

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

REPORT ON AGREED UPON PROCEDURES

JUNE 30, 2017



**MORA MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION
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**MORA MUTUAL DOMESTIC WATER CONSUMERS
AND SEWER WORKS ASSOCIATION
JUNE 30, 2017
OFFICIAL ROSTER**

Board of Directors

Elauterio Trujillo, President
Andrew Jaramillo, Vice President
Charlie Vigil, Secretary/Treasurer
Frank Trambley
Duane Martinez

Principal Employees

Clarence Aragon, Operations Manager



INDEPENDENT ACCOUNTANTS' APPLYING AGREED UPON PROCEDURES REPORT

To Management
Mora Mutual Domestic Water Consumers and Sewage Works Association
Mora, New Mexico
and
Mr. Wayne Johnson, New Mexico State Auditor

We have performed the procedures enumerated below, which were agreed to by Mora Mutual Domestic Water Consumers and Sewage Works Association (Association) and New Mexico Office of the State Auditor, solely to assist in determining if the Association is in compliance with New Mexico State Auditor Rule, Tier 4 as of June 30, 2017. 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 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.

The procedures and associated findings are included in a supplemental attachment

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 on the Tier 4 agreed upon procedures. 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 within the Association, New Mexico Office of the State Auditor, New Mexico 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 those specified parties

A handwritten signature in black ink that reads "M.P. Group, Inc." followed by a flourish.

December 8, 2017

**MORA MUTUAL DOMESTIC CONSUMERS WATER and
SEWAGE WORKS ASSOCIATION
AGREED UPON PROCEDURES
JUNE 30, 2017**

- 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”**

Findings:

We reviewed the revenue per the Association’s income statement and determined through the form that the Association is Tier 4.

2. CASH

Procedure:

- a. Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investments statements for the fiscal year are complete and on-hand.

Findings:

The Association has two checking accounts at a bank and two savings accounts held with two different credit unions. One checking account serves as the Association’s primary operating account. The savings account was opened in 2013 and has been used to administer funds received from the United States Department of Agriculture (USDA) for a wastewater project. Although the USDA account remains open at June 30, 2017, transaction activity has been limited to monthly bank service charges since the end of 2014. The Association utilizes QuickBooks software to record cash transactions and to reconcile the primary operating account.

We reviewed the operating account bank statements and account reconciliations performed in the fiscal year. All of these bank statements were complete and on hand. Bank statements for the operating account are received monthly. We noted that all reconciliations for this account were completed in a timely manner within 30 days of month’s end.

Bank statements for the other checking account and both savings accounts are received at least quarterly. With activity limited to service fees, interest earned, and inter-account transfers, these accounts are not formally reconciled. In lieu of formal reconciliations, the general ledger for these accounts is reviewed for consistency with the statements received, and activity is updated as required.

Procedure:

- b. Perform a random test of 30% of the bank reconciliations for accuracy. Also, trace ending balances the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division.

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2. CASH (Continued)

Findings:

We selected five bank reconciliations for the Association's primary operating and savings account to test for accuracy: August 31, 2016, November 31, 2016, February 28, 2017, May 31, 2017 and June 30, 2017. Reconciliations appear to be complete and tied to the bank account statement for the checking account, but the savings account had errors in the reconciliation process Finding 2017-001 is included in the Schedule of Findings and Responses.

We noted that some the listed reconciling items were stale dated for the reconciliations had potentially invalid uncleared transactions of more than twelve months old, totaling \$2,813.40 and outstanding checks of \$4,558.55 in disbursements. Finding 2017-002 is included in the Schedule of Findings and Responses.

We selected two quarterly bank reconciliations for the Association's secondary checking and savings account to test for accuracy: September 30, 2016 and March 30, 2017. Reconciliations appear to be complete and tied to the bank account statement.

Procedure:

- 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, New Mexico Public Money Act, if applicable.

Findings:

We determined that the Associations cumulative account balances held at each financial institution did not exceed federally insured limits. As a result, pledged collateral was not required.

3. CAPITAL ASSETS

Procedure:

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

Findings:

The Association performs annual inventory as required by Section 12-6-10 NMSA 1978, and a capital asset listing is maintained on an Excel spreadsheet.

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4. REVENUES

Identify the nature and amount of revenue from all sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

Procedure:

- a. Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue.

