

STATE OF NEW MEXICO

Apple Orchard Mutual Domestic  
Water Consumers Association

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

DECEMBER 31, 2019



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## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO**  
**APPLE ORCHARD MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**  
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**YEAR ENDED DECEMBER 31, 2019**

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**STATE OF NEW MEXICO**  
**APPLE ORCHARD MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**  
**OFFICIAL ROSTER**  
**YEAR ENDED DECEMBER 31, 2019**

<u>Name</u>	<u>Association Board</u>	<u>Title</u>
Ammon Burton		President
Sam Gonzales		Vice President
Doug Bryan		Secretary/Treasurer
Maggie Starkey		Member

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**FINANCIAL SECTION**



# Manning Accounting and Consulting Services, LLC

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Brian Colón  
New Mexico State Auditor  
and  
Members of the Board and Management  
Apple Orchard Mutual Domestic Water Consumers Association  
Bloomfield, New Mexico

We have performed the procedures enumerated below, which were agreed to by the State of New Mexico and Apple Orchard Mutual Domestic Water Consumers Association (Association), solely to assist you with respect to the Association's compliance for a Tier 4 engagement of the Audit Act (Section 12-6-1 NMSA 1978 et seq.) with respect to the Association's cash and capital assets as of December 31, 2019 and the Association's revenues, expenditures, and budget for the year ended December 31, 2019. The Association's management is responsible for the company's accounting records and financial information. The 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 this report. The procedures were agreed to by the Association through the NM Office of the State Auditor. 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.

We were engaged to perform the following agreed-upon procedures for the period January 01, 2019 to December 31, 2019 and our procedures and results are as follow:

### 1. **Tiered System Reporting**

#### **Procedures:**

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."

#### **Results:**

We reviewed the public body's revenue calculations and tier determination and determined that the Association is subject to a Tier 4 engagement.

### 2. **Cash**

#### **Procedures:**

- 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.
- b. Test at least 30% 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.



- 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.

**Results:**

- a. We obtained copies of all bank reconciliations from January 2019 through December 2019. Bank balances tied to the general ledger detail, and the bank statements had been signed and dated by a member of the board. There are bank statements and reconciliations for all 12 months of the checking account and four statements (quarterly) for the savings account.
- b. We selected four months for review – March, June, September, and December – for the checking account and two months for review – June and December – for the savings account. We traced reconciled items for those months to determine that they were properly cleared. We inspected all cancelled check images and deposit slips returned with the bank statements to compare actual names and amounts with the manual ledger. We traced and agreed ending balances to the manual ledger. The final report sent to the DFA-Local Government Division did agree to the final general ledger and trial balance.
- c. We reviewed balances at each month end to determine if sufficient pledged collateral had been provided on all uninsured funds. No balances exceeded the FDIC coverage limit of \$250,000 during the year, so no exceptions were noted in these procedures.

**3. Capital Assets**

**Procedures:**

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

**Results:**

The Association did complete a yearly inventory of its capital assets and had those assets certified by its board. All capital assets of the Association are land, a small frame building, water tanks, and infrastructure related to the water system which is buried.

**4. Revenue**

**Procedures:**

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

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

Select a sample of revenues equal to at least 30% of the total dollar amount and test using 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.

**Results:**

- a. We identified the nature and sources of revenue and performed an analytical review of those revenue sources. Total revenues of \$120,962 were less than budgeted revenues of \$147,000, a variation of 17.7% on the year. Individual revenue sources varied in the following ways:
  - Water user fees were short of budget by -12.7%, \$104,749 of actual sales versus \$120,000 of budgeted revenues for water sales.

- Membership fees were \$10,437 for the year versus budgeted revenues for membership fees of \$20,000, a difference of -47.8%.
  - The Association budgeted Gross Receipts Tax revenue of \$7,000 and received \$5,757 in revenues, a difference of 17.8%.
  - Finally, the Association had \$19 of interest income which was not budgeted.
- b. We tested Association revenues on a cash basis, which is the basis it uses for accounting purposes, for proper classification, amount, and period and that proper supporting documentation exists and it is recorded properly in the general ledger.:
- i. The Associations receipts during 2019 relates almost exclusively to water fees and membership fees and the related gross receipts taxes. A total of 144 deposits were made over the year. We selected the 13 largest deposits plus 22 additional deposits for review totaling \$40,489, or 33.5% of total receipts. No exceptions were noted and all revenues were properly categorized and recorded.
- c. All revenue classifications were proper, the amounts agreed to supporting documentation and bank statements, and amounts agreed to manual ledger amounts and were recorded in the proper periods. No exceptions were noted.

