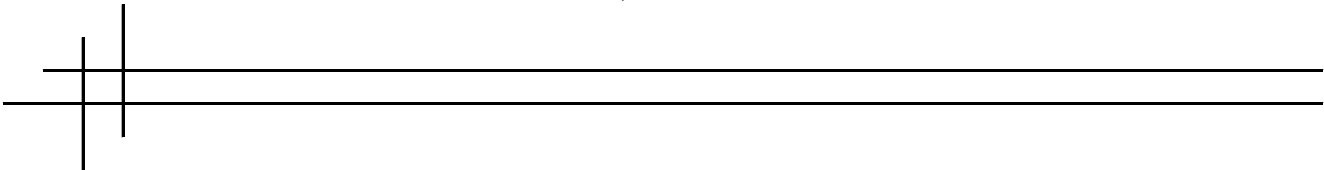




Liberty Mutual Domestic Water System Association, Inc.
Tucumcari, New Mexico

Independent Accountants' Report on
Applying Agreed-Upon Procedures
December 31, 2015

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, 2015

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Liberty Mutual Domestic Water System Association, Inc.
Official Roster
December 31, 2015

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, 2015. 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 one certificate of deposit. 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 accrual 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 seventeen expenditures from a population of one hundred seventy three were recorded as disbursed and agreed to supporting documentation. Amount paid, payee, date and description agreed with the vendor's invoice, contract and cancelled check, as appropriate.

Disbursements were properly 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 accrual 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(I)(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.

De'Ann Willoughby CPA PC

Clovis, New Mexico
May 16, 2016

Liberty Mutual Domestic Water System Association, Inc.

Statement of Revenues and Expenditures Compared to
Budget and Actual (Budgetary Basis)

For the Year Ended December 31, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Water Sales	\$ 24,900	\$ 24,900	\$ 22,825	\$ (2,075)
Service	40,000	40,000	38,417	(1,583)
Fees	900	900	635	(265)
Interest Income	450	450	572	122
Miscellaneous	100	100	41	(59)
Total Revenues	<u>66,350</u>	<u>66,350</u>	<u>\$ 62,490</u>	<u>\$ (3,860)</u>
Budgeted Cash	0	0		
Total Revenues and Cash	<u>\$ 66,350</u>	<u>\$ 66,350</u>		
Expenditures				
Water Purchases	25,500	25,500	27,097	(1,597)
Operating Supplies	1,500	1,500	478	1,022
System Repairs	500	500	542	(42)
Salaries	12,307	12,307	12,209	98
Contractual Services	0	0	790	(790)
Payroll Taxes	1,150	1,150	1,047	103
Insurance	2,800	2,800	3,693	(893)
Accounting Fees	5,024	5,024	2,839	2,185
Office	1,000	1,000	1,111	(111)
Interest	852	852	853	(1)
Miscellaneous	2,245	2,245	2,389	(144)
Depreciation	12,216	12,216	10,709	1,507
Total Expenditures	<u>\$ 65,094</u>	<u>\$ 65,094</u>	<u>\$ 63,757</u>	<u>\$ 1,337</u>

**FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION**

**Liberty Mutual Domestic Water Sys. Assoc
For the quarter and year ended December 31, 2015**

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

Management is responsible for the accompanying financial statements of Liberty Mutual Domestic Water System Association (a non-profit corporation), which comprise the statement of assets, liabilities, and members' equity-tax basis as of December 31, 2015, and the related statement of revenues and expenses-tax basis for the quarter and year then ended, and for determining that the tax basis of accounting is an acceptable financial reporting framework. I have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

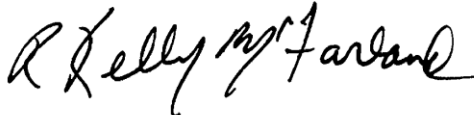
The financial statements are prepared in accordance with the tax basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

Supplementary Information

The supplementary information appearing on pages 7 and 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the representation of management. The information was subject to our compilation engagement, however, I have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such supplementary information.

I am not independent with respect to Liberty Mutual Domestic Water System Association.



