

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

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

Year Ended December 31, 2019

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

STATE OF NEW MEXICO
Liberty Mutual
Domestic Water System Inc.
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December 31, 2019

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**STATE OF NEW MEXICO
Liberty Mutual
Domestic Water System Inc.
Official Roster
December 31, 2019**

Board Of Supervisors

Wayne Huffman	President
Pablo Lopez	Vice President
Nola Hendrickson	Member
Phil McKnight	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

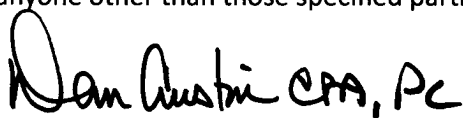
We have performