

# **Accounting & Auditing Services, LLC**

**Financial Audits + Agreed Upon Procedures + Tax + Consulting**

**Chapelle Mutual Domestic Water Consumers Association**

**Independent Accountant's Report on Applying Agreed-Upon Procedures**

**For the Fiscal Year Ending June 30, 2017**

**Chapelle Mutual Domestic Water Consumers Association**  
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**Fiscal Year Ended June 30, 2017**

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**Chapelle Mutual Domestic Water Consumers Association  
Official Roster  
For the Fiscal Year Ending June 30, 2017**

**Board of Directors**

David R. Salazar, President

Gilbert Sena, Vice President

Nick Montoya, Secretary

Henry Montoya, Member

Steve Baca, Member

**Administrative Staff**

None

## Independent Accountant's Report on Applying Agreed-Upon Procedures

David Salazar, President  
Chapelle Mutual Domestic Water Consumers Association  
and  
Timothy Keller, New Mexico State Auditor

I have performed the procedures enumerated below for the Chapelle Mutual Domestic Water Consumers Association (Association) for the year ended June 30, 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, Section 2.2.2.16 NMAC and Section 6-6-2 (A) NMSA 1978. 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](http://www.osanm.org) under "Tiered System Reporting Main Page."

Based on a review of the Associations's general ledger, total revenues for the fiscal year ending June 30, 2017 were \$11,110 (excluding the capital outlay grants) and the Association received or expended five capital outlay grants from the New Mexico Department of Environment. Based on this information, the Association was properly determined to be a Tier 3 entity for FY17 since their total revenues were less than \$50,000 and they expended the remaining balance of five capital outlay grants during FY17.

2. Test 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 and quotes where necessary, and entered into contracts with an engineering firm and a construction company to perform the project work in accordance with applicable state laws and regulations.

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

The completed project work was observed on July 17, 2017; 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 required disbursement request forms to the New Mexico Department of Environment (NMED). The amounts in the status reports agreed with the general ledger and the 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.

The project was not funded in advance. The Association was required to submit disbursement request forms to the NMED along with the contractor's invoices and other supporting documentation.

- 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.

As of June 30, 2017, the project was completed and the capital outlay appropriations were fully expended by the Association. See the Schedule of Capital Outlay Awards on p. 6-7 of this report.

- 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.

The grant amounts received from NMED were deposited in the Association's checking account at the Southwest Capital Bank in Las Vegas, NM. The capital outlay award agreement did not require a separate fund or separate non-interest bearing bank account to deposit the amounts received.

- 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.

The Association filed eight disbursement request forms totaling \$213,978.96 with the NMED for the project expenditures. The requests were supported by invoices from the contractors for the project work. The project costs were not paid by the Association prior to the request for reimbursement because the Association did not have the necessary funds. The Association paid for the project costs after the checks were received from NMED.

3. 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 that meets the Tier 3 criteria.

See the Schedule of Capital Outlay Awards on p. 6-7 of this report.

#### 4. Other

- a. 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.

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, Environment Department 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*

Accounting & Auditing Services, LLC  
Santa Fe, New Mexico  
July 17, 2017

**Chapelle Mutual Domestic Water Consumers Association  
Schedule of Findings and Responses  
For the Fiscal Year Ending June 30, 2017**

**Status of Prior Year Findings**

Not applicable.

**Current Year Findings**

None.



**Chapelle Mutual Domestic Water Consumers Association  
 Schedule of Capital Outlay Awards  
 For the Fiscal Year Ending June 30, 2017**

	1	2	3
Amount Awarded for Project	\$ 50,000.00	\$ 18,378.96	\$ 32,000.00
Amount Received and Expended in FY15-16	(31,621.04)	(2,236.50)	-
Amount Received and Expended in FY17	-	(16,142.46)	(32,000.00)
Remaining Balance (Reauthorized and Expended)	<u>\$ 18,378.96</u>	<u>\$ -</u>	<u>\$ -</u>

**Agreement Provisions**

**1 - Grant Agreement Between the New Mexico Department of Environment and the  
 Chapelle Mutual Domestic Water Consumers Association - Fund 89200 Capital Outlay  
 Appropriation Project #14-1688-STB (FY15 Remaining Balance Reauthorized as #15-1155-STB-RET**

