



ricci&company llc

Certified Public Accountants

**MORA MUTUAL DOMESTIC
WATER CONSUMERS AND
SEWER WORKS
ASSOCIATION**

**REPORT ON
AGREED UPON PROCEDURES**

JUNE 30, 2012



**MORA MUTUAL DOMESTIC WATER CONSUMERS
AND SEWER WORKS ASSOCIATION**

Official Roster	1
Independent Accountant's Report on Applying Agreed Upon Procedures	2
SUPPLEMENTAL ATTACHMENTS	
Procedures Performed and Related Results	3
Schedule of Revenues and Expenditures – Budget and Actual - General Fund	8
Year-end Financial Report Submitted to DFA - Profit & Loss YTD Comparison	9
Schedule of Findings and Responses	13
Exit Conference	14

**MORA MUTUAL DOMESTIC WATER
CONSUMERS AND SEWER WORKS ASSOCIATION
June 30, 2012**

Official Roster

Board of Directors

Elouterio Trujillo, President
Andrew Jaramillo, Vice-President
Charlie Vigil, Secretary/Treasurer
Frank F. Trambley
Duane Martinez

Principal Employees

Clarence Aragon, Operations Manager

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

To Management
Mora Mutual Domestic Water Consumers and Sewer Works Association
Mora, New Mexico
and
To Mr. Hector H. Balderas, State Auditor

We have performed the procedures enumerated below, which were agreed to by the Mora Mutual Domestic Water Consumers and Sewer Works Association (Association) and the New Mexico State Auditor's Office, solely to assist in determining if the Association is in compliance with New Mexico State Audit Rule, Tier 4, as of June 30, 2012. The Association is the responsible party and the subject matter is the responsibility of the Association. 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.

The procedures and the associated findings are included in a supplemental attachment.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the Tier 4 agreed upon procedures. 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 management and others within the Association, the State Auditor, the Department of Finance and Administration – Local Government Division, and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Ricci & Company LLC

Albuquerque, New Mexico
November 16, 2012

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND
SEWER WORKS ASSOCIATION
AGREED UPON PROCEDURES
June 30, 2012**

PROCEDURES PERFORMED AND RELATED RESULTS

1. CASH

- 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.

Bank reconciliations are included as part of the monthly board meetings. We reviewed to ensure they were included in the directors' packets. No exceptions were noted. The printing date for the June 30, 2012, December 31, 2011, October 31, 2011, and July 31, 2011 bank reconciliations were all within 10 calendar days of the subsequent month. Reconciliations are completed timely.

The Association has three banking accounts, one bank, and two investments. All reconciliations 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.

We selected four months to test including July 2011, October 2011, December 2011, and June 2012. Reconciliations for all four months appeared to be complete, but did not tie to the general ledger in QuickBooks software. We were unable to determine the cause of the error. Please see finding 12-01. The following is the detail of the variances:

	<u>Reconciliation</u>	<u>General Ledger</u>	<u>Variance</u>
July 2011	\$ 64,415	61,931	2,484
October 2011	33,946	33,661	285
December 2011	39,295	38,943	352
June 2012	52,768	50,181	2,587

- 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.

We determined that the average running balance is below \$250,000 in all accounts; therefore, additional procedures were not performed.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND
SEWER WORKS ASSOCIATION
AGREED UPON PROCEDURES
June 30, 2012**

PROCEDURES PERFORMED AND RELATED RESULTS

2. CAPITAL ASSETS

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

An annual physical inventory of capital assets is completed. The Association utilizes the fixed assets listing in QuickBooks software for its inventory listing.

3. REVENUES

- a) Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation and perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

We compared actual to budget for each type of revenue. Results are as follows:

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Water User Fees	\$ 96,074	86,350	9,724
Sewer User Fees	58,203	55,000	3,203
Fees and Penalties	6,244	3,000	3,244
Interest/Dividends	772	3,197	(2,425)
Total	<u>\$ 161,293</u>	<u>147,547</u>	<u>13,746</u>

All revenues tested are considered reasonable. The variances in all “User Fees” and “Fees and Penalties” are related to the acquisition of the Del Rio Water Users Association and using a conservative approach to budget these new revenues. The decrease in “Interest/Dividends” is due to the Association not adjusting its budget after utilizing the CD to pay off the debt of Del Rio in 2011, which resulted in less interest earned during fiscal year 2012.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND
SEWER WORKS ASSOCIATION
AGREED UPON PROCEDURES
June 30, 2012**

PROCEDURES PERFORMED AND RELATED RESULTS

3. REVENUES – CONTINUED

- b) Select a sample of revenues based on auditor judgment and test using the following attributes:
- 1) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
 - 2) 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.

Sampling techniques require that a minimum of 2 transactions be tested if the transaction is monthly. We considered this to be a monthly transaction since revenues are recorded monthly. We selected three months of activity, including August 2011, November 2011, and April 2012. No exceptions were noted testing the attributes above.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND
SEWER WORKS ASSOCIATION
AGREED UPON PROCEDURES
June 30, 2012**

PROCEDURES PERFORMED AND RELATED RESULTS

4. EXPENDITURES

- a) Select a sample of cash disbursements based on auditor judgment and test using the following attributes:
- 1) 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.
 - 2) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
 - 3) 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).

To meet the requirements, using a sample size of 7 (low inherent, low control and no findings in the prior year); we randomly selected 7 disbursements from the total check range and 3 large or unusual transactions of the Association for the fiscal year. We also tested 100% of the Association's payroll by comparing the total payroll disbursements to the pay rates approved by the Board of Directors. The above attributes were tested without exception for all of the transactions.

5. JOURNAL ENTRIES

- a) If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:
- 1) Journal entries appear reasonable and have supporting documentation.
 - 2) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

We noted three journal entries that were posted to QuickBooks software. The three entries were tested using the above attributes. All were tested without exception.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND
SEWER WORKS ASSOCIATION
AGREED UPON PROCEDURES
June 30, 2012**

PROCEDURES PERFORMED AND RELATED RESULTS

6. BUDGETS

- a) Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

- 1) 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.

We verified the Board of Directors approved the original budget. We also noted that the budget for the year ended June 30, 2012 was submitted to DFA-LGD. However, the Association did not receive a notification of receipt from DFA-LGD. We did note that the Association received a notification letter stating that the June 30, 2013 budget was submitted timely.

- 2) Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.

It was determined that the Association did not exceed the final budget at the legal level of budgetary control.

- 3) 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.

See attached Statement of Revenues and Expenditures - Budget and Actual - General Fund.

7. 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 items noted.

MORA MUTUAL DOMESTIC WATER CONSUMERS AND SEWER WORKS ASSOCIATION
SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenues				
Water User Fees	\$ 86,350	86,350	96,074	9,724
Sewer Usage Fees	55,000	55,000	58,203	3,203
Fees and Penalties	3,000	3,000	6,244	3,244
Interest and Dividends	3,197	3,197	772	(2,425)
Total revenues	147,547	147,547	161,293	13,746
Expenditures				
Current:				
System Operation and Maintenance	37,141	37,141	33,700	3,441
Management	98,006	98,006	95,662	2,344
Board Expenses	293	293	-	293
Fixed Expenses	1,064	1,064	1,396	(332)
Total expenditures	136,504	136,504	130,758	5,746
Excess of revenues over expenditures and other financing sources	\$ 11,043	11,043	30,535	19,492

Mora Mutual Domestic Consumers Water & Sewage Works Assoc.
Profit & Loss YTD Comparison
 April through June 2012

