

STATE OF NEW MEXICO
LIBERTY MUTUAL DOMESTIC WATER SYSTEM ASSOCIATION, INC..
Independent Accountants' Report on
Applying Agreed-Upon Procedures
Year Ended December 31, 2016

Ronny Fouts, CPA
CERTIFIED PUBLIC ACCOUNTANT
Melrose, NM 88124

STATE OF NEW MEXICO
LIBERTY MUTUAL DOMESTIC WATER SYSTEM ASSOCIATION, INC.
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June 30, 2016

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STATE OF NEW MEXICO
Liberty Mutual Domestic Water System Association, Inc..
Official Roster
December 31, 2016

Board of Directors

Wayne Huffman
Pablo Lopez
Nola Hendrickson
Royden Lopez
Clayton Kehnemund

President
Vice-President
Member
Member
Member

Jeannette Maddaford

Secretary/Treasurer

RONNY FOUTS
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INDEPENDENT ACCOUNTANTS' 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 the Liberty Mutual Domestic Water System Association, Inc. (LMDWSA) for the year ended December 31, 2016. 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 LMDWSA 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

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) 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 (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.

Results:

LMDWSA has one checking, one money market account, one customer deposit account, 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

Procedures:

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

Results:

LMDWSA 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

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.
- (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 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

Procedures:

Select a sample of cash disbursements and test the total amount of expenditures for 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).

Results:

Amounts recorded as disbursed 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 properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

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).

5. Journal Entries

Procedures:

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

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 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:

A review of the minutes revealed that the original budget was approved by the LMDWSA and the DFA-LGD.

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

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

7. Other Procedures

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 (I) (3) (C)NMAC.

Results:

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 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, New Mexico State Legislature, and the DFA-LGD and is not intended to be and should not be used by anyone other than those specified parties.



Ronny Fouts, CPA
Melrose, New Mexico
May 24, 2017

STATE OF NEW MEXICO
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 June 30 2016

	Budgeted Amounts		Actual	Variance-Favorable (Unfavorable)
	Original	Final		
Revenues				
Water Sales	\$ 25,000	\$ 25,000	\$ 27,554	\$ 2,554
Service	39,000	39,000	39,970	970
Fees	200	200		(200)
Interest Income	600	600	581	(19)
Miscellaneous	100	100	942	842
Grant Income			2,163	2,163
Late charges	460	460	545	85
Less Refunds	(100)	(100)	(2)	98
Total Revenues	65,260	65,260	71,753	6,493
Budgeted Cash	4,725	4,725	4,725	
Total Revenues and Cash	\$ 69,985	69,985	\$ 76,478	\$ 6,493
Expenditures				
Water Purchases	\$ 27,500	\$ 27,500	\$ 29,590	\$ (2,090)
Operating System Repairs	700	700	89	611
Contract System Repairs	800	800		800
Accounting/ Audit services	5,168	5,168	5,024	144
Advertising			36	(36)
Bad Debts	100	100		100
Dues & Subscriptions	250	250	215	35
Freight	25	25		25
Insurance	3,693	3,693	3,452	241
NM 811 Locate Fees	125	125	10	115
Office Expense	1,000	1,000	1,488	(488)
Operating Supplies	650	650		650
Other Professional Services	500	500	424	76
Payroll -Taxes	1,110	1,110	1,082	28
Postage	750	750	689	61
Salaries	12,500	12,500	12,615	(115)
Seminars & training	500	500	346	154
Taxes & Licenses	60	60	94	(34)
Travel	300	300	768	(468)
Utilities	350	350	590	(240)
Interest Expense	692	692	692	
Depreciation	10,248	10,248	9,792	456
Total Expenditures	67,021	67,021	66,996	25

**FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION**

Liberty Mutual Domestic Water Sys. Assoc

For the quarter and year ended December 31, 2016

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, 2016, and 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.

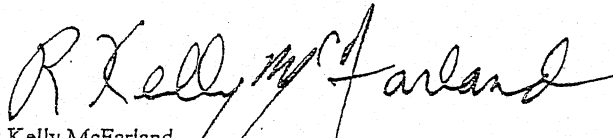
The financial statements are prepared in accordance with the tax basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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 16, 2017

Liberty Mutual Domestic Water Sys. Assoc
STATEMENT OF ASSETS, LIABILITIES AND
MEMBERS' EQUITY - TAX BASIS
As of December 31, 2016 and 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash In Bank - Wells Fargo Bank	\$ 5,534.34	\$ 4,725.65
CD-Tuc. Federal Savings & Loan	35,726.80	35,149.55
Debt Service-Wells Fargo Bank	12,912.16	15,286.84
Accounts Receivable	<u>6,950.45</u>	<u>5,771.18</u>
Total Current Assets	<u>61,123.75</u>	<u>60,933.22</u>
PROPERTY AND EQUIPMENT		
Land	2,834.66	2,834.66
Equipment, Tools & Meters	42,709.91	41,821.88
Line & Storage	353,790.06	353,790.06
Less: Accumulated Depreciation	<u>(289,906.16)</u>	<u>(280,114.27)</u>
Net Property and Equipment	<u>109,428.47</u>	<u>118,332.33</u>
OTHER ASSETS		
Deposit on Equipment	<u>2,099.27</u>	<u>0.00</u>
Total Other Assets	<u>2,099.27</u>	<u>0.00</u>
RESTRICTED ASSETS		
Customer Deposits- Wells Fargo Bank	<u>5,675.00</u>	<u>0.00</u>
Total Restricted Assets	<u>5,675.00</u>	<u>0.00</u>
TOTAL ASSETS	<u>\$ 178,326.49</u>	<u>\$ 179,265.55</u>

