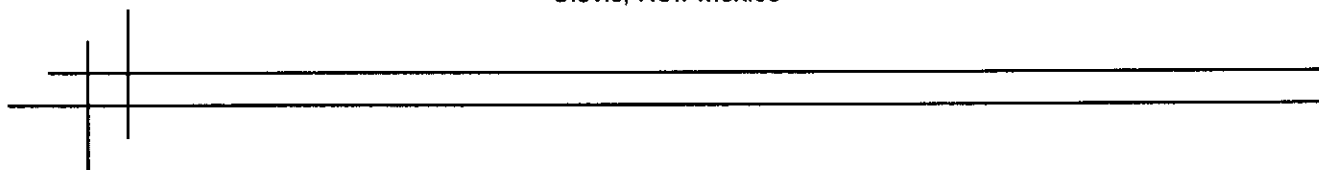




Liberty Mutual Domestic Water System Association, Inc.
Tucumcari, New Mexico

Independent Accountants' Report on
Applying Agreed-Upon Procedures
December 31, 2014

De'Aun Willoughby CPA, PC
Certified Public Accountant
Clovis, New Mexico



Liberty Mutual Domestic Water System Association, Inc.
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For the Year Ended December 31, 2014

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Liberty Mutual Domestic Water System Association, Inc.
Official Roster
December 31, 2014

BOARD OF DIRECTORS

Wayne Huffman	President
Pablo Lopez	Vice-President
Jeannette Maddaford	Secretary/Treasurer
Royden Lopez	Member
Clayton Kehnemund	Member

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace, Clovis, NM 88101

(855) 253-4313

Independent Auditor's Report on Applying Agreed Upon Procedures

Mr. Tim Keller
State Auditor of the State of New Mexico
Board Members of Liberty Mutual Domestic Water System Association, Inc.

We have performed the procedures enumerated below for Liberty Mutual Domestic Water System Association, Inc. (LWDWSA), for the year ended December 31, 2014. LWDWSA was determined to be a Tier 4 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978. The procedures were agreed to by LWDWSA through the Office of the New Mexico State Auditor. LMDWSA'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 findings are as follows:

1. Cash

- 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) Perform a random test 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:

LSDWSA has one checking account, one money market account, and two CD's. All bank reconciliations are performed within days of receiving the bank statements and all were complete and on-hand. The reconciliations were accurate, agreed to the general ledger and financial reports submitted to DFA. The cash in the banks was fully insured by FDIC.

2. Capital Assets

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

Results:

LWDWSA does not perform a yearly inventory because it does not have movable chattels and equipment costing more than five thousand dollars. This verification does not apply.

3. Revenue

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 based on auditor judgment 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:

Analytical review and test of actual revenue compared to budgeted revenue for the year for each type of revenue revealed no exceptions. Amounts recorded in the general ledger agreed with supporting documentation and bank statements.

Amounts were properly recorded on the cash basis as to classification, amount and period per review of supporting documentation.

4. Expenditures

Select a sample of cash disbursements based on auditor judgment 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
- 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:

The test sample of 24 expenditures were recorded as disbursed and agreed to supporting documentation. Amount paid, payee, date and description agreed with the vendor's invoice, purchase order, contract and cancelled check, as appropriate.

Disbursements were property authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

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) were not violated.

5. Journal Entries

If 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.

Results:

A review of all journal entries are reasonable, have supporting documentation and have evidence they have been reviewed.

6. Budget

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 if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, 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:

Total actual expenditures did not exceed the final total budgeted expenditures at the fund level, the legal level of budgetary control.

A schedule of revenues and expenditures-budget and actual was prepared on the cash budgetary basis.

Other

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 per Section 2.2.2.10(l)(3)(C) NMAC.

No additional information came to our attention indicating fraud, illegal acts, noncompliance or internal control deficiencies.

We were not engaged to and did not conduct an audit or examination of the subject matter, the objective of which would be the expression of an opinion on the LWDWSA's compliance with results of procedures required of a Tier 4 examination. Accordingly, we do not express such an opinion. 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 the management, the board members, the Office of the State Auditor, the Department of Finance and Administration, and the New Mexico State Legislature and is not intended to be and should not be used by anyone other than these specified parties.

DeAnn Willoughby CPA PC

Clovis, New Mexico
May 29, 2015

Liberty Mutual Domestic Water System Association, Inc.
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2014

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Water Sales	\$ 23,000	\$ 23,000	\$ 20,909	\$ (2,091)
Service	40,000	40,000	38,071	(1,929)
Late Charges	500	500	346	(154)
Interest Income	450	450	413	(37)
Miscellaneous	300	300	661	361
Total Revenues	<u>64,250</u>	<u>64,250</u>	<u>\$ 60,400</u>	<u>\$ (3,850)</u>
Budgeted Cash	<u>2,396</u>	<u>2,396</u>		
Total Revenues and Cash	<u>\$ 66,646</u>	<u>\$ 66,646</u>		
Expenditures				
Water Purchases	26,500	26,500	24,118	2,382
Operating Supplies	1,500	1,500	1,107	393
System Repairs	1,000	1,000	0	1,000
Salaries	15,541	15,541	12,307	3,234
Contractual Services	2,000	2,000	120	1,880
Payroll Taxes	1,280	1,280	1,110	170
Insurance	2,600	2,600	2,519	81
Accounting Fees	0	0	6,541	(6,541)
Office	0	0	1,524	(1,524)
Interest	1,009	1,009	1,008	1
Miscellaneous	3,000	3,000	1,147	1,853
Depreciation	12,216	12,216	12,121	95
Total Expenditures	<u>\$ 66,646</u>	<u>\$ 66,646</u>	<u>\$ 63,622</u>	<u>\$ 3,024</u>

Liberty Mutual Domestic Water System Association, Inc.
Schedule of Findings and Responses
December 31, 2014

Prior Year Audit Findings

Status

2010-3 Budget and Report Submission to DFA
2010-5 Late Agreed-Upon Procedures Report

Resolved
Resolved

Current Year Audit Findings

None

Exit Conference

An exit conference was held on May 29, 2015. Those present were Jeannette Maddaford, Treasurer and De'Aun Willoughby, CPA.

R. KELLY MCFARLAND, CPA, PC
CERTIFIED PUBLIC ACCOUNTANT
314 SOUTH SECOND STREET
TUCUMCARI, NEW MEXICO 88401
(575) 461-1195

To the Board of Directors
Liberty Mutual Domestic Water Sys. Assoc
Tucumcari, NM 88401

ACCOUNTANT'S COMPILATION REPORT

I have compiled the accompanying statement of assets, liabilities, and members' equity - income tax basis of Liberty Mutual Domestic Water Sys. Assoc (a non-profit corporation), as of December 31, 2014, and the related statements of revenues and expenses - income tax basis for the three months ended December 31, 2014, and for the year-to-date ended December 31, 2014. The financial statements have been prepared on the accounting framework used by the Association for income tax purposes, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the income tax basis framework of accounting.

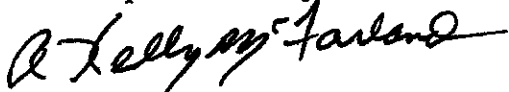
Management is responsible for the preparation and fair presentation of the financial statements in accordance with the income tax basis framework of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The supplementary information appearing on pages 5 and 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been compiled from information that is the representation of management. I have not audited or reviewed the supplementary information, and, accordingly, do not express an opinion or provide any assurance on such supplementary information.

Management has elected to omit substantially all of the disclosures and Statement of Changes in Members' Equity ordinarily included in financial statements prepared in accordance with the income tax basis framework of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Association's assets, liabilities, members' equity, revenues, and expenses. Accordingly, the financial statements are not designed for those who are not informed about such matters.

I am not independent with respects to Liberty Mutual Domestic Water Sys. Assoc.