	<u>Apr - Jun 12</u>	<u>Jul '11 - Jun 12</u>
Ordinary Income/Expense		
Income		
000- Water User Fees		
Level 1	25,311.63	101,454.19
Total 000- Water User Fees	<u>25,311.63</u>	<u>101,454.19</u>
001- Sewer Usage Fees		
Level 1	14,580.49	58,203.00
Total 001- Sewer Usage Fees	<u>14,580.49</u>	<u>58,203.00</u>
004- Fees and Penalties		
030-Late Chg	1,483.92	6,243.76
Total 004- Fees and Penalties	<u>1,483.92</u>	<u>6,243.76</u>
005- Interest/ Dividends		
Dividends	0.00	750.54
Interest	4.58	21.74
Total 005- Interest/ Dividends	<u>4.58</u>	<u>772.28</u>
009- Meter Reading Adjustments	-872.84	-5,380.44
Total Income	<u>40,507.78</u>	<u>161,292.79</u>
Expense		
Customer Refund/ Membership	0.00	96.92
100-SYSTEM OPERATION & MAINT		
001-Water Service Expenses		
00-Utilities		
DEI Rio Water Section	315.05	1,209.14
Electricity - Tank	50.85	203.40
Electricity - Pump Houses		
Pump House #2	1,428.02	5,317.17
Pump House #3	1,508.78	5,630.62
Total Electricity - Pump Houses	<u>2,936.80</u>	<u>10,947.79</u>
Total 00-Utilities	3,302.70	12,360.33
02-Lab Analysis Expense	107.00	107.00
03-System Repairs & Maintenance		
01-Supplies		
Chemicals	473.72	679.69
General Purpose Supplies	1,077.29	2,019.34
Total 01-Supplies	<u>1,551.01</u>	<u>2,699.03</u>

Mora Mutual Domestic Consumers Water & Sewage Works Assoc.
Profit & Loss YTD Comparison
 April through June 2012

	<u>Apr - Jun 12</u>	<u>Jul '11 - Jun 12</u>
03-Infrastructure Repairs		
Custom Hire	0.00	715.00
Total 03-Infrastructure Repairs	<u>0.00</u>	<u>715.00</u>
03-System Repairs & Maintenance - Other	377.62	377.62
Total 03-System Repairs & Maintenance	<u>1,928.63</u>	<u>3,791.65</u>
Total 001-Water Service Expenses	5,338.33	16,258.98
002-Sewer Services		
El Alto Lift Station	426.03	1,200.37
00-Electricity - Lagoons	0.00	212.06
02-Lab Analysis	1,373.61	4,118.41
03-System Repairs & Maintenance		
01-Supplies		
Chemicals	1,806.62	1,806.62
General Purpose Supplies	23.63	37.37
Total 01-Supplies	<u>1,830.25</u>	<u>1,843.99</u>
03-Infrastructure Repairs		
Custom Hire	0.00	1,000.00
Total 03-Infrastructure Repairs	<u>0.00</u>	<u>1,000.00</u>
03-System Repairs & Maintenance - Other	0.00	70.00
Total 03-System Repairs & Maintenance	<u>1,830.25</u>	<u>2,913.99</u>
002-Sewer Services - Other	<u>3,500.00</u>	<u>3,500.00</u>
Total 002-Sewer Services	7,129.89	11,944.83
003-Licenses & Permits	11.90	71.75
004-Tools	0.00	64.12
005-Auto Expense		
01-Fuel & Oil	1,223.10	3,163.98
02-Tires	0.00	42.30
03-Auto Repairs	0.00	29.75
08-Auto Depreciation Expense	1,662.30	1,662.30
005-Auto Expense - Other	0.00	4.85
Total 005-Auto Expense	<u>2,885.40</u>	<u>4,903.18</u>
100-SYSTEM OPERATION & MAINT - Other	0.00	360.40
Total 100-SYSTEM OPERATION & MAINT	<u>15,365.52</u>	<u>33,603.26</u>

Mora Mutual Domestic Consumers Water & Sewage Works Assoc.
Profit & Loss YTD Comparison
 April through June 2012

	<u>Apr - Jun 12</u>	<u>Jul '11 - Jun 12</u>
200-MANAGEMENT		
000-Payroll Expenses		
00-System Manager	10,972.02	43,888.08
01-Secreterial/Clerical	3,721.45	15,083.91
Retirement Company Match	606.00	2,424.00
05-Worker's Comp.	29.39	1,834.20
06-SUTA	29.39	211.81
07-FUTA	1,143.68	4,595.35
Total 000-Payroll Expenses	<u>16,501.93</u>	<u>68,037.35</u>
002-Office Expenses		
01-Office Supplies	398.01	937.87
02-Postage & Delivery	344.00	3,344.66
03-Communications		
Alarm Wells	0.00	39.44
Office Phone	184.30	1,209.66
Fax Line	125.23	492.97
Internet Charges	317.49	1,274.70
Cell Phone	471.22	1,883.43
Total 03-Communications	<u>1,098.24</u>	<u>4,900.20</u>
04-Printing & Reproduction	426.07	793.14
05-Dues & Memberships	584.65	1,741.90
Total 002-Office Expenses	<u>2,850.97</u>	<u>11,717.77</u>
003-Utilities		
Heating Fuel	0.00	1,885.85
Solid Waste Expense	45.70	115.70
Total 003-Utilities	<u>45.70</u>	<u>2,001.55</u>
004-Travel Expense		
Training	0.00	150.00
Meals	0.00	128.65
Milage Reimbursement	0.00	573.61
PerDiem	0.00	128.00
Total 004-Travel Expense	<u>0.00</u>	<u>980.26</u>
005-Professional Fees		
Audit Fees	0.00	3,745.00
Billing Fees	0.00	1,529.57
Total 005-Professional Fees	<u>0.00</u>	<u>5,274.57</u>

Mora Mutual Domestic Consumers Water & Sewage Works Assoc.
Profit & Loss YTD Comparison
 April through June 2012

	<u>Apr - Jun 12</u>	<u>Jul '11 - Jun 12</u>
006-Insurance Expense		
Liability Insurance	0.00	7,651.00
Total 006-Insurance Expense	<u>0.00</u>	<u>7,651.00</u>
 Total 200-MANAGEMENT	 19,398.60	 95,662.50
 500-FIXED EXPENSES		
001-Property Tax	0.00	1,395.79
Total 500-FIXED EXPENSES	<u>0.00</u>	<u>1,395.79</u>
 Total Expense	 <u>34,764.12</u>	 <u>130,758.47</u>
 Net Ordinary Income	 <u>5,743.66</u>	 <u>30,534.32</u>
 Net Income	 <u><u>5,743.66</u></u>	 <u><u>30,534.32</u></u>

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND
SEWER WORKS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2012**

12-01 ACCURATE CASH RECONCILIATIONS

CONDITION

As part of testing the accuracy of the monthly bank reconciliations, we noted that none of the four months tested tied to the general ledger. The following variances were noted:

<u>Month</u>		<u>Reconciliation</u>	<u>General Ledger</u>	<u>Variance</u>
July 2011	\$	64,415.23	61,931.30	2,483.93
October 2011	\$	33,946.04	33,661.33	284.71
December 2011	\$	39,295.93	38,943.31	352.62
June 2012	\$	52,768.03	50,181.17	2,586.86

CRITERIA

Bank reconciliations should be accurate and amounts should coincide with amounts reflected on the Association's general ledger.

CAUSE

Bank reconciliations are generated reports within the QuickBooks software program. It was the Association's belief that because the reconciliation's were produced within the same accounting system (Quickbooks software) as the general ledger, that they were accurate and would tie to one another. There was never a process or procedure in place by the Association to ensure that this was the case.

EFFECT

The bank reconciliations that were prepared and subsequently approved by the Board of Directors were not accurate reports.

RECOMMENDATION

The Association should to identify the cause of the discrepancies to prevent similar mistakes in the future. The Association also needs to complete an additional review to ensure the reconciliation ties to the general ledger without exception.

MANAGEMENT RESPONSE

The Association has already begun working with a contractor to correct the variances noted in the bank reconciliations. Once the causes of the variances have been identified, we will implement the necessary procedures to make sure the reconciliations do not have variances in the future.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND
SEWER WORKS ASSOCIATION
EXIT CONFERENCE
June 30, 2012**

An exit conference was held on November 6, 2012 to discuss the agreed upon procedures. Attending were the following:

Representing the Mora Mutual Domestic Water Consumers Association:

Board of Directors:

Andrew Jaramillo, Vice-President
Frank F. Trambley, Member

Management:

Clarence Aragon, Operations Manager

Representing the Independent Accountant:

Herman Chavez, CPA, Manager
Justice Bowe, Staff