

STATE OF NEW MEXICO

Apple Orchard Mutual Domestic  
Water Consumers Association

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

DECEMBER 31, 2018



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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, 2018**

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**STATE OF NEW MEXICO**  
**APPLE ORCHARD MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**  
**OFFICIAL ROSTER**  
**YEAR ENDED DECEMBER 31, 2018**

<u>Name</u>	<u>Association Board</u>	<u>Title</u>
Ammon Burton		President
Sam Gonzales		Vice President
Doug Bryan		Secretary/Treasurer
Mariclare McCoy		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, 2018 and the Association's revenues, expenditures, and budget for the year ended December 31, 2018. 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, 2018 to December 31, 2018 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 2018 through December 2018. Bank balances tied to the general ledger detail, and the bank statements had been signed and dated by a member of the board. We reviewed four months of the checking account – March, June, September, and December – and two reconciliations of the savings account – June and December. The savings account only had three statements for the year – June, September, and December.
- 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 general ledger. We traced and agreed ending balances to the general ledger. The final report sent to the DFA-Local Government Division did not agree to the final general ledger and trial balance. See finding NM 2017-002 Submission of Required Budgets and Reports to the Department of Finance and Administration.
- 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 not complete a yearly inventory of its capital assets and have those assets certified by its board. All capital assets of the Association are infrastructure related to the water system which are buried. The Association was unaware that it needed to do an annual inventory and have that inventory certified by its board. See finding NM 2017-003 Annual Physical Inventory.

**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 \$141,616 exceeded budgeted revenues of \$140,558 by 0.8% on the year. Individual revenue sources varied in the following ways:

- Water sales exceeded budget by 2.2% - \$94,685 of actual sales versus \$92,621 of budgeted revenues for water sales.
  - Membership fees were \$40,189 for the year versus budgeted revenues for membership fees of \$41,377, a difference of -2.9%.
  - The Association budgeted Gross Receipts Tax revenue of \$6,560 and received \$6,742 in revenues, a difference of 2.8%.
- b. We tested the following revenue sources on a cash basis which is how the Association maintains its records:
- i. Membership fees – The Associations receipts during 2018 relates almost exclusively to water fees and membership fees. A total of 200 deposits were made over the year. We selected the 28 largest deposits plus 12 additional deposits for review totaling \$54,469, or 38.5% 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 general 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 eleven largest disbursements for the period plus fourteen randomly selected disbursements for a total of 25 disbursements tested of the 102 total disbursements over the period. Total disbursements were \$95,649, and the 25 items selected accounted for \$54,585, or 57.1% 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 disbursement according to the above criteria. The items had proper documentation, except that the Association does not create purchase orders. Two payments were made where the

payment amount differed from the invoice amount. See finding NM 2017-001 Purchase Orders and Payment Authorization regarding this issue.

- b. The Association didn't have indication of receiving on nine of the twenty-five items tested. However, all disbursements included checks which were signed by two directors of the board. Total expenditures are within budgetary balances. See finding NM 2017-001 Purchase Orders and Payment Authorization regarding this issue.
- c. During our review of procedures related to the Procurement Code, we noted no exceptions to the bidding process as no products or services requiring quotes or bids were purchased during this year.

## 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 2018.
- 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 also completed on budget adjustment 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 6 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, 2018 and the Association's revenue, expenditures, and budget for the year ended December 31, 2018. 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  
November 26, 2019