R. Kelly McFarland
Certified Public Accountant

January 14, 2015

Liberty Mutual Domestic Water Sys. Assoc
STATEMENT OF ASSETS, LIABILITIES AND
MEMBERS' EQUITY - INCOME TAX BASIS
As of December 31, 2014

ASSETS

2014

CURRENT ASSETS

Cash In Bank - Wells Fargo Bank	\$ 6,387.98
CD-Everyone's Federal C.U.	25.77
CD-Tuc. Federal Savings & Loan	34,581.63
Debt Service-Wells Fargo Bank	10,957.18
Accounts Receivable	<u>4,807.37</u>

Total Current Assets 56,759.93

PROPERTY AND EQUIPMENT

Land	2,834.66
Equipment, Tools & Meters	41,821.88
Line & Storage	353,790.08
Less: Accumulated Depreciation	<u>(269,405.02)</u>

Net Property and Equipment 129,041.58

TOTAL ASSETS \$ 185,801.51

See Accountant's Compilation Report.

Liberty Mutual Domestic Water Sys. Assoc
STATEMENT OF ASSETS, LIABILITIES AND
MEMBERS' EQUITY - INCOME TAX BASIS
As of December 31, 2014

LIABILITIES AND MEMBERS' EQUITY

2014

CURRENT LIABILITIES	
Fica OASDI Payable	\$ 357.47
Federal Withholding Taxes Pay	37.35
FICA Medicare Payable	83.61
State Unemp. Taxes Payable	23.06
Fed. Unemp. Taxes Payable	70.04
Gross Receipts Tax Payable	212.79
Customer Deposits	6,439.30
Current Portion LT Debt-EID	<u>5,352.71</u>
Total Current Liabilities	<u>12,576.33</u>
LONG-TERM LIABILITIES	
N/P - EID	<u>23,065.56</u>
Total Long-Term Liabilities	<u>23,065.56</u>
Total Liabilities	<u>35,641.89</u>
MEMBERS' EQUITY	
Members' Equity	<u>150,159.62</u>
Total Members' Equity	<u>150,159.62</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 185,801.51</u>

See Accountant's Compilation Report.

Liberty Mutual Domestic Water Sys. Assoc
STATEMENT OF REVENUES AND EXPENSES

INCOME TAX BASIS

For the 3 Months Ended December 31, 2014
 For the 12 Months Ended December 31, 2014

	CURRENT YEAR			
	Quarter	%	Year-to-Date	%
Revenues				
Water Sales	\$ 4,063.08	28.60%	\$ 20,909.28	34.62%
Maint/Service Meters	9,332.33	65.68%	38,071.28	63.03%
Late Charges	64.57	0.45%	345.78	0.57%
Connect/Reconnect Fees	0.00	0.00%	200.00	0.33%
Miscellaneous Income	462.03	3.25%	<u>462.03</u>	0.76%
Interest Income	168.34	1.18%	<u>413.35</u>	<u>0.68%</u>
Less Refunds	118.30	0.83%	<u>(1.33)</u>	<u>0.00%</u>
Total Revenues	<u>14,208.65</u>	<u>100.00%</u>	<u>60,400.39</u>	<u>100.00%</u>
Cost of Sales				
Water Purchases	5,911.59	41.61	24,117.74	39.93
Operating Supplies/Repairs	0.00	0.00	1,106.51	1.83
Contract System Repairs	0.00	0.00	0.00	0.00
Total Cost of Sales	<u>5,911.59</u>	<u>41.61%</u>	<u>25,224.25</u>	<u>41.76%</u>
Gross Profit	<u>8,297.06</u>	<u>58.39%</u>	<u>35,176.14</u>	<u>58.24%</u>

See Accountant's Compilation Report.

Liberty Mutual Domestic Water Sys. Assoc
STATEMENT OF REVENUES AND EXPENSES

INCOME TAX BASIS

For the 3 Months Ended December 31, 2014
 For the 12 Months Ended December 31, 2014
CURRENT YEAR

	Quarter	%	Year-to-Date	%
Expenses				
Bad Debts	0.00	0.00%	71.82	0.12%
Bank Charges	12.00	0.08%	12.00	0.02%
Contractual Services	0.00	0.00%	120.00	0.20%
Depreciation	3,024.79	21.29%	12,121.00	20.07%
Dues and Subscriptions	192.02	1.35%	217.02	0.36%
Freight	16.50	0.12%	33.36	0.06%
Interest Expense	0.00	0.00%	1,008.45	1.67%
Insurance	0.00	0.00%	2,519.00	4.17%
Accounting Expense	713.64	5.02%	6,541.29	10.83%
Maintenance and Repairs	0.00	0.00%	94.00	0.16%
Office Expense	464.00	3.27%	959.06	1.59%
Postage	151.00	1.06%	565.58	0.94%
Salaries	2,882.91	20.29%	12,306.54	20.37%
Operating Supplies	77.28	0.54%	369.93	0.61%
Taxes and Licenses	0.00	0.00%	10.00	0.02%
Payroll Taxes	257.08	1.81%	1,109.82	1.84%
Utilities	89.08	0.63%	338.97	0.56%
Total Expenses	<u>7,880.30</u>	<u>55.46%</u>	<u>38,397.84</u>	<u>63.57%</u>
REVENUE IN EXCESS				
(DEFICIENCY) OF EXPENSES	<u>\$ 416.76</u>	<u>2.93%</u>	<u>\$ (3,221.70)</u>	<u>(5.33)%</u>

See Accountant's Compilation Report.

SUPPLEMENTARY INFORMATION

Liberty Mutual Domestic Water Sys. Assoc
SCHEDULE I
REVENUES AND EXPENSES COMPARED WITH BUDGET
For the Twelve Months ended December 31, 2014

	Year-To-Date December 31, 2014	YE 2014 Budget	Remaining YE 2014 Budget Favorable (Unfavorable)
Revenues			
Water Sales	\$ 20,909.28	\$ 23,000.00	\$ (2,090.72)
Maint/Service Meters	38,071.28	40,000.00	(1,928.72)
Late Charges	345.78	500.00	(154.22)
Connect/Reconnect Fees	200.00	0.00	200.00
Miscellaneous Income	462.03	300.00	162.03
Interest Income	413.35	450.00	(36.65)
Less Refunds	(1.33)	0.00	(1.33)
Total Revenues	<u>60,400.39</u>	<u>64,250.00</u>	<u>(3,849.61)</u>
Cost of Sales			
Water Purchases	24,117.74	26,500.00	2,382.26
Operating Supplies/Repairs	1,106.51	1,500.00	393.49
Contract System Repairs	0.00	1,000.00	1,000.00
Total Cost of Sales	<u>25,224.25</u>	<u>29,000.00</u>	<u>3,775.75</u>
Gross Profit	<u>35,176.14</u>	<u>35,250.00</u>	<u>(73.86)</u>

See Accountant's Compilation Report.

Liberty Mutual Domestic Water Sys. Assoc
SCHEDULE I
REVENUES AND EXPENSES COMPARED WITH BUDGET
For the Twelve Months ended December 31, 2014

	Year-To-Date December 31, 2014	YE 2014 Budget	Remaining YE 2014 Budget Favorable (Unfavorable)
Expenses			
Bad Debts	\$ 71.82	\$ 0.00	\$ (71.82)
Bank Charges	12.00	0.00	(12.00)
Contractual Services	120.00	2,000.00	1,880.00
Depreciation	12,121.00	12,216.00	95.00
Dues and Subscriptions	217.02	0.00	(217.02)
Freight	33.36	0.00	(33.36)
Interest Expense	1,008.45	1,009.00	0.55
Insurance	2,519.00	2,600.00	81.00
Accounting Expense	6,541.29	0.00	(6,541.29)
Maintenance and Repairs	94.00	0.00	(94.00)
Office Expense	959.06	0.00	(959.06)
Postage	565.58	0.00	(565.58)
Salaries	12,306.54	15,541.00	3,234.46
Operating Supplies	369.93	0.00	(369.93)
Taxes and Licenses	10.00	0.00	(10.00)
Payroll Taxes	1,109.82	1,280.00	170.18
Utilities	338.97	0.00	(338.97)
Other Operating Expenses	0.00	3,000.00	3,000.00
Total Expenses	<u>38,397.84</u>	<u>37,646.00</u>	<u>(751.84)</u>
 Revenues In Excess (Deficiency) of Expenses	 <u>\$ (3,221.70)</u>	 <u>\$ (2,386.00)</u>	 <u>\$ (825.70)</u>

See Accountant's Compilation Report.