## 5. Expenditures

### **Procedures:**

Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test using 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 cancelled 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).

### **Results:**

We selected the seven largest disbursements for the period plus eighteen randomly selected disbursements for a total of 25 disbursements tested of the 87 total disbursements over the period. Total disbursements were \$78,606, and the 25 items selected accounted for \$35,154, or 44.7% of total disbursements.

- a. We tested each disbursement to ascertain the following:
  - Vendor invoice is clerically accurate
  - Purchase order (P.O.) is clerically accurate and initiated by purchasing agent prior to commitment of funds
  - Amount and payee per check agree to P.O. and invoice
  - P.O. is supported by proper quote or bid documentation as required by State Purchasing Requirements
  - Traced to general ledger
  - Does not violate Anti-Donation Laws
  - Receiving documents identify items received and when and who received them and that items are OK to pay

We tested all disbursements according to the above criteria. The items had proper documentation, except that the Association does not create purchase orders. See finding NM 2017-001 Purchase Orders.

- b. All disbursements included checks which were signed by two directors of the board. Total expenditures are within budgetary balances.
- c. The Association does not issue purchase orders. See finding NM 2017-001 Purchase Orders.

**6. Journal Entries**

**Procedures:**

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 procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

**Results:**

- a. The Association had no journal entries in 2019 as they maintain a manual journal.
- b. No procedures established as the Association had no journal entries.

**7. Budget**

**Procedures:**

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

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

**Results:**

- a. The Association did establish a budget which was submitted to the DFA-LGD. The Association did not complete any budget adjustments during the year. The three quarterly reports and the final report were also submitted to the DFA-LGD.
- b. The Association did establish a budget, and they did not exceed their final budget authority during the year.
- c. A Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis) – Proprietary Fund was created and may be found on page 8 of this report.

**8. Other**

**Procedures:**

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 detailed in Section 2.2.2.10(L) NMAC.

**Results:**

No exceptions were found as a result of applying the procedures described above (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies.

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 Association's cash and capital assets as of December 31, 2019 and the Association's revenue, expenditures, and budget for the year ended December 31, 2019. 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, others within the Association, the State Auditor, the New Mexico Department of Finance and Administration – Local Government Division, and the New Mexico Legislature and is not intended to be and should not be used by anyone other than these specified parties.

*Manning Accounting and Consulting Services, LLC*

Manning Accounting and Consulting Services, LLC  
Kirtland, New Mexico  
March 12, 2020

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**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
**APPLE ORCHARD MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET**  
**AND ACTUAL (NON - GAAP BUDGETARY BASIS)**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDING DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<i>Revenues:</i>				
Water sales	\$ 120,000	\$ 120,000	\$ 104,749	\$ (15,251)
Membership fees	20,000	20,000	10,437	(9,563)
Gross receipts tax	7,000	7,000	5,757	(1,243)
<i>Total revenues</i>	<u>147,000</u>	<u>147,000</u>	<u>120,962</u>	<u>(26,038)</u>
<i>Expenses:</i>				
Dues, fees, permits, and license	1,000	1,000	-	1,000
Field supplies	4,500	4,500	461	4,039
Insurance expense	3,200	3,200	2,209	991
Labor	30,000	30,000	30,000	-
Office supplies	3,150	3,150	2,128	1,022
Miscellaneous	50,000	50,000	37,089	12,911
Professional fees	8,000	8,000	717	7,283
Repairs and maintenance	12,000	12,000	534	11,466
Taxes	7,000	7,000	5,468	1,532
Training	1,000	1,000	-	1,000
<i>Total expenses</i>	<u>119,850</u>	<u>119,850</u>	<u>78,606</u>	<u>41,244</u>
<i>Excess (deficiency) of revenues</i> <i>over (under) expenditures</i>	<u>27,150</u>	<u>27,150</u>	<u>42,356</u>	<u>15,206</u>
<i>Other financing sources (uses):</i>				
Designated cash	<u>79,619</u>	<u>79,619</u>	<u>-</u>	<u>79,619</u>
<i>Total other financing sources (uses)</i>	<u>79,619</u>	<u>79,619</u>	<u>-</u>	<u>79,619</u>
<i>Net change in fund balance</i>	106,769	106,769	42,356	94,825
<i>Cash - beginning of year</i>	<u>79,619</u>	<u>79,619</u>	<u>79,619</u>	<u>-</u>
<i>Cash - end of year</i>	<u>\$ 186,388</u>	<u>\$ 186,388</u>	<u>\$ 121,975</u>	<u>\$ 15,206</u>

MDWCA Name:  
Mailing Address:  
Email Address:  
Phone number:

Apple Orchard MDWCA  
P. O. Box 1607  
rocwalk13@gmail.com  
505-632-7306

Calendar Year  
2019

	APPROVED BUDGET	1st QR: Jan - Mar	2nd QR: Apr - Jun	3rd QR: Jul - Sept	4th QR: Oct - Dec	Year to Date(YTD) Totals	YTD (over/under BUDGET	% of Budget
<b>Beginning balances:</b>								
Cash	73,111							
Savings	6,508							
CDs								
Investments								
<b>Beginning Balance TOTAL</b>	<b>\$ 79,619</b>							
<b>REVENUES</b>								
Water Sales (Water Use Fees)	120,000	25,885	26,463	25,437	26,964	104,749	15,251	87%
Connection/Reconnection Charges						0	0	-
Membership and Meter Sales (Utility Service Fees)	20,000	3,633	2,037	2,186	2,581	10,437	9,583	52%
Late Fees and Penalties (Other Fines and Forfeits)						0	0	-
Gross Receipts Tax (Other State shared taxes)	7,000	1,475	1,425	1,381	1,476	5,757	1,243	82%
Other Operating Revenue (miscellaneous - other)		1	1	1	16	19	(19)	-
<b>TOTAL</b>	<b>\$ 147,000</b>	<b>30,994</b>	<b>29,926</b>	<b>29,005</b>	<b>31,037</b>	<b>120,962</b>	<b>28,038</b>	<b>82%</b>
<b>EXPENDITURES</b>								
Salaries - Operator, Bookkeeper, etc.	30,000	7,500	7,500	7,500	7,500	30,000	0	100%
Employee Benefits and Expenses						0	0	-
Electricity						0	0	-
Other Utilities - Gas, Water Sewer, Telephone						0	0	-
System Parts and Supplies	4,500	50		243	168	461	4,039	10%
System Repairs and Maintenance	12,000	395	139	0	0	534	11,466	4%
Vehicle Expenses						0	0	-
Office and Administrative Expenses	3,150	421	635	476	598	2,128	1,022	68%
Professional Services - Accounting, Engineering, Legal	8,000	0		577	140	717	7,283	9%
Insurance	3,200	0	2,209	0	0	2,209	891	69%
Dues, Fees, Permits and Licenses	1,000	0		0	0	0	1,000	0%
Taxes - Gross Receipts Tax, Water Conservation Fee	7,000	1,254	1,509	1,437	1,268	5,468	1,532	78%
Training	1,000	0				0	1,000	0%
Miscellaneous	50,000	9,148	8,739	9,781	9,421	37,089	12,911	74%
Annual debt service - Loan 1						0	0	-
Annual debt service - Loan 2						0	0	-
<b>TOTAL</b>	<b>\$ 119,850</b>	<b>18,768</b>	<b>20,731</b>	<b>20,014</b>	<b>19,093</b>	<b>78,606</b>	<b>41,244</b>	<b>66%</b>
<b>Ending Balance</b>	<b>106,769</b>					<b>121,975</b>		
LESS: Operating Reserve	2,000							
Emergency Reserve	4,000							
Capital Improvement Reserve								
Debt Reserve								
<b>Ending Available Cash Balance</b>	<b>\$ 100,769</b>					<b>\$ 121,975</b>		

I HEREBY CERTIFY THE CONTENTS IN THIS REPORT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND THAT THIS REPORT DEPICTS ALL FUNDS.