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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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<i>Revenues:</i>				
Water sales	\$ 63,360	\$ 92,621	\$ 94,685	\$ 2,064
Membership fees	-	41,377	40,189	(1,188)
Gross receipts tax	-	6,560	6,742	182
<i>Total revenues</i>	<u>63,360</u>	<u>140,558</u>	<u>141,616</u>	<u>1,058</u>
<i>Expenses:</i>				
Dues, fees, permits, and license	550	1,250	781	469
Electricity	1,800	-	-	-
Field supplies	-	2,688	3,081	(393)
Insurance expense	3,000	3,000	2,149	851
Labor	30,000	30,000	30,000	-
Office supplies	1,665	2,265	1,980	285
Miscellaneous	-	46,700	43,827	2,873
Other utilities	3,006	-	3,011	(3,011)
Professional fees	3,000	3,000	1,890	1,110
Repairs and maintenance	15,000	15,000	8,886	6,114
Taxes	-	9,300	9,615	(315)
Training	1,200	1,200	-	1,200
Wastewater lagoons	-	3,006	-	3,006
<i>Total expenses</i>	<u>59,221</u>	<u>117,409</u>	<u>105,220</u>	<u>12,189</u>
<i>Excess (deficiency) of revenues</i> <i>over (under) expenditures</i>	<u>4,139</u>	<u>23,149</u>	<u>36,396</u>	<u>13,247</u>
<i>Other financing sources (uses):</i>				
Designated cash	43,223	43,223	-	43,223
<i>Total other financing sources (uses)</i>	<u>43,223</u>	<u>43,223</u>	<u>-</u>	<u>43,223</u>
<i>Net change in fund balance</i>	47,362	66,372	36,396	56,470
<i>Cash - beginning of year</i>	<u>43,223</u>	<u>43,223</u>	<u>43,223</u>	<u>-</u>
<i>Cash - end of year</i>	<u>\$ 90,585</u>	<u>\$ 109,595</u>	<u>\$ 79,619</u>	<u>\$ 13,247</u>

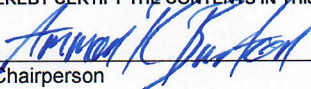
**MDWCA Name:**  
**Mailing Address:**  
**Email Address:**  
**Phone number:**

Apple Orchard MDWCA  
P. O. Box 1607  
rocwalk15@gmail.com  
505-632-7306

**Calendar Year**  
2018

	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	42,716							
Savings	507							
CDs								
Investments								
<b>Beginning Balance TOTAL</b>	<b>\$ 43,223</b>							
<b>REVENUES</b>								
Water Sales (Water Use Fees)	92,621	20,769	23,852	23,749	26,315	94,685	(2,064)	102%
Connection/Reconnection Charges						0	0	-
Membership and Meter Sales (Utility Service Fees)	41,377	20,077	10,800	4,663	4,649	40,189	1,188	97%
Late Fees and Penalties (Other Fines and Forfeits)						0	0	-
Gross Receipts Tax (Other State shared taxes)	6,560	2,042	1,732	1,420	1,548	6,742	(182)	103%
Other Operating Revenue (miscellaneous - other)						0	0	-
<b>TOTAL</b>	<b>\$ 140,558</b>	<b>42,888</b>	<b>36,384</b>	<b>29,832</b>	<b>32,512</b>	<b>141,616</b>	<b>(1,058)</b>	<b>101%</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	3,006	752	753	753	753	3,011	(5)	100%
System Parts and Supplies	2,688	1,677	411	227	766	3,081	(393)	115%
System Repairs and Maintenance	15,000	2,909	1,743	3,807	427	8,886	6,114	59%
Vehicle Expenses						0	0	-
Office and Administrative Expenses	2,265	813	410	257	500	1,980	285	87%
Professional Services - Accounting, Engineering, Legal	3,000	367	893	70	560	1,890	1,110	63%
Insurance	3,000	0	2,149	0	0	2,149	851	72%
Dues, Fees, Permits and Licenses	1,250		781	0	0	781	469	62%
Taxes - Gross Receipts Tax, Water Conservation Fee	9,300	3,120	2,042	1,732	2,721	9,615	(315)	103%
Training	1,200					0	1,200	0%
Miscellaneous	46,700	13,802	10,063	9,518	10,444	43,827	2,873	94%
<b>Loans</b>								
Annual debt service - Loan 1						0	0	-
Annual debt service - Loan 2						0	0	-
<b>TOTAL</b>	<b>\$ 117,409</b>	<b>30,940</b>	<b>26,745</b>	<b>23,864</b>	<b>23,671</b>	<b>105,220</b>	<b>12,189</b>	<b>90%</b>
<b>Ending Balance</b>	<b>66,372</b>					<b>79,619</b>		
LESS: Operating Reserve	1,500							
Emergency Reserve	1,500							
Capital Improvement Reserve	1,000							
Debt Reserve								
<b>Ending Available Cash Balance</b>	<b>\$ 62,372</b>					<b>\$ 79,619</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

