

**State of New Mexico  
Liberty Mutual Domestic Water System Association, Inc.**

**Independent Accountants' Report on  
Applying Agreed-Upon Procedures**

**Year Ended December 31, 2018**

**Dan Austin CPA, PC  
700 Mechem Drive Ste. 15  
Ruidoso, NM 88345**

**STATE OF NEW MEXICO**  
**Liberty Mutual**  
**Domestic Water System Inc.**  
**Table of Contents**  
**December 31, 2018**

Table of Contents	1
Official Roster	2
Financial Section	
Independent Accountants' Report on Applying Agreed Upon Procedures	4
Scope of Procedures and Results	5
Schedule of Revenues and Expenditures - Budget and Actual (Cash Basis)	9
Year-End Financial Report Submitted to DFA	10
Schedule of Findings, Responses, Exit Conference and Other Information	11

**STATE OF NEW MEXICO  
Liberty Mutual  
Domestic Water System Inc.  
Official Roster  
December 31, 2018**

**Board Of Supervisors**

Wayne Huffman	President
Pablo Lopez	Vice President
Nola Hendrickson	Member
Royden Lopez	Member
Clayton Kehnemund	Member

**District Staff**

Michelle Jaynes	Secretary/Treasurer
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## Financial Section

Dan Austin CPA, PC  
700 Mechem Drive Ste. 15  
Ruidoso, NM 88345  
505-257-0081

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES**

Wayne Huffman, President and  
The Board of Directors  
Liberty Mutual Domestic Water System Association, Inc.  
and Honorable Brian Colón, New Mexico State Auditor

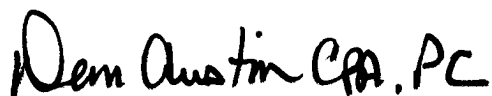
We have performed the procedures enumerated below for the Liberty Mutual Domestic Water System Association, Inc. (LMDWSA), for the year ended December 31, 2018. The LMDWSA was determined to be a Tier 4 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by the LMDWSA through the Office of the New Mexico State Auditor. The Liberty Mutual Domestic Water System Association, Inc.'s management is responsible for the organization's accounting records. 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.

Our procedures and results are detailed under Scope of Procedures and Results as noted in the table of contents.

Our findings related to the procedures in the Scope of Procedures and Results are presented in the accompanying schedule of findings and responses as listed in the table of contents.

This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not conduct an examination or review, the objective of which would be an expression of an opinion or conclusion, respectively on the District's financial position and operations as of and 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 those parties specified in the report.

This report is intended solely for the information and use of Liberty Mutual Domestic Water System Association, Inc., the New Mexico State Auditor's Office, the New Mexico State Legislature and the New Mexico Department of Finance and Administration-LGD and is not intended to be and should not be used by anyone other than those specified parties.



Dan Austin CPA, PC  
Ruidoso, New Mexico  
December 10, 2019

**Liberty Mutual Domestic Water System Association, Inc.**  
**Scope of Procedures and Results**  
**December 31, 2018**

- 1. Verify the local public body's revenue calculation and tier determination documented on the provided at [www.osanm.org](http://www.osanm.org) under "Tiered System Reporting Main Page."**

The above mentioned revenue calculation and tier determination was accurate. Total revenue per instructions for tier determination was \$66,253 requiring a Tier 4 agreed upon procedures report.

- 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 (DFA-LGD).
- (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.

Findings:

- (a) The LMDWSA has one operational bank accounts, two operational savings accounts and one certificate of deposit. It utilizes local account firm to prepare internal financial statements and reconcile bank accounts. All bank reconciliations are performed within days of receiving the bank statements and all were complete and on-hand.
- (b) Tests of six bank reconciliations (50%) on one operational account revealed that the reconciliations were accurate and agreed with supporting documentation and with the quarterly financial reports submitted to DFA-LGD. Examination of savings accounts and certificate of deposit was completed. No discrepancy was noted.
- (c) All uninsured deposits were secured per requirements of Section 6-10-17 NMSA 1978. No exceptions noted.

- 3. Capital Assets**

Procedures:

Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA1978.

Findings:

The LMDWSA has no movable chattel in excess of \$5,000. No inventory was completed.

#### **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% based of 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:**

- (a) Analytical review and test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed no exceptions.
- (b) We tested 100% of revenues recorded in general ledger agreed with deposit slips and other supporting documentation provided and to the bank statements without exception.
- (c) We tested \$66,253 or 100% of revenues amounts recorded internal financial statements. All amounts recorded agreed with supporting documentation and the amounts were properly recorded on a cash basis as to classification, amount and period per review of supporting documentation. No exceptions noted.