R. Kelly McFarland
Certified Public Accountant

January 18, 2016

Liberty Mutual Domestic Water Sys. Assoc
STATEMENT OF ASSETS, LIABILITIES AND
MEMBERS' EQUITY - TAX BASIS
As of December 31, 2015

ASSETS

2015

CURRENT ASSETS

Cash In Bank - Wells Fargo Bank	\$ 4,725 65
CD-Tuc. Federal Savings & Loan	35,149 55
Debt Service-Wells Fargo Bank	15,286 84
Accounts Receivable	<u>5,771 18</u>

Total Current Assets 60,933 22

PROPERTY AND EQUIPMENT

Land	2,834 66
Equipment, Tools & Meters	41,821.88
Line & Storage	353,790.06
Less: Accumulated Depreciation	<u>(280,114.27)</u>

Net Property and Equipment 118,332 33

TOTAL ASSETS \$ 179,265.55

See Accountant's Compilation Report.

Liberty Mutual Domestic Water Sys. Assoc
STATEMENT OF ASSETS, LIABILITIES AND
MEMBERS' EQUITY - TAX BASIS
As of December 31, 2015

LIABILITIES AND MEMBERS' EQUITY

2015

CURRENT LIABILITIES	
Fica OASDI Payable	\$ 354.48
Federal Withholding Taxes Pay	60 00
FICA Medicare Payable	82 90
State Withholding Taxes Payab	10 00
State Unemp. Taxes Payable	9.43
Fed. Unemp. Taxes Payable	73 25
Gross Receipts Tax Payable	254 31
Customer Deposits	6,464 30
Current Portion LT Debt-EID	<u>5,513 29</u>
Total Current Liabilities	<u>12,821.96</u>
LONG-TERM LIABILITIES	
N/P - EID	<u>17,552 27</u>
Total Long-Term Liabilities	<u>17,552 27</u>
Total Liabilities	<u>30,374 23</u>
MEMBERS' EQUITY	
Members' Equity	<u>148,891.32</u>
Total Members' Equity	<u>148,891 32</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 179,265 55</u>

See Accountant's Compilation Report.

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

TAX BASIS

For the 3 Months Ended December 31, 2015
For the 12 Months Ended December 31, 2015

	CURRENT YEAR			
	Quarter	%	Year-to-Date	%
Revenues				
Water Sales	\$ 4,333.37	29.22%	\$ 23,078.57	36.93%
Maint/Service Meters	9,801.57	66.09%	38,417.12	61.48%
Late Charges	114.82	0.77%	384.41	0.62%
Connect/Reconnect Fees	0.00	0.00%	250.11	0.40%
Miscellaneous Income	12.00	0.08%	40.96	0.07%
Interest Income	569.01	3.84%	571.81	0.92%
Less Refunds	0.00	0.00%	(253.96)	(0.41)%
Total Revenues	<u>14,830.77</u>	<u>100.00%</u>	<u>62,489.02</u>	<u>100.00%</u>
Cost of Sales				
Water Purchases	6,899.34	46.52	27,097.44	43.36
Operating Supplies/Repairs	53.47	0.36	477.82	0.76
Contract System Repairs	0.00	0.00	541.88	0.87
Total Cost of Sales	<u>6,952.81</u>	<u>46.88%</u>	<u>28,117.14</u>	<u>45.00%</u>
Gross Profit	<u>7,877.96</u>	<u>53.12%</u>	<u>34,371.88</u>	<u>55.00%</u>

See Accountant's Compilation Report.