1-8-19  
\_\_\_\_\_  
Date



**State of New Mexico  
Apple Orchard MDWCA  
Resolution 20190108**

**Calendar Year 2018 Final Quarter, Year-to-date Financial Report  
Calendar Year Ending December 31, 2018**

**WHEREAS**, the Governing Board in and for **Apple Orchard MDWCA**, State of New Mexico, has developed a budget for **Calendar Year 2019**; and

**WHEREAS**, the final quarterly report has been reviewed and approved to ensure the accuracy of the beginning balances used on the **Calendar Year 2019** 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 2018**,

**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 2018** and respectfully requests approval from the Local Government Division of the Department of Finance and Administration.

**RESOLVED:** in the Governing Board Session this 8th, of January 2019.

**Attest:**

**Apple Orchard MDWCA Governing Body**

\_\_\_\_\_

**Clerk**

*Annalinda Berda*

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

*Sheryl*

\_\_\_\_\_  
**Member**

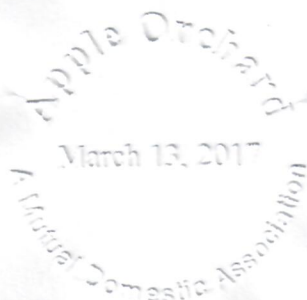
*Doug Bryan*

\_\_\_\_\_  
**Member**

*Maniela Mc Coy*

\_\_\_\_\_  
**Member**

**(Seal)**



**STATE OF NEW MEXICO**  
APPLE ORCHARD MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2018

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

**NM 2017-001 – Purchase Orders and Payment Authorization (Other Non-compliance) Repeated and Revised**

***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.

Additionally, [13-1-158 NMSA 1978](#) states:

**“No warrant, check or other negotiable instrument shall be issued in payment for any purchase of services, construction or items of tangible personal property unless the central purchasing office or the using agency certifies that the services, construction or items of tangible personal property have been received and meet specifications or unless prepayment is permitted under [Section 13-1-98](#) NMSA 1978 by exclusion of the purchase from the Procurement Code [ [13-1-28](#) NMSA 1978].”**

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

- In 12 of the 25 transactions there was no purchase order was created to encumber the funds expended.
- In 2 of the 25 items reviewed the invoice amount and the payment amount did not match
  - In the first instance the invoice amount was \$344.80 payment was for \$330.53
  - In the second instance the invoice was \$3,676.85 payment was for \$3,731.97
- In 9 of the 25 transactions reviewed there was no receiving documentation.

The Association came into existence in October 2017 and didn't have their first agreed-upon procedures engagement until 2019 and were unaware of the requirement to create purchase orders or document receiving. As such, no progress was made on resolving this finding between 2017 and 2018 because the Association didn't know of the requirement until 2019.

***Cause:*** Association personnel have not followed state guidelines for the payment of services. Policy clearly states that the Association must have a signed purchase order in place prior to receiving goods and or services and that there is a receiving document to verify goods and services are received.

***Effect:*** Internal control over expenditures and the ability of responsible parties to appropriately monitor budgets for which they bear responsibility may be compromised. Not being in compliance with these requirements places the Association and the Board at risk for fraud or misuse of public funds

***Auditor's Recommendation:*** We recommend that all personnel be reminded of, or trained in, state policy in regards to payment of goods, services, or construction. All Association personnel need to be aware that a purchase order must be approved prior to expenditure of monies for goods and services and that all goods and services should be signed for indicating when items were received and by whom.