#### **5. Expenditures**

##### **Procedures:**

Select a sample of cash disbursements equal to 30% of 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 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 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Findings:

- (a) We tested 100% transactions totaling \$63,718. The amounts disbursed agreed with supporting documentation, amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and cancelled check, as appropriate. No exceptions noted.
- (b) All disbursements tested were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures. No exceptions noted.
- (c) Disbursement test work revealed no exceptions to the 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 13-1-99 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC ) were tested when applicable.

**6. Journal Entries**

Procedures:

Test all non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items 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:

- (a) The financial records of Liberty Mutual Domestic Water System Association, Inc. indicated that journal entries were prepared by the outside accounting firm and appeared reasonable. No exceptions noted.
- (b) All Journal entries are reviewed by Treasurer and the Board of Directors

**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 total actual expenditures exceeded the final budget at the legal level of budgetary control; if 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.

Findings:

- (a) A review of the minutes revealed that the original budget was approved by the LDMWCA and the DFA-LGD. The subsequent budget adjustments which were approved by the DFA-LGD. No exceptions noted.
- (b) Total actual expenditures did not exceed the final budget at the total fund level, the legal level of budgetary control. No exceptions noted.
- (c) A schedule of revenues and expenditures - budget and actual was prepared on the cash budgetary basis used by the LDMWCA. See page 9.

**8. Other**

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, disclose in the report as required by Section, 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10 (L)NMAC.

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.

**State of New Mexico  
Liberty Mutual Domestic Water System Association, Inc.  
Schedule of Revenues and Expenditures-  
Budget and Actual (Non-GAAP Cash Basis)  
December 31, 2018**

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Water Sales	\$ 30,000	\$ 30,000	\$ 25,756	\$ (4,244)
Connection/Reconnection Fees	500	500	-	(500)
Membership/Meter Sales	41,000	41,000	39,060	(1,940)
Late Fees and Penalties	1,000	1,000	742	(258)
Gross Receipts Tax	3,600	3,600	-	(3,600)
Other Operating Revenue	52,159	52,159	695	(51,464)
Total revenue	<u>128,259</u>	<u>128,259</u>	<u>66,253</u>	<u>(62,006)</u>
<b>Expenditures:</b>				
Water Purchases	29,000	29,000	30,605	(1,605)
Salaries and Benefits	15,150	15,150	14,519	631
Employee Benefits	1,475	1,475	1,272	203
Electricity	650	650	182	468
System Parts and Supplies	750	750	-	750
System Repairs and Maintenance	12,396	12,396	8,702	3,694
Office and Administrative	1,750	1,750	1,280	470
Professional Services	55,020	55,020	2,352	52,668
Insurance	4,000	4,000	3,674	326
Dues, Fees, Permits	250	250	908	(658)
Taxes, Gross Receipts and Water Conservation	3,600	3,600	-	3,600
Training	400	400	152	248
Miscellaneous	29,000	29,000	72	28,928
Debt Service	6,205	6,205	-	6,205
Total expenditures	<u>159,646</u>	<u>159,646</u>	<u>63,718</u>	<u>95,928</u>
<b>Excess (deficiency) of revenue and cash over expenditures</b>	<b>(31,387)</b>	<b>(31,387)</b>	<b>\$ 2,535</b>	<b>\$ <u>33,922</u></b>
Budget Cash Carryover	<u>40,366</u>	<u>40,366</u>	40,366	
Budget Ending Cash	<u>\$ 8,979</u>	<u>\$ 8,979</u>		
Other adjustments			-	
Ending Cash			<u>\$ 42,901</u>	

**STATE OF NEW MEXICO**  
**LIBERTY MUTUAL DOMESTIC WATER SYSTEM ASSOCIATION, INC.**  
**Year End Financial Report Submitted to DFA**  
**Year Ended December 31, 2018**

**MDWCA Name:** Liberty MDWCA  
**Mailing Address:** P.O. Box 1661  
**Email Address:** libertywater@mail.com  
**Phone number:** 575-815-9015

