capital outlay expenditures:
 - 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.

All of the cash disbursements for the capital award project were tested. The amounts disbursed agreed with the supporting documentation. The amount, payee, date and description of the purchase agreed with the vendor's invoice, contract and canceled check. The Association does not use purchase order forms.

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

The cash disbursements tested were properly authorized and approved in accordance with the project budget, legal requirements and the Association's procurement 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).

The Association advertised, obtained bids or quotes and awarded two contracts in accordance with the State Procurement Code.

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

The project work (construction of new well, storage tank, pump house, fill station, 8" waterline, valves, hydrants and meters) was observed on May 29, 2018. The completed project work was consistent with the construction contract and contractors' invoices. Nothing unusual was noted.

- 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.

The Association submitted the Project Status Reports to the NMED. The status reports were consistent with the disbursement request forms, supporting documentation and the Association's general ledger.

- 3. 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.

The project was not funded in advance.

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

The construction project has been completed. As of December 31, 2017, there was an unexpended balance of \$7.75 for grant #16-A2291. The unexpended balance is not required to be reverted to the State of New Mexico until June 30, 2019. See the Schedule of Capital Outlay Awards on p. 6.

5. 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.

The Association used its regular checking account at Wells Fargo to account for the cash receipts and disbursements for this project. A separate bank account was not required by the grant agreement.

6. 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.

In 2017, the Association submitted four disbursement request forms to the NMED. For two grant agreements, the NMED paid a total amount of \$74,992.25 to the Association in 2017. The amounts requested in the disbursement request forms were supported with the contractors' invoices, partial payment estimates, project status reports and other supporting documentation. The disbursement requests were supported by project expenses incurred by the Association.

The invoices were not paid by the Association prior to the disbursement requests because the Association did not have the necessary funds. The Association paid for the invoices after the grant checks were received from the NMED.

7. The agreed-upon procedures report shall include the capital outlay amount awarded, amount received, amount expended, the remaining balance, and the actual legislation and effective dates for each capital outlay appropriation for which there were expenditures during the fiscal year.

See the Schedule of Capital Outlay Awards on p. 6.

8. 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 (L) NMAC.

No findings were noted during the agreed-upon procedures.

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 subject matter. 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 you.

This report is intended solely for the information and use of management and others with the Association, the New Mexico State Auditor, Department of Finance and Administration – Local Government Division, New Mexico Department of Environment and the State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Accounting & Auditing Services, LLC

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Santa Fe, New Mexico

May 29, 2018

**El Creston Mutual Domestic Water Consumers Association
Schedule of Findings and Responses
Fiscal Year Ending December 31, 2017**

Status of Prior Year Findings

Not applicable.

Current Year Findings

None.

**El Creston Mutual Domestic Water Consumers Association
Schedule of Capital Outlay Awards
For the Fiscal Year Ending December 31, 2017**

	1	2
Amount Awarded for Project	\$ 10,000.00	\$ 65,000.00
Amount Received and Expended in 2017	(10,000.00)	(64,992.25)
Remaining Balance	\$ -	\$ 7.75

Agreement Provisions

**1 - Grant Agreement Between the New Mexico Environment Department and the El Creston Mutual Domestic Water Consumers Association
Fund 89200 Capital Appropriation Project #15-0541-STB**

Legislative Authority: NM Laws of 2015, Chapter 3, Section 20, Paragraph 53

Date of Agreement: November 30, 2015

Project Description: To plan, design and construct water system improvements for El Creston Mutual Domestic Water Consumers Association in San Miguel County.

Estimated Project Cost: \$851,389

State Grant Amount: \$10,000

Agreement termination/reversion date: June 30, 2019

**2 - Grant Agreement Between the New Mexico Environment Department and the El Creston Mutual Domestic Water Consumers Association
Fund 89200 Capital Appropriation Project #16-A2291-STB**

Legislative Authority: NM Laws of 2016, Chapter 81, Section 18, Paragraph 15

Date of Agreement: August 31, 2016

Project Description: To plan, design and construct improvements to a water system for El Creston Mutual Domestic Water Consumers Association in San Miguel County.

Estimated Project Cost: \$851,389

State Grant Amount: \$65,000

Agreement termination/reversion date: June 30, 2020

**El Creston Mutual Domestic Water Consumers Association
Exit Conference
Fiscal Year Ended December 31, 2017**

On May 29, 2018, the following officials held an exit conference and discussed the results of the agreed upon procedures and the contents of this report:

El Creston Mutual Domestic Water Consumers Association

Cheryl Zebrowski, Secretary, Board of Directors

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, Audit Manager