**STATE OF NEW MEXICO**  
**APPLE ORCHARD MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**Section I – 12-6-5 NMSA 1978 Findings (Continued)**

**NM 2017-001 – Purchase Orders and Payment Authorization (Other Non-compliance) Repeated and Revised (Continued)**

*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 will begin research for an acceptable system of purchase orders during the Dec. 10, 2019 Board meeting.**
  
- Employee position(s) responsible for meeting the timeline:  
**Secretary/Treasurer**

**STATE OF NEW MEXICO**  
APPLE ORCHARD MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2018

**Section I – 12-6-5 NMSA 1978 Findings (Continued)**

**NM 2017-003 – Annual Physical Inventory (Other Non-compliance) Repeated and Revised**

*Criteria:* 12-6-10 NMSA. Annual inventory.

A. The governing authority of each agency shall, at the end of each fiscal year, conduct a physical inventory of movable chattels and equipment costing more than five thousand dollars (\$5,000) and under the control of the governing authority. This inventory shall include all movable chattels and equipment procured through the capital program fund under Section 15-3B-16 NMSA 1978, which are assigned to the agency designated by the director of the facilities management division of the general services department as the user agency. The inventory shall list the chattels and equipment and the date and cost of acquisition. No agency shall be required to list any item costing five thousand dollars (\$5,000) or less. Upon completion, the inventory shall be certified by the governing authority as to correctness. Each agency shall maintain one copy in its files. At the time of the annual audit, the state auditor shall ascertain the correctness of the inventory by generally accepted auditing procedures.

*Condition:* The Association did not do a physical inventory which was detailed and certified by the Board for the year ended December 31, 2018.

The Association came into existence in October 2017 and didn't have their first agreed-upon procedures engagement until 2019 and were unaware of the requirement to do an annual physical inventory and have that inventory certified by its board. As such, no progress was made on resolving this finding between 2017 and 2018 because the Association didn't know of the requirement until 2019.

*Cause:* The Association was unaware of the requirement to perform an annual physical inventory that is certified by its Board.

*Effect:* The Association is not in compliance with state statutes with regards to completing an annual physical inventory that is certified by the Board.

*Auditor's Recommendation:* We recommend that the Association record its assets in a detail register and complete an annual physical inventory which will be certified by the Board at its annual meeting to be in compliance with state statutes.

***Responsible Official's Plan:***

- Specific corrective action plan for finding:  
**The Association was made aware that annual inventories are required during this audit.**
- Timeline for completion of corrective action plan:  
**The Association will make the annual inventory an agenda item for the annual Board meetings held each January.**
- Employee position(s) responsible for meeting the timeline:  
**Secretary/Treasurer**

**STATE OF NEW MEXICO**  
APPLE ORCHARD MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2018

**Section I – 12-6-5 NMSA 1978 Findings (Continued)**

**NM 2017-004 – Late Submission of IPA Recommendation Form and Agreed-Upon Procedures Contract (Other Non-compliance) Repeated and Revised**

**Criteria:** 2.2.2.8 F(8)(f) NMAC requires local public bodies that qualify for the tiered system pursuant to Subsections A and B of 2.2.2.16 NMAC and have fiscal year-end other than June 30<sup>th</sup> to follow the procedures at Subsection D of 2.2.2.16 NMAC and submit the required recommendation for tiered system local public bodies and the completed signed agreed upon procedures contract to the state auditor by December 1<sup>st</sup> of the year under review.

**Condition:** Apple Orchard Mutual Domestic Water Consumers Association (Association) did not complete this process in a timely manner.

The Association came into existence in October 2017 and didn't have their first agreed-upon procedures engagement until 2019 and were unaware of the requirement to select an IPA to do an agreed-upon procedures engagement. As such, no progress was made on resolving this finding between 2017 and 2018 because the Association didn't know of the requirement until 2019.