**Calendar Year**  
**2018**

	<b>APPROVED BUDGET</b>	<b>1st QR: Jan - Mar</b>	<b>2nd QR: Apr - Jun</b>	<b>3rd QR: Jul - Sept</b>	<b>4th QR: Oct -Dec</b>	<b>Year to Date(YTD) Totals</b>	<b>YTD (over/under BUDGET</b>	<b>% of Budget</b>
<b>Beginning balances:</b>								
<b>Cash</b>	\$ 4,944.37							
<b>Savings</b>	\$ 5,215.21							
<b>CDs</b>	\$ 30,206.37							
<b>Investments</b>								
<b>Beginning Balance TOTAL</b>	\$ 40,366							
<b>REVENUES</b>								
Water Sales (Water Use Fees)	\$ 30,000.00	(3,191)	548	(1,680)	(526)	(4,849)	34,849	-16%
Connection/Reconnection Charges	\$ 500.00				0	0	500	0%
Membership and Meter Sales (Utility Service Fees)	\$ 41,000.00	9,888	9,792	9,690	9,690	39,060	1,940	95%
Late Fees and Penalties (Other Fines and Forfeits)	\$ 1,000.00			305	437	742	258	74%
Gross Receipts Tax (Other State shared taxes)	\$ 3,600.00					0	3,600	0%
Other Operating Revenue (miscellaneous - other)	\$ 52,159.00	0	25	196	473	695	51,464	1%
<b>TOTAL</b>	\$ 128,259	6,697	10,366	8,511	10,074	35,648	92,611	28%
<b>EXPENDITURES</b>								
Salaries - Operator, Bookkeeper, etc.	\$ 15,150.00	3,573	3,573	3,799	3,573	14,519	631	96%
Employee Benefits and Expenses	\$ 1,475.00	307	319	326	319	1,272	203	86%
Electricity	\$ 650.00	97		85		182	468	28%
Other Utilities - Gas, Water, Sewer, Telephone	\$ -					0	0	-
System Parts and Supplies	\$ 750.00	0				0	750	0%
System Repairs and Maintenance	\$ 12,396.00	2,578	962	2,581	2,581	8,702	3,694	70%
Vehicle Expenses	\$ -					0	0	-
Office and Administrative Expenses	\$ 1,750.00	227	540	278	235	1,280	470	73%
Professional Services - Accounting, Engineering, Legal	\$ 55,020.00	22	0	1,155	1,176	2,352	52,668	4%
Insurance	\$ 4,000.00	715	245	2,043	671	3,674	326	92%
Dues, Fees, Permits and Licenses	\$ 250.00	633	44	34	196	908	(658)	363%
Taxes - Gross Receipts Tax, Water Conservation Fee	\$ 3,600.00					0	3,600	0%
Training	\$ 400.00		66		86	152	248	38%
Miscellaneous	\$ 29,000.00	7	54	12		72	28,928	0%
Annual debt service - Loan 1	\$ 6,205.00					0	6,205	0%
Annual debt service - Loan 2						0	0	-
<b>TOTAL</b>	\$ 130,646	8,158	5,804	10,313	8,838	33,113	97,533	25%
<b>Ending Balance</b>	37,979					42,901		
LESS: Operating Reserve								
Emergency Reserve	\$ 35,727.00							
Capital Improvement Reserve								
Debt Reserve	\$ 12,912.15							
<b>Ending Available Cash Balance</b>	\$ (10,660)					\$ 42,901		

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.

Wayne Huffman  
 President/Chairperson

2/11/2019  
 Date

**STATE OF NEW MEXICO  
LIBERTY MUTUAL DOMESTIC WATER SYSTEM ASSOCIATION, INC.  
Schedule of Findings, Responses, Exit Conference and Other Information  
Year Ended December 31, 2018**

**Prior Year Audit Findings:**

**None**

**Current Year Findings**

**2018-001 Late Report submission**

**Condition**

The Association failed to contract with an independent accountant and complete the engagement prior to the May 31, 2019 due date.

**Criteria**

The New Mexico State Audit Rule requires all Mutual Domestic Water Associations to be completed within five months of year end if the entity's fiscal year is a calendar year.

**Effect**

Non-Compliance with the New Mexico State Audit Rule.

**Cause**

Previous contracted independent accountant did not respond to inquiry and management did not contract with new Independent accountant

**Recommendation**

Develop a list of contractors and contract on a timely basis.

**Response**

The Association has contracted with Independent accountant for the 2019 fiscal year.

**Expected Response Completion Date** Complete at submission      **Responsible Party** Treasurer

## EXIT CONFERENCE

The report contents were discussed at a telephonic exit conference with the officials of Liberty Mutual Domestic Water System Association, Inc. on December 12, 2019. The following in attendance:

### Liberty Mutual Domestic Water System Association, Inc.

Wayne Huffman, President  
Michelle Jaynes, Secretary/Treasurer

### Accounting Firm

Dan Austin, CPA

## OTHER INFORMATION

The financial statement of Liberty Mutual Domestic Water System Association, Inc. was prepared by Dan Austin CPA, PC from books and records of the District with assistance of the management of the District.

Although standards strongly emphasize the District should prepare its own financial statements, the consensus between the Management and the independent accountant was that it would be more time and cost effective for the independent account to prepare the financial statement enclosed in this report. Accordingly, the District designated a competent management level individual to oversee the independent accountant's services, make management decisions and perform all management functions. The District reviewed, approved and accepted responsibility for the accompanying financial statement and any related notes and schedules which were prepared from the underlying accounting records which adequately support the financial statement in accordance with accounting principles generally accepted in the United States of America.