

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

**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED UPON PROCEDURES REPORT**

FOR THE FISCAL YEAR ENDING JUNE 30, 2019



STATE OF NEW MEXICO
MORA MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION
AGREE UPON PROCEDURES
JUNE 30, 2019

TABLE OF CONTENTS

Official Roster.....	1
Independent Accountants' Report on Applying Agreed Upon Procedures.....	2
Supplemental Attachments:	
Procedures Performed and Related Results.....	3
Schedule of Revenues and Expenditures - Budget and Actual - Budget Basis.....	10
<u>Year End Financial Reports Submitted to DFA:</u>	
Profit and Loss Budget vs Actual.....	11
Schedule of Findings and Responses.....	12
Exit Conference.....	15

**STATE OF NEW MEXICO
MORA MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION
AGREE UPON PROCEDURES
JUNE 30, 2019**

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. Brian Colón, 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 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 5 requirements as of June 30, 2019. 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 supplemental attachments.

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 5 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 "MP Group, Inc." followed by a stylized flourish.

December 10, 2019

Tier 5 Agreed-Upon Procedures

This engagement is to be performed pursuant to the AICPA Statements on Standards for Attestation Engagements (Clarified), AT-C Section 215 for agreed-upon procedures engagements.

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 5.

2. Cash

Procedure:

- 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.

Findings:

The Association has two checking accounts at a bank and one savings account held with two different credit unions. One checking account serves as the Association’s primary operating account. 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) Test at least 30% of the bank reconciliations for accuracy. Also trace ending balances to the general ledger, supporting documentation, and the financial reports submitted to DFA-Local Government Division.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION
AGREE UPON PROCEDURES
JUNE 30, 2019**

2. CASH (Continued)

Findings:

We selected five bank reconciliations for the Association's primary operating and money market account to test for accuracy: July 31, 2018, November 30, 2018, February 28, 2019, April 30, 2019, and June 30, 2019. Reconciliations appear to be complete and tied to the bank account statement for the checking account.

We selected two quarterly bank reconciliations for the Association's secondary checking and savings account to test for accuracy: September 30, 2018 and March 31, 2019. 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 50% pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM 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.

4. Revenue

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.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION
 AGREE UPON PROCEDURES
 JUNE 30, 2019**

4. Revenue (Continued)

Findings:

We compared actual to budget for each type of revenue.

	FY 2019 Budget	FY 2019 Actual	Variance
Water Sales	\$ 110,100	\$ 111,576	\$ 1,476
Sewage fees	62,000	61,616	(384)
Late Fees and Penalties	7,000	22,302	15,302
Interest/dividends	1,000	215	(785)
Total	\$ 180,100	\$ 195,709	\$ 15,609

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 variance from prior year. 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 records on; cash basis, modified accrual basis, or accrual basis.

Findings:

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

	<u>Revenues Tested</u>
Water Sales	\$ 44,378.66
Sewer Sales	13,236.14
Fees & Penalties	1,870.11
Total	\$ 59,484.91

No exceptions were noted testing the attributes above. We noted that the deposit was traced to the bank statements, but the monthly billing summary are not reconciled to the QuickBooks on a monthly basis, See Finding 2019-001

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION
 AGREE UPON PROCEDURES
 JUNE 30, 2019**

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 the amount recorded as disbursed agrees to adequate supporting documentation. Verify that the amount, payee, date and description agree to the vendor’s invoice, purchase order, contract and canceled check, as appropriate.
- b) Determine that the 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).

Note: The sample must be representative of the population.

Findings:

We 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 and the tested all the samples over or close to \$2,000. The Transactions represent 35.5% of the total expenditures in the fiscal year. The above attributes tested without exception for all transactions. The attributes tested without exception for all transactions.

	Expenditures Tested
Liability Insurance	\$ 10,179.00
Secreterial/Clerical	3,787.50
Professional Fees	2,116.31
Electricity	3,928.13
Payroll expenses	44,852.30
Total	\$ 65,101.24

6. Journal Entries

Procedure:

Test all non-routine journal entries, adjustments, and reclassifications posted to the general ledger for the following attributes:

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

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION
AGREE UPON PROCEDURES
JUNE 30, 2019**

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.

7. Budget

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

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 the answer is yes, report a compliance finding.

Findings

The Association's total expenditures did not exceed the final budget at the total fund level. Actual expenditures were 32,602 less than budgeted expenditures.

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.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION
AGREE UPON PROCEDURES
JUNE 30, 2019**

8. Capital Outlay Appropriations

The scope of the agreed-upon procedures engagement shall encompass any and all state-funded capital outlay appropriations of the New Mexico Legislature that meet Tier 5 criteria. Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the fiscal year that meet the Tier 5 criteria. Perform the following tests on all state-funded capital outlay expenditures:

Procedure:

- 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.
- b) Determine that the cash disbursements were properly authorized and approved in accordance 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 and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).
- d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.
- e) Verify that status reports were submitted to the state agency charged with oversight per the terms of the agreement and verify that the amounts in the status report agree with the general ledger and other 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.
- g) If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and the agreement with the grantor.
- 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.
- 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.

Findings:

During fieldwork there were no instances that came to our attention which indicated any instances of state funded capital outlay appropriations.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION
AGREE UPON PROCEDURES
JUNE 30, 2019**

9. Other

Procedure:

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 all required content detailed in Section 2.2.2.10(L)

NMAC.