Liberty Mutual Domestic Water Sys. Assoc
STATEMENT OF ASSETS, LIABILITIES AND
MEMBERS' EQUITY - TAX BASIS
As of December 31, 2016 and 2015

LIABILITIES AND MEMBERS' EQUITY

	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES		
Fica OASDI Payable	\$ 433.70	\$ 354.48
Federal Withholding Taxes Pay	90.00	60.00
FICA Medicare Payable	101.43	82.90
State Withholding Taxes Payab	15.00	10.00
State Unemp. Taxes Payable	11.54	9.43
Fed. Unemp. Taxes Payable	75.69	73.25
Gross Receipts Tax Payable	273.59	254.31
Current Portion LT Debt-EID	<u>5,678.69</u>	<u>5,513.29</u>
Total Current Liabilities	<u>6,679.64</u>	<u>6,357.66</u>
LONG-TERM LIABILITIES		
Customer Deposits	5,675.00	6,464.30
N/P - EID	<u>11,873.58</u>	<u>17,552.27</u>
Total Long-Term Liabilities	<u>17,548.58</u>	<u>24,016.57</u>
Total Liabilities	<u>24,228.22</u>	<u>30,374.23</u>
MEMBERS' EQUITY		
Members' Equity	<u>154,098.27</u>	<u>148,891.32</u>
Total Members' Equity	<u>154,098.27</u>	<u>148,891.32</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 178,326.49</u>	<u>\$ 179,265.55</u>

Liberty Mutual Domestic Water Sys. Assoc

STATEMENT OF REVENUES AND EXPENSES

TAX BASIS

For the 3 Months Ended December 31, 2016 and December 31, 2015
 For the 12 Months Ended December 31, 2016 and December 31, 2015

	CURRENT YEAR				PRIOR YEAR	
		%	Year-to-Date	%		Year-to-Date
Revenues						
Water Sales	\$ 6,095.24	35.78%	\$ 27,553.55	38.40%	\$ 4,333.37	\$ 23,078.57
Maint/Service Meters	10,200.00	59.88%	39,970.40	55.71%	9,801.57	38,417.12
Late Charges	134.17	0.79%	545.14	0.76%	114.82	384.41
Connect/Reconnect Fees	0.00	0.00%	0.00	0.00%	0.00	250.11
Grant Income	0.00	0.00%	2,162.50	3.01%	0.00	0.00
Miscellaneous Income	27.44	0.16%	942.17	1.31%	12.00	40.96
Interest Income	578.15	3.39%	580.82	0.81%	569.01	571.81
Less Refunds	0.00	0.00%	(1.87)	0.00%	0.00	(253.96)
Total Revenues	<u>17,035.00</u>	<u>100.00%</u>	<u>71,752.71</u>	<u>100.00%</u>	<u>14,830.77</u>	<u>62,489.02</u>
Cost of Sales						
Water Purchases	8,141.63	47.79	29,589.81	41.24	6,899.34	27,097.44
Operating Supplies/Repairs	13.48	0.08	89.46	0.12	53.47	477.82
Contract System Repairs	0.00	0.00	0.00	0.00	0.00	541.88
Total Cost of Sales	<u>8,155.11</u>	<u>47.87%</u>	<u>29,679.27</u>	<u>41.36%</u>	<u>6,952.81</u>	<u>28,117.14</u>
Gross Profit	<u>8,879.89</u>	<u>52.13%</u>	<u>42,073.44</u>	<u>58.64%</u>	<u>7,877.96</u>	<u>34,371.88</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, 2016 and December 31, 2015
 For the 12 Months Ended December 31, 2016 and December 31, 2015

	CURRENT YEAR				PRIOR YEAR	
		%	Year-to-Date	%		Year-to-Date
Expenses						
Advertising	0.00	0.00%	36.31	0.05%	0.00	0.00
Bank Charges	15.25	0.09%	33.75	0.05%	0.00	3.25
Contractual Services	0.00	0.00%	390.00	0.54%	610.00	790.00
Depreciation	2,385.66	14.00%	9,791.89	13.65%	2,663.41	10,709.25
Dues and Subscriptions	135.00	0.79%	214.77	0.30%	161.30	193.53
Interest Expense	0.00	0.00%	691.97	0.96%	0.00	852.55
Insurance	979.80	5.75%	3,452.25	4.81%	0.00	3,693.00
Accounting Expense	715.29	4.20%	5,023.66	7.00%	715.29	2,839.48
NM 811 Locate Fees	0.00	0.00%	9.88	0.01%	0.00	84.80
Office Expense	943.50	5.54%	1,487.63	2.07%	392.31	1,110.76
Postage	151.00	0.89%	689.12	0.96%	203.00	709.86
Salaries	3,497.58	20.53%	12,615.12	17.58%	2,858.73	12,208.96
Taxes and Licenses	26.55	0.16%	93.75	0.13%	12.90	55.38
Payroll Taxes	300.07	1.76%	1,082.31	1.51%	245.25	1,047.42
Seminars and Training	171.00	1.00%	346.00	0.48%	(225.00)	158.16
Travel	323.68	1.90%	767.88	1.07%	0.00	218.04
Utilities	85.81	0.50%	590.20	0.82%	84.86	288.88
Other Operating Expenses	0.00	0.00%	0.00	0.00%	157.24	676.86
Total Expenses	<u>9,730.19</u>	<u>57.12%</u>	<u>37,316.49</u>	<u>52.01%</u>	<u>7,879.29</u>	<u>35,640.18</u>
REVENUE IN EXCESS						
(DEFICIENCY) OF EXPENSES	<u>\$ (850.30)</u>	<u>(4.99)%</u>	<u>\$ 4,756.95</u>	<u>6.63%</u>	<u>\$ (1.33)</u>	<u>\$ (1,268.30)</u>

SUPPLEMENTARY INFORMATION

Liberty Mutual Domestic Water Sys. Assoc
SCHEDULE I
REVENUES AND EXPENSES COMPARED WITH BUDGET
For the Twelve Months ended December 31, 2016

	Year-To-Date December 31, 2016	YE 2016 Budget	Remaining YE 2016 Budget Over (Under)
Revenues			
Water Sales	\$ 27,553.55	\$ 25,000.00	\$ 2,553.55
Maint/Service Meters	39,970.40	39,000.00	970.40
Late Charges	545.14	460.00	85.14
Connect/Reconnect Fees	0.00	200.00	(200.00)
Grant Income	2,162.50	0.00	2,162.50
Miscellaneous Income	942.17	100.00	842.17
Interest Income	580.82	600.00	(19.18)
Less Refunds	(1.87)	(100.00)	98.13
Total Revenues	<u>71,752.71</u>	<u>65,260.00</u>	<u>6,492.71</u>
Cost of Sales			
Water Purchases	29,589.81	27,500.00	2,089.81
Operating Supplies/Repairs	89.46	700.00	(610.54)
Contract System Repairs	0.00	800.00	(800.00)
Total Cost of Sales	<u>29,679.27</u>	<u>29,000.00</u>	<u>679.27</u>
Gross Profit	<u>42,073.44</u>	<u>36,260.00</u>	<u>5,813.44</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, 2016

	Year-To-Date December 31, 2016	YE 2016 Budget	Remaining YE 2016 Budget Over (Under)
Expenses			
Advertising	\$ 36.31	\$ 0.00	\$ 36.31
Bad Debts	0.00	100.00	(100.00)
Bank Charges	33.75	0.00	33.75
Contractual Services	390.00	0.00	390.00
Depreciation	9,791.89	10,048.00	(256.11)
Dues and Subscriptions	214.77	250.00	(35.23)
Freight	0.00	25.00	(25.00)
Interest Expense	691.97	692.00	(0.03)
Insurance	3,452.25	3,693.00	(240.75)
Accounting Expense	5,023.66	5,168.00	(144.34)
NM 811 Locate Fees	9.88	125.00	(115.12)
Office Expense	1,487.63	1,000.00	487.63
Other Professional Services	0.00	500.00	(500.00)
Postage	689.12	750.00	(60.88)
Salaries	12,615.12	12,500.00	115.12
Taxes and Licenses	93.75	60.00	33.75
Payroll Taxes	1,082.31	1,110.00	(27.69)
Seminars and Training	346.00	500.00	(154.00)
Travel	767.88	300.00	467.88
Utilities	590.20	350.00	240.20
Other Operating Expenses	0.00	650.00	(650.00)
Total Expenses	<u>37,316.49</u>	<u>37,821.00</u>	<u>(504.51)</u>
Revenues In Excess (Deficiency) of Expenses	<u>\$ 4,756.95</u>	<u>\$ (1,561.00)</u>	<u>\$ 6,317.95</u>

See Accountant's Compilation Report

STATE OF NEW MEXICO
Liberty Mutual Domestic Water System Association, Inc.
Schedule of Findings and Responses
Year Ended June 30, 2016

Prior Year Audit Findings

None

Current Year Findings

None

STATE OF NEW MEXICO
Liberty Mutual Domestic Water System Association, Inc.
Schedule of Findings and Responses
Year Ended June 30, 2016

Exit Conference

An exit conference was held May 31, 2017. Those present were Michelle Jaynes, Bookkeeper, Wayne Huffman, President, and Ronny Fouts, CPA