Findings:

We compared actual to budget for each type of revenue.

	Actual	Budget	Variance
Water User Fees	\$ 110,216	\$ 109,787	\$ 429
Sewer User Fees	62,059	60,869	1,190
Fees and Penalties	13,056	7,000	6,056
Interest and Dividends	(277)	1,000	(1,277)
Total	\$ 185,054	\$ 178,656	\$ 6,398

Variances are consistent with the Association's practice of conservative budgeting.

We also compared fiscal year revenues with the three year revenue average and found no significant variances. Based upon our analysis, revenues recorded are reasonable.

Procedure:

Select a sample of revenue equal to at least 30% of the total dollar amount and test the following attributes:

- b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
- c) 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 record on, cash basis, modified accrual basis, or accrual basis.

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4. REVENUES (Continued)

Findings:

We reviewed the general ledger for charges to revenue and tested the following:

	Revenues Tested
Water Sales	\$ 46,246.02
Sewer Sales	15,626.07
Penalties	1,914.81
Interest	40.24
Meter Reading	109.70
Total	\$ 63,936.84

No exceptions were noted testing the attributes above

5. EXPENDITURES

Procedure:

Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test the following attributes:

- a) 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.
- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established 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 (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).

**MORA MUTUAL DOMESTIC CONSUMERS WATER and
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AGREED UPON PROCEDURES
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5. EXPENDITURES (Continued)

Findings:

We selected all expenses greater than \$1,000 for testwork. We also tested the Association's payroll expense by comparing the total payroll disbursements to the approved pay rates and analytically examined payroll tax and retirement expense. Transactions represent 55% of the total expenditures in the fiscal year. The above attributes tested without exception for all transactions

6. JOURNAL ENTRIES

Procedure:

If non-routine journal entries, such as adjustments and reclassifications, are posted to the general ledger for the following attributes:

- a) Journal Entries appear reasonable and have supporting documentation.
- b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

Findings:

The Association uses QuickBooks software to maintain the general ledger. Based on our interview of personnel of the Association and review of the journal entries made in the fiscal year, we determined the Association does use journal entries as part of its routine record keeping and has review of journal entry review. Journal entries are made during the year or at year end to correct errors or reclassify activity as needed. These journal entries are made under the guidance and technical assistance provided by the New Mexico Rural Water Association, of which the Association is a member.

Our procedures determined that all eleven adjusting entry made during the fiscal year were entered during the year and at or near year end and with assistance of the New Mexico Rural Water Association all appeared reasonable and were properly supported.

**MORA MUTUAL DOMESTIC CONSUMERS WATER and
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AGREED UPON PROCEDURES
JUNE 30, 2017**

7. BUDGET

Obtain the original fiscal year budget and all budget adjustments made throughout the fiscal year and perform the following testwork:

Procedure:

- a) 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.

Findings

The Association approved the original budget as noted in the minutes and there were no subsequent budget adjustments noted.

Procedure:

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

Findings:

The Association's total expenditures did not exceed the final budget total.

Procedure:

- c) 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.

Findings:

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

8. OTHER

Procedure:

If information comes in 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 reports as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10(L) NMAC

**MORA MUTUAL DOMESTIC CONSUMERS WATER and
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AGREED UPON PROCEDURES
JUNE 30, 2017**

8. OTHER (Continued)

Findings:

During fieldwork there were no instances that came to our attention which indicated any instances of fraud illegal acts, noncompliance, or internal control deficiencies.

**MORA MUTUAL DOMESTIC WATER CONSUMERS
AND SEWER WORKS ASSOCIATION
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL - GENERAL
FUND - BUDGET BASIS
YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual Budget Basis	Variance Favorable (Unfavorable)
Revenues				
Water user fees	\$ 109,787	109,787	110,216	429
Sewer usage fees	60,869	60,869	62,059	1,190
Fees and penalties	7,000	7,000	11,789	4,789
Interest and dividends	1,000	1,000	(277)	(1,277)
Total Revenue	178,656	178,656	183,787	5,131
Reserves Budgeted	15,000	15,000	-	(15,000)
Total revenues and reserves budgeted	<u>\$ 193,656</u>	<u>193,656</u>	<u>183,787</u>	<u>(9,869)</u>
Expenditures				
Current:				
System operation and maintenance	\$ 63,788	63,788	53,245	10,543
Management	106,531	106,531	104,856	1,675
Fixed expenses	23,208	23,208	16,227	6,981
Total expenditures	<u>\$ 193,527</u>	<u>193,527</u>	<u>174,328</u>	<u>19,199</u>
Deficiency of revenues under expenditures	\$ 129	\$ 129	\$ 9,459	