\_\_\_\_\_  
President/Chairperson

1-14-20  
\_\_\_\_\_  
Date



State of New Mexico  
Apple Orchard MDWCA  
Resolution 20200114

Calendar Year 2019 Final Quarter, Year-to-date Financial Report  
Calendar Year Ending December 31, 2019

WHEREAS, the Governing Board in and for Apple Orchard MDWCA,  
State of New Mexico, has developed a budget for Calendar Year 2020; and

WHEREAS, the final quarterly report has been reviewed and approved to ensure the accuracy of  
the beginning balances used on the Calendar Year 2020 budget; and

WHEREAS, it is hereby certified that the contents in this report are true and correct to the best  
of our knowledge and that this report depicts all funds for the Calendar Year 2019,

NOW THEREFORE, BE IT HEREBY RESOLVED the Board of  
Apple Orchard MDWCA,  
State of New Mexico, hereby approves the final year-to-date quarterly report for  
Calendar Year 2019 and  
respectfully requests approval from the Local Government Division of the Department of  
Finance and Administration.

RESOLVED: in the Governing Board Session this 14th, of January 2020.

Attest:

Apple Orchard MDWCA Governing Body

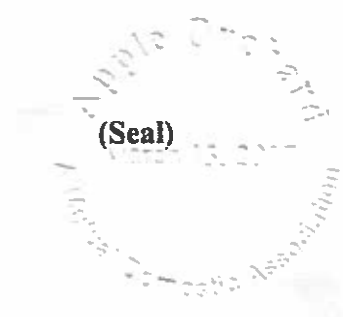
\_\_\_\_\_  
Clerk

  
\_\_\_\_\_  
Chair/President

  
\_\_\_\_\_  
Member

  
\_\_\_\_\_  
Member

  
\_\_\_\_\_  
Member



**STATE OF NEW MEXICO**  
APPLE ORCHARD MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2019

**Section I – 12-6-5 NMSA 1978 Findings**

**NM 2017-001 – Purchase Orders (Other Non-compliance) Repeated and Modified**

***Criteria:* 13-1-157 NMSA 1978 Receipt; inspection; acceptance or rejection of deliveries.**

The using agency is responsible for inspecting and accepting or rejecting deliveries. **The using agency shall determine whether the quantity is as specified in the purchase order or contract and whether the quality conforms to the specifications referred to or included in the purchase order or contract.** If inspection reveals that the delivery does not conform to the quantity or quality specified in the purchase order or contract, the using agency shall immediately notify the central purchasing office. The central purchasing office shall notify the vendor that the delivery has been rejected and shall order the vendor to promptly make a satisfactory replacement or supplementary delivery. In case the vendor fails to comply, the central purchasing office shall have no obligation to pay for the nonconforming items of tangible personal property. If the delivery does conform to the quantity and quality specified in the purchase order or contract, the using agency shall certify to the central purchasing office that delivery has been completed and is satisfactory.

***Condition:*** During our review of disbursements we noted the following issues:

- In 13 of the 25 transactions there was no purchase order created to encumber the funds expended.

In the previous year there were 12 instances where there was no purchase order, 2 instances where invoice and payment did not match and 9 instances with no receiving documents. The Association has made some progress.

***Cause:*** The Association was unaware of the state purchasing guidelines affecting local public bodies which require the issuance of a purchase order for all purchases prior to committing or expending funds or that proper notations for receiving need be completed on all items.

***Effect:*** Purchases may be made without proper review and approval by those charged with oversight of Association funds.

***Auditor's Recommendation:*** We recommend that the Association begin issuing purchase orders for all purchases. This will provide assurance that an authorized individual is receiving approval for the products and services purchased by the District.

***Responsible official's view:***

- Specific corrective action plan for finding:  
**The Association was first made aware of the requirement for a purchase order system in July 2019.**
- Timeline for completion of corrective action plan:  
**The Board of Apple Orchard established a purchase order document and began issuing purchases orders in January 2020. This issue has been corrected.**
- Employee position(s) responsible for meeting the timeline:  
**Secretary/Treasurer**

**STATE OF NEW MEXICO**  
APPLE ORCHARD MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
OTHER DISCLOSURES  
FOR THE YEAR ENDED DECEMBER 31, 2019

**Exit Conference**

The contents of this report were discussed on March 12, 2020. The following individuals were in attendance.

Apple Orchard Mutual Domestic Water Consumers Association

Doug Bryan, Board Secretary/Treasurer  
Cliffa Bryan

Manning Accounting and Consulting Services, LLC

Byron R. Manning, CPA, Managing Partner