

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

REPORT ON AGREED UPON PROCEDURES

JUNE 30, 2013

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

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**MORA MUTUAL DOMESTIC WATER
CONSUMERS AND SEWER WORKS ASSOCIATION
June 30, 2013**

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, 2013. 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, Porch & Company, LLC

Albuquerque, New Mexico
November 11, 2013

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND
SEWER WORKS ASSOCIATION
AGREED UPON PROCEDURES
June 30, 2013**

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, 2013, March 31, 2013, December 30, 2012, and November 30, 2012 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 June 2013, March 2013, December 2012 and November 2012. Reconciliations for all four months appeared to be complete, and tied to the QuickBooks generated reports maintained with the reconciliations. However, we noted the balances did not agree to the annual general ledger. It was determined that reconciled cash balances did not tie to general ledger balances due to the practice of backdating disbursements or deposits at the first of the month. This practice is done in an effort to match the disbursement or revenue with the month the goods and services were received or sale earned. Please see finding 2013-01 on backdated checks. The following is the detail of the variances:

	<u>Reconciliation</u>	<u>General Ledger</u>	<u>Variance</u>
November 2012	\$ 37,700	32,095	5,605
December 2012	39,270	39,674	(404)
March 2013	41,646	41,263	383
June 2013	59,995	60,015	(20)

- 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, 2013**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

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	\$ 123,576	90,000	33,576
Sewer User Fees	64,845	56,000	8,845
Fees and Penalties	7,239	3,120	4,119
Interest/Dividends	1,424	3,197	(1,773)
Total	<u>\$ 197,084</u>	<u>152,317</u>	<u>44,767</u>

All revenues tested are considered reasonable. The primary factor in the water user fees revenue variance is water usage of a single commercial user in the year.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND
SEWER WORKS ASSOCIATION
AGREED UPON PROCEDURES
June 30, 2013**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

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 September 2012, January 2013, and April 2013. No exceptions were noted testing the attributes above.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND
SEWER WORKS ASSOCIATION
AGREED UPON PROCEDURES
June 30, 2013**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

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 17, we randomly selected 16 disbursements from the total check range and judgmentally selected the largest disbursement 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 four journal entries that were posted to QuickBooks software. The 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, 2013**

PROCEDURES PERFORMED AND RELATED RESULTS (CONTINUED)

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, 2013 was submitted to DFA-LGD. The Association received a notification of receipt from DFA-LGD on August 15, 2012. We also noted that the Association received a notification letter stating that the June 30, 2014 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, 2013

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenues				
Water User Fees	\$ 90,000	90,000	123,576	33,576
Sewer Usage Fees	56,000	56,000	64,845	8,845
Fees and Penalties	3,120	3,120	7,239	4,119
Interest and Dividends	3,197	3,197	1,424	(1,773)
Total revenues	<u>152,317</u>	<u>152,317</u>	<u>197,084</u>	<u>44,767</u>
Expenditures				
Current:				
System Operation and Maintenance	38,536	38,536	44,449	(5,913)
Management	100,439	100,439	93,257	7,182
Board Expenses	293	293	-	293
Fixed Expenses	1,400	1,400	1,523	(123)
Total expenditures	<u>140,668</u>	<u>140,668</u>	<u>139,229</u>	<u>1,439</u>
Excess of revenues over expenditures and other financing sources	<u>\$ 11,649</u>	<u>11,649</u>	<u>57,855</u>	<u>46,206</u>

Mora Mutual Domestic Consumers Water & Sewage Works Assoc.
Profit & Loss YTD Comparison
 April through June 2013