**MORA MUTUAL DOMESTIC WATER CONSUMERS
AND SEWER WORKS ASSOCIATION
PROFIT AND LOSS BUDGET VS. ACTUAL
JULY 1, 2016 THROUGH JUNE 30, 2017**

	NM DFA-LGD Reported			
	<u>Jul'16-Jun'17</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income				
000-Water User Fees	\$ 110,216	\$ 109,787	\$ 429	100.4%
001-Sewer usage fees	62,059	60,869	1,190	102.0%
004-Fees and penalties	13,056	7,000	6,056	186.5%
005-Interest and dividends	(277)	1,000	(1,277)	-27.7%
009-Meter Reading Adj.	(1,267)	-	(1,267)	0.0%
Uncategorized Income	-	-	-	0.0%
Total Income	<u>183,787</u>	<u>178,656</u>	<u>5,131</u>	<u>102.9%</u>
Gross Profit	<u>183,787</u>	<u>178,656</u>	<u>5,131</u>	<u>102.9%</u>
Expense				
100-System operation and maintenance	53,245	63,788	10,543	83.5%
200-Management	104,641	106,531	1,890	98.2%
300-Fixed expenses	120	-	(120)	0.0%
500-Fixed Expenses	16,227	23,208	6,981	69.9%
Uncategorized Expenses	95	-	(95)	0.0%
Total Expense	<u>174,328</u>	<u>193,527</u>	<u>19,199</u>	<u>90.1%</u>
Net Ordinary Income	9,459	(14,973)	24,432	-63.2%
Other Income/Expense				
Other Income				
Transfer from Reserve Accts	-	15,000	(15,000)	0%
Total Other Income	<u>-</u>	<u>15,000</u>	<u>(15,000)</u>	<u>0%</u>
Other Expense				
Transfer to Reserve Accts	-	-	-	0%
Total Other Expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>0%</u>
Net Other Income	<u>-</u>	<u>15,000</u>	<u>(15,000)</u>	<u>0%</u>
Net Income	<u>9,459</u>	<u>27</u>	<u>9,432</u>	<u>34725.1%</u>

**MORA MUTUAL DOMESTIC CONSUMERS WATER SEWAGE WORKS ASSOCIATION
BALANCE SHEET
JUNE 30, 2017**

ASSETS

Current Assets

Checking/Savings

Southwest Capital Bank	293
Operational Checking Acct- BLV	86,104
Change Fund	52
St Gertrude's Credit Union	12,877
Rincones Credit Union	32,718

Total Checking/Savings 132,044

Accounts Receivable 30,928

Undeposited Funds 647

Total Current Assets 163,619

Fixed Assets

Infrastructure

WW Collection System	1,718,155
Infrastructure - Other	92,748

Total Infrastructure 1,810,903

Total Fixed Assets 1,810,903

TOTAL ASSETS 1,974,522

LIABILITIES & EQUITY

Current Liabilities

Other Current Liabilities

USDA Waste Water Loan 440,242

Gross Receipts Tax Payable 2,521

Payroll Liabilities Payable

401 (k) Payable -54

Payroll Liabilities Payable - Other 1,836

Total Payroll Liabilities Payable 1,782

Total Other Current Liabilities 444,545

Total Current Liabilities 444,545

Total Liabilities 444,545

Equity

Reserve Account

0-Reserve for Water Expansions 42,000

1-Reserve for Sewer Expansions 49,969

3-Reserve for Equip R & R 50,000

6-Reserve for Audit 9,200

9-Reserve for Emergencies 48,000

Total Reserve Account 199,169

Opening Bal Equity -131,241

Retained Earnings 1,452,590

Net Income 9,459

Total Equity 1,529,977

TOTAL LIABILITIES & EQUITY 1,974,522

**MORA MUTUAL DOMESTIC CONSUMERS WATER and
SEWAGE WORKS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

CURRENT STATUS ON PRIOR YEAR FINDINGS:

2016-001 Inaccurate Savings Account Cash Balance	Repeated a 2017-001
2016-002 Monthly Cash Account Reconciliation Balances are Inconsistent with General Ledger Activity Detail	Resolved
2016-003 Staled Dated Transactions in Checking Account Reconciliation at June 30, 2017	Repeated a 2017-002

**MORA MUTUAL DOMESTIC CONSUMERS WATER and
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SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

**2017-001 INACCURATE SAVINGS ACCOUNT CASH BALANCE AT JUNE 30, 2017
(PREVIOUSLY REPORTED AS 2016-001)**

CONDITION

As part of completing procedures of the bank reconciliations, we noted that the GL balance for the USDA checking account was also not consistent with the bank statement balance at year-end as noted previously in 2016. During the year, the Association's personnel did not understand how adjust the books for some of items within the bank statement. The GL balance did not reflect monthly bank service fees for August 2016 to June 2017. As a consequence, information supplied to DFA-Local Government Division detailing the Association's cash balances at year end was inaccurate.

CRITERIA

Regularly performed bank reconciliations and account reviews provide a significant control feature over the Association's cash accounting system and help determine whether all cash activity is properly posted in the general ledger. Preparing reconciliations and performing reviews on a timely basis provides greater assurance that all cash activity has been properly recorded and that any irregularities in activity will be more readily identified.

CAUSE

Because transaction activity in these accounts is minimal, a review was inadvertently overlooked for the last quarter of the fiscal year.

EFFECT

Information supplied to DFA-Local Government Division reflecting the Association's cash balance at year end was inaccurate.

RECOMMENDATION

Bank statements for the savings accounts are received at least quarterly. Reviews on these accounts should be performed on at least a quarterly basis in a timely manner upon receipt of the statement. We further recommend that management evaluate whether inaccurate information supplied to DFA-Local Government Division needs to be revised and resubmitted.

MANAGEMENT RESPONSE

The Association will make a better effort to do timely reconciliations of accounts that have little to no activity. The timely reconciliations of all bank accounts will be done within 15 days of receiving the statement, effective immediately, and the Operations Manager will work with a technical advisor to correct the issues no later than January 2018 and be responsible for that task thereafter.

**MORA MUTUAL DOMESTIC CONSUMERS WATER and
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SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

**2017-002 STALE DATED TRANSACTIONS IN CHECKING ACCOUNT
RECONCILIATION AT JUNE 30, 2017 (PREVIOUSLY REPORTED AS 2016-003)**

CONDITION

As part of completing procedures over bank reconciliations, we noted that the June 2017 reconciliation of the primary checking account listed stale-dated and/or potentially invalid transactions of more than twelve months old totaling \$2,813 in uncleared deposits and \$4,559 in uncleared disbursements. The majority of these items were not cleared last year as management was not familiar with the process to remove these items.

CRITERIA

Proper internal controls over financial reporting and good accounting practices require that the cash accounts be reconciled every month and the reconciling items are a true reflection of valid, outstanding items. In addition, Section 61057, NMSA 1978 requires local public bodies to cancel checks that are unpaid for one year after they become payable.

CAUSE

The Association was unsure how to properly clear stale dated transactions.

EFFECT

Stale dated or invalid outstanding transactions misrepresent the actual cash account balances. In addition, the Association may not be in compliance with state statute regarding to the cancellation of stale dated checks.

RECOMMENDATION

The Association should implement procedures to review outstanding transactions regularly and resolve as necessary.

MANAGEMENT RESPONSE

The Association will make arrangements with our technical assistance provider to remove the unearned deposits and checks made in error that are still in the system. This technical service issue surrounding the cleanup of duplicate and or incorrect deposits and checks will be accomplished in January 2018. The Operations manager will be responsible for the scheduling of the services.

**MORA MUTUAL DOMESTIC WATER AND SEWER ASSOCIATION
EXIT CONFERENCE
JUNE 30, 2017**

An exit conference was held by teleconference on December 12, 2017 to discuss the agreed upon procedures. Attending were the following:

Representing the Mora Mutual Domestic Water and Sewer Association

Board of Directors

Elauterio Trujillo, President

Management

Clarence Aragon, Operations Manager

Representing the Independent Accountant:

Scott Peck, CPA