Legislative Authority: NM Laws of 2014, Chapter 66, Section 16, Paragraph 96  
 Date of Agreement: October 16, 2014  
 Project Description: To plan and design a water storage tank for the  
 Chapelle Mutual Domestic Water Consumers Association in Sarafina in San Miguel County.  
 Estimated Project Cost: \$303,816  
 State Grant Amount: \$50,000  
 Agreement termination/reversion date: June 30, 2018

**2 - Grant Agreement Between the New Mexico Department of Environment and the  
 Chapelle Mutual Domestic Water Consumers Association  
 Fund 89200 Capital Appropriation Project #15-1155-STB-RET**

Legislative Authority: NM Laws of 2015, Chapter 147, Section 58  
 Date of Agreement: October 16, 2014  
 Project Description: To plan, design and construct water system improvements, including a water  
 storage tank, water line and booster station for the Chapelle MDWCA in San Miguel County.  
 Estimated Project Cost: \$303,816  
 State Grant Amount: \$18,378.96  
 Agreement termination/reversion date: June 30, 2018

**3 - Grant Agreement Between the New Mexico Department of Environment and the  
 Chapelle Mutual Domestic Water Consumers Association  
 Fund 89200 Capital Appropriation Project #13-1489-STB**

Legislative Authority: NM Laws of 2013, Chapter 226, Section 23, Paragraph 59  
 Date of Agreement: December 18, 2013  
 Project Description: To purchase and install a water storage tank for the  
 Chapelle Mutual Domestic Water Consumers Association in San Miguel County.  
 Estimated Project Cost: \$303,816  
 State Grant Amount: \$32,000  
 Agreement termination/reversion date: June 30, 2017

**Chapelle Mutual Domestic Water Consumers Association  
Schedule of Capital Outlay Awards  
For the Fiscal Year Ending June 30, 2017**

	4	5	6
Amount Awarded for Project	\$ 30,000.00	\$ 88,600.00	\$ 45,000.00
Amount Received and Expended in FY15-16	-	-	-
Amount Received and Expended in FY17	(30,000.00)	(88,600.00)	(45,000.00)
Remaining Balance	\$ -	\$ -	\$ -

**Agreement Provisions**

**4 - Grant Agreement Between the New Mexico Department of Environment and the  
Chapelle Mutual Domestic Water Consumers Association  
Fund 89200 Capital Appropriation Project #14-1687-STB**

Legislative Authority: NM Laws of 2014, Chapter 66, Section 16, Paragraph 95  
Date of Agreement: October 17, 2014  
Project Description: To plan, design and construct a water storage tank and booster station for the  
Chapelle Mutual Domestic Water Consumers Association in Sarafina in San Miguel County.  
Estimated Project Cost: \$303,816  
State Grant Amount: \$30,000  
Agreement termination/reversion date: June 30, 2018

**5 - Grant Agreement Between the New Mexico Department of Environment and the  
Chapelle Mutual Domestic Water Consumers Association  
Fund 89200 Capital Appropriation Project #15-0538-STB**

Legislative Authority: NM Laws of 2015, Chapter 3, Section 20, Paragraph 50  
Date of Agreement: October 15, 2015  
Project Description: To plan, design and construct water system improvements for the  
Chapelle Mutual Domestic Water Consumers Association in San Miguel County.  
Estimated Project Cost: \$303,816  
State Grant Amount: \$88,600  
Agreement termination/reversion date: June 30, 2019

**6 - Grant Agreement Between the New Mexico Department of Environment and the  
Chapelle Mutual Domestic Water Consumers Association  
Fund 89200 Capital Appropriation Project #16-A2294-STB**

Legislative Authority: NM Laws of 2016, Chapter 81, Section 18, Paragraph 64  
Date of Agreement: August 24, 2016  
Project Description: To plan, design and construct improvements to a water system for the  
Chapelle Mutual Domestic Water Consumers Association in San Miguel County.  
Estimated Project Cost: \$303,816  
State Grant Amount: \$45,000  
Agreement termination/reversion date: June 30, 2020

**Chapelle Mutual Domestic Water Consumers Association  
Exit Conference  
Fiscal Year Ended June 30, 2017**

On July 17, 2017, the following officials held an exit conference to discuss the results of the agreed upon procedures and the contents of this report:

Chapelle Mutual Domestic Water Consumers Association

David Salazar, President

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, General Manager