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 SEWAGE WORKS ASSOCIATION
 AGREE UPON PROCEDURES
 JUNE 30, 2019**

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

	<u>Jul '18 - Jun 19</u>	<u>Budget</u>	<u>\$ Over Budget</u>
Ordinary Income/Expense			
Income			
000- Water User Fees	111,880	110,100	1,780
001- Sewer Usage Fees	61,616	62,000	(384)
002- Non Member User Fees	-	-	-
004- Fees and Penalties	13,961	7,000	6,961
005- Interest/ Dividends	215	1,000	(785)
009- Meter Reading Adjustments	(2,479)	-	(2,479)
Uncategorized Income	8,341	-	8,341
Transfers from reserves	-	15,000	(15,000)
Total Income	<u>193,534</u>	<u>195,100</u>	<u>(1,566)</u>
Gross Profit	193,534	195,100	(1,566)
Expense			
Water service expense	32,402	23,909	(8,493)
Sewer service expense	35,669	34,879	(790)
License and permits	-	550	550
Tools and other	92	500	408
Auto expense	3,574	3,850	276
Payroll expense	69,828	74,506	4,678
Office expense	10,142	10,825	683
Bank fees	121	-	(121)
Utilities	2,074	1,800	(274)
Travel	520	1,000	480
Professional fees	2,116	8,000	5,884
Insurance	10,417	10,500	83
Management-other	808	-	(808)
Debt service principal	-	23,208	23,208
Property tax	1,308	-	(1,309)
Debt service interest	13,958	1,000	(12,958)
Reconciliation discrepancies	52	-	(51)
Uncategorized	50	-	(50)
Total Expense	<u>183,131</u>	<u>194,527</u>	<u>11,396</u>
Net Ordinary Income	<u>10,403</u>	<u>573</u>	<u>944</u>
Net Income	<u>10,403</u>	<u>573</u>	<u>944</u>

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION
 AGREE UPON PROCEDURES
 July 1, 2018 THROUGH June 30, 2019**

PROFIT AND LOSS BUDGET VS. ACTUAL

	NM DFA-LGD Reported			
	<u>July'18- Jun'19</u>	<u>Budget</u>	<u>Over/under Budget</u>	<u>% of Budget</u>
Revenue				
Water Sales (Water Use Fees)	111,880	110,100	(1,780)	102%
Sewage Usage fees	61,616	62,000	384	99%
Membership and meter sales (Utility service fees)	2,950	-	(2,950)	-
Late fees and penalties (Other Fines and Forfeits)	11,011	7,000	(4,011)	157%
Interest and dividends	215	1,000	785	22%
Power service charge	5,862	-	(5,862)	-
Transfer from reserves	-	15,000	15,000	-
Total Revenue	193,534	195,100	1,566	1%
Expenditures				
Water service expense	32,402	23,909	(8,493)	136%
Sewer service expense	35,669	34,879	(790)	102%
License and permits	-	550	550	0%
Tools and other	92	500	408	18%
Auto expense	3,574	3,850	276	93%
Payroll expense	69,828	74,506	4,678	94%
Office expense	10,364	10,825	461	96%
Utilities	2,074	1,800	(274)	115%
Travel	520	1,000	480	52%
Professional fees	2,925	8,000	5,075	37%
Insurance	10,417	10,500	83	99%
Debt service principal	-	23,208	23,208	0%
Debt service interest	13,958	1,000	(12,958)	1396%
Fixed expenses taxes	1,308	-	(1,308)	-
Total Expenditures	183,131	194,527	11,396	94%
Excess Revenues Over Expenditures	10,403	573	(9,830)	

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION
AGREE UPON PROCEDURES
JUNE 30, 2019**

CURRENT STATUS ON PRIOR YEAR FINDINGS:

N/A

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION
AGREE UPON PROCEDURES
JUNE 30, 2019**

CURRENT YEAR FINDINGS:

2019-001 Reconciliation of Billing System to QuickBooks (Significant Deficiency)

Condition:

The Association has support for the deposit for a particular day, but upon review of the monthly billing summary of the Association's Enhance system. We noted that there are discrepancies every month that are not reconciled.

Criteria:

Good internal controls require that if there are two separate systems to account for billings, payments and other adjustments. The Association must reconcile the activity of the two systems to ensure that all activity has been properly recorded.

Effect:

The Association books do not agree to the billing system by \$4,901.

Cause:

The Association was not aware that a reconciliation process was required.

Recommendation:

The Association must design a process to reconcile the difference between the two systems

Management's response

We agree with the finding. We created a reconciliation process with the assistance of the CPA and will perform the monthly reconciliation starting in the July 2019.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION
AGREE UPON PROCEDURES
JUNE 30, 2019**

Finding 2019-002 – Late Submission of Report (Other non-compliance)

Condition:

The Tier 5 Agreed Upon Procedures report for the year ended June 30, 2019, was submitted to the State Auditor late.

Criteria:

Tier 5 reports are required to be submitted to the Office of the State Auditor within five months after the end of the fiscal year.

Effect:

The Agreed Upon Procedures report for the year ended June 30, 2019 was submitted late.

Cause:

The Office manager was not able to complete the management representation letter in a timely manner.

Recommendation:

The Office manager should work on the representation letter to ensure the report is submitted timely to the Office of the State Auditor.

Management's response

The Board concurs with the finding. The Office Manager will schedule with the CPA firm to ensure that representation can be completed in a timely manner.

**MORA MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION
AGREE UPON PROCEDURES
JUNE 30, 2019**

EXIT CONFERENCE

An exit conference was held by teleconference on December 10, 2019 to discuss the agreed upon procedures and the compiled financial statements. 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