	<u>Apr - Jun 13</u>	<u>Jul '12 - Jun 13</u>
Ordinary Income/Expense		
Income		
000- Water User Fees		
Level 1	29,894.96	125,034.60
Total 000- Water User Fees	<u>29,894.96</u>	<u>125,034.60</u>
001- Sewer Usage Fees		
Level 1	15,912.61	64,845.09
Total 001- Sewer Usage Fees	<u>15,912.61</u>	<u>64,845.09</u>
004- Fees and Penalties		
030-Late Chg	2,036.46	7,989.47
Total 004- Fees and Penalties	<u>2,036.46</u>	<u>7,989.47</u>
005- Interest/ Dividends		
Dividends	274.64	1,406.95
Interest	4.38	16.96
Total 005- Interest/ Dividends	<u>279.02</u>	<u>1,423.91</u>
009- Meter Reading Adjustments		
Cash Over/Cash Short	0.00	-2.00
009- Meter Reading Adjustments - Other	-584.21	-1,457.02
Total 009- Meter Reading Adjustments	<u>-584.21</u>	<u>-1,459.02</u>
Total Income	<u>47,538.84</u>	<u>197,834.05</u>
Gross Profit	47,538.84	197,834.05
Expense		
Reconciliation Discrepancies	0.00	-0.01
Customer Refund/ Membership	0.00	750.00
100-SYSTEM OPERATION & MAINT		
001-Water Service Expenses		
00-Utilities		
DEI Rio Water Section	417.30	1,587.51
Electricity - Tank	63.57	292.42
Electricity - Pump Houses		
Pump House #2	1,713.88	6,017.81
Pump House #3	1,882.75	7,031.15
Total Electricity - Pump Houses	<u>3,596.63</u>	<u>13,048.96</u>
Total 00-Utilities	4,077.50	14,928.89

Mora Mutual Domestic Consumers Water & Sewage Works Assoc.

Profit & Loss YTD Comparison

April through June 2013

	<u>Apr - Jun 13</u>	<u>Jul '12 - Jun 13</u>
03-System Repairs & Maintenance		
01-Supplies		
Chemicals	-278.50	524.90
General Purpose Supplies	68.70	279.56
01-Supplies - Other	0.00	869.50
Total 01-Supplies	<u>-209.80</u>	<u>1,673.96</u>
03-System Repairs & Maintenance - Other	0.00	11,603.23
Total 03-System Repairs & Maintenance	<u>-209.80</u>	<u>13,277.19</u>
Total 001-Water Service Expenses	3,867.70	28,206.08
002-Sewer Services		
El Alto Lift Station	450.88	1,696.45
00-Electricity - Lagoons	0.00	143.85
02-Lab Analysis	2,555.30	4,968.13
03-System Repairs & Maintenance		
01-Supplies		
Chemicals	0.00	3,077.90
General Purpose Supplies	0.00	3.99
Total 01-Supplies	<u>0.00</u>	<u>3,081.89</u>
03-System Repairs & Maintenance - Other	0.00	358.06
Total 03-System Repairs & Maintenance	<u>0.00</u>	<u>3,439.95</u>
Total 002-Sewer Services	3,006.18	10,248.38
003-Licenses & Permits	19.95	64.90
004-Tools	0.00	1,051.87
005-Auto Expense		
01-Fuel & Oil	805.19	2,776.16
02-Tires	0.00	916.00
03-Auto Repairs	0.00	196.18
04-Auto Registration & Licenses	120.40	120.40
005-Auto Expense - Other	0.00	16.50
Total 005-Auto Expense	<u>925.59</u>	<u>4,025.24</u>
100-SYSTEM OPERATION & MAINT - Other	0.00	852.72
Total 100-SYSTEM OPERATION & MAINT	<u>7,819.42</u>	<u>44,449.19</u>
200-MANAGEMENT		
000-Payroll Expenses		

Mora Mutual Domestic Consumers Water & Sewage Works Assoc.
Profit & Loss YTD Comparison
 April through June 2013