**Cause:** The Association was unaware that they were required to select an IPA and complete an agreed-upon procedures contract. As such, they did not meet the December 1, 2018 deadline.

**Effect:** The submission of the form and the contract to the State Auditor was late.

**Auditor's Recommendation:** We recommend that the Association complete the IPA recommendation form and agreed-upon procedures contract by the statutory deadline.

**Responsible Official's Plan:**

- Specific corrective action plan for finding:  
**Training and assistance from the RCAC has made the Association aware of the deadline.**
- Timeline for completion of corrective action plan:  
**The Association is aware and has scheduled reports to meet the deadline.**
- Employee position(s) responsible for meeting the timeline:  
**Secretary/Treasurer**

**STATE OF NEW MEXICO**  
**APPLE ORCHARD MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**Section I – 12-6-5 NMSA 1978 Findings (Continued)**

**NM 2017-005 – Late Submission of Agreed-Upon Procedures Report (Other Non-compliance) (Repeated and Revised)**

**Criteria:** 2.2.2.9 A(1)(j) NMAC requires local public bodies that qualify for the tiered system pursuant to Subsections A and B of 2.2.2.16 NMAC and have a fiscal year-end other than June 30<sup>th</sup> to file their agreed-upon procedures report according to Subsection I of 2.2.2.16 NMAC which is no more than five months after the fiscal year-end (June 1<sup>st</sup>).

**Condition:** Apple Orchard Mutual Domestic Water Consumers Association (Association) did not complete the agreed-upon procedures report in a timely manner.

The Association came into existence in October 2017 and didn't have their first agreed-upon procedures engagement until 2019 and were unaware of the requirement to have an agreed-upon procedures engagement and to have the report of that agreed-upon procedures engagement returned by the required due date. As such, no progress was made on resolving this finding between 2017 and 2018 because the Association didn't know of the requirement until 2019.

**Cause:** The Association was unaware that they were subject to the Audit Rule and required to submit an agreed-upon procedures report. As such, they did not meet the June 1, 2019 deadline.

**Effect:** The submission of the agreed-upon procedures report to the State Auditor was late.

**Auditor's Recommendation:** We recommend that the Association complete the agreed-upon procedures report by the June 1<sup>st</sup> deadline.

**Responsible Official's Plan:**

- Specific corrective action plan for finding:  
**Training and assistance from the RCAC has made the Association aware of the deadline.**
- Timeline for completion of corrective action plan:  
**The Association is aware and has scheduled reports to meet the deadline.**
- Employee position(s) responsible for meeting the timeline:  
**Secretary/Treasurer**

**STATE OF NEW MEXICO**  
APPLE ORCHARD MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2018

**Section II – Prior Year Findings**

**Financial Statement Findings**

FS 2017-001 – Bank Reconciliation Procedures – Resolved

**12-6-5 NMSA Findings**

NM 2017-001 – Purchase Orders and Payment Authorization – Repeated and Revised

NM 2017-002 – Submission of Required Budgets and Reports to the Department of Finance and Administration (DFA) – Resolved

NM 2017-003 – Annual Physical Inventory – Repeated and Revised

NM 2017-004 – Late Submission of IPA Recommendation Form and Agreed-Upon Procedures Contract – Repeated and Revised

NM 2017-005 – Late Submission of Agreed-Upon Procedures Report – Repeated and Revised

**STATE OF NEW MEXICO**  
APPLE ORCHARD MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION  
OTHER DISCLOSURES  
FOR THE YEAR ENDED DECEMBER 31, 2018

**Exit Conference**

The contents of this report were discussed on November 26, 2019. The following individuals were in attendance.

Apple Orchard Mutual Domestic Water Consumers Association  
Doug Bryan, Board Secretary/Treasurer

Manning Accounting and Consulting Services, LLC  
Byron R. Manning, CPA, Managing Partner