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

TAX BASIS

For the 3 Months Ended December 31, 2015

For the 12 Months Ended December 31, 2015

CURRENT YEAR

	Quarter	%	Year-to-Date	%
Expenses				
Bank Charges	0.00	0.00%	3.25	0.01%
Contractual Services	610.00	4.11%	790.00	1.26%
Depreciation	2,663.41	17.96%	10,709.25	17.14%
Dues and Subscriptions	161.30	1.09%	193.53	0.31%
Interest Expense	0.00	0.00%	852.55	1.36%
Insurance	0.00	0.00%	3,693.00	5.91%
Accounting Expense	715.29	4.82%	2,839.48	4.54%
NM 811 Locate Fees	0.00	0.00%	84.80	0.14%
Office Expense	392.31	2.65%	1,110.76	1.78%
Postage	203.00	1.37%	709.86	1.14%
Salaries	2,858.73	19.28%	12,208.96	19.54%
Taxes and Licenses	12.90	0.09%	55.38	0.09%
Payroll Taxes	245.25	1.65%	1,047.42	1.68%
Seminars and Training	(225.00)	(1.52)%	158.16	0.25%
Travel	0.00	0.00%	218.04	0.35%
Utilities	84.86	0.57%	288.88	0.46%
Other Operating Expenses	<u>157.24</u>	<u>1.06%</u>	<u>676.86</u>	<u>1.08%</u>
Total Expenses	<u>7,879.29</u>	<u>53.13%</u>	<u>35,640.18</u>	<u>57.03%</u>
REVENUE IN EXCESS				
(DEFICIENCY) OF EXPENSES	<u>\$ (1.33)</u>	<u>(0.01)%</u>	<u>\$ (1,268.30)</u>	<u>(2.03)%</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, 2015

	Year-To-Date December 31, 2015	YE 2015 Budget	Remaining YE 2015 Budget Favorable (Unfavorable)
Revenues			
Water Sales	\$ 23,078.57	\$ 25,000.00	\$ (1,921.43)
Maint/Service Meters	38,417.12	40,000.00	(1,582.88)
Late Charges	384.41	400.00	(15.59)
Connect/Reconnect Fees	250.11	500.00	(249.89)
Miscellaneous Income	40.96	100.00	(59.04)
Interest Income	571.81	450.00	121.81
Less Refunds	(253.96)	(100.00)	(153.96)
Total Revenues	<u>62,489.02</u>	<u>66,350.00</u>	<u>(3,860.98)</u>
Cost of Sales			
Water Purchases	27,097.44	25,500.00	(1,597.44)
Operating Supplies/Repairs	477.82	1,500.00	1,022.18
Contract System Repairs	541.88	500.00	(41.88)
Total Cost of Sales	<u>28,117.14</u>	<u>27,500.00</u>	<u>(617.14)</u>
Gross Profit	<u>34,371.88</u>	<u>38,850.00</u>	<u>(4,478.12)</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, 2015

	Year-To-Date December 31, 2015	YE 2015 Budget	Remaining YE 2015 Budget Favorable (Unfavorable)
Expenses			
Bad Debts	\$ 0.00	\$ 100.00	\$ 100.00
Bank Charges	3.25	0.00	(3.25)
Contractual Services	790.00	0.00	(790.00)
Depreciation	10,709.25	12,216.00	1,506.75
Dues and Subscriptions	193.53	200.00	6.47
Freight	0.00	50.00	50.00
Interest Expense	852.55	852.00	(0.55)
Insurance	3,693.00	2,800.00	(893.00)
Accounting Expense	2,839.48	5,024.00	2,184.52
NM 811 Locate Fees	84.80	200.00	115.20
Office Expense	1,110.76	1,000.00	(110.76)
Other Professional Services	0.00	500.00	500.00
Postage	709.86	600.00	(109.86)
Salaries	12,208.96	12,307.00	98.04
Taxes and Licenses	55.38	20.00	(35.38)
Payroll Taxes	1,047.42	1,150.00	102.58
Seminars and Training	158.16	0.00	(158.16)
Travel	218.04	0.00	(218.04)
Utilities	288.88	375.00	86.12
Other Operating Expenses	676.86	200.00	(476.86)
Total Expenses	<u>35,640.18</u>	<u>37,594.00</u>	<u>1,953.82</u>
Revenues In Excess (Deficiency) of Expenses	<u>\$ (1,268.30)</u>	<u>\$ 1,256.00</u>	<u>\$ (2,524.30)</u>

See Accountant's Compilation Report.

Liberty Mutual Domestic Water System Association, Inc.
Schedule of Findings and Responses
December 31, 2015

Prior Year Audit Findings

None

Current Year Audit Findings

None

Exit Conference

An exit conference was held on May 16, 2016. Those present were Jeannette Maddaford, Treasurer and De'Aun Willoughby, CPA.