	<u>Apr - Jun 13</u>	<u>Jul '12 - Jun 13</u>
00-System Manager	10,972.02	43,888.08
01-Secretarial/Clerical	3,728.53	14,935.34
Retirement Company Match	1,003.92	3,219.84
05-Worker's Comp.	8.75	2,068.40
06-SUTA	56.61	101.87
07-FUTA	1,144.60	4,583.98
000-Payroll Expenses - Other	17.15	17.15
Total 000-Payroll Expenses	<u>16,931.58</u>	<u>68,814.66</u>
002-Office Expenses		
Technical Support/ Billing	0.00	1,606.05
01-Office Supplies	265.13	789.99
02-Postage & Delivery	344.00	2,140.67
03-Communications		
Office Phone	364.28	1,031.60
Fax Line	162.94	595.45
Internet Charges	317.49	1,269.96
Cell Phone	343.41	1,734.06
Total 03-Communications	<u>1,188.12</u>	<u>4,631.07</u>
04-Printing & Reproduction	426.07	426.07
05-Dues & Memberships	626.02	1,413.06
Total 002-Office Expenses	<u>2,849.34</u>	<u>11,006.91</u>
003-Utilities		
Heating Fuel	0.00	1,482.70
Solid Waste Expense	40.00	120.00
Total 003-Utilities	<u>40.00</u>	<u>1,602.70</u>
005-Professional Fees		
Audit Fees	0.00	3,745.00
Legal Fees	1,235.85	1,235.85
Total 005-Professional Fees	<u>1,235.85</u>	<u>4,980.85</u>
006-Insurance Expense		
Liability Insurance	0.00	6,752.00
Total 006-Insurance Expense	<u>0.00</u>	<u>6,752.00</u>
Total 200-MANAGEMENT	21,056.77	93,157.12
500-FIXED EXPENSES		
001-Property Tax	0.00	1,523.40
Total 500-FIXED EXPENSES	<u>0.00</u>	<u>1,523.40</u>

Mora Mutual Domestic Consumers Water & Sewage Works Assoc.
Profit & Loss YTD Comparison
 April through June 2013

	<u>Apr - Jun 13</u>	<u>Jul '12 - Jun 13</u>
Uncategorized Expenses	100.00	100.00
Total Expense	28,976.19	139,979.70
Net Ordinary Income	18,562.65	57,854.35
Other Income/Expense		
Other Income		
Transfer From Reserve Accts	40,000.00	40,936.13
Total Other Income	40,000.00	40,936.13
Other Expense		
Transfer To Reserve Accts	0.00	40,000.00
Total Other Expense	0.00	40,000.00
Net Other Income	40,000.00	936.13
Net Income	58,562.65	58,790.48

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND
SEWER WORKS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2013**

2013-01 DATING OF CASH DISBURSEMENTS

CONDITION

As part of completing procedures over bank reconciliations, we noted that although the reconciliations agreed to all the QuickBooks generated support, when the annual general ledger was compared to the reconciliation, the amounts did not agree. It was determined that due to efforts to make the expense match the month services were received, checks were predated. This process was utilized since expenditures are not recorded until an invoice is paid.

CRITERIA

Checks should be dated on the actual date the disbursement is made.

CAUSE

Since the Association operates on a cash basis, the Association does not utilize the payables module of QuickBooks. Therefore, to try and make the expenditure match the month the good and service were received, checks are dated the last day of that month.

EFFECT

When bank reconciliations are compared to the current general ledger, the reconciliations appear to be incorrect. In addition, checks should be dated on the day they are actually written.

RECOMMENDATION

The Association should stop the practice of predating checks. All checks should be dated the day are prepared. The Association should also develop a method of tracking invoices for reporting purposes that does not require issuing a check.

MANAGEMENT RESPONSE

Management will follow the specified recommendation and will date the checks as the invoices are received. The practice of back dating checks to allow the Board to see expenses of the month in which the expense was incurred will no longer be used. The Board has been informed that checks may be dated for expenses of the previous month.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND
SEWER WORKS ASSOCIATION
EXIT CONFERENCE
June 30, 2013**

An exit conference was held on November 7, 2013 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

Management:

Clarence Aragon, Operations Manager

Representing the Independent Accountant:

Herman Chavez, CPA, Manager

Christina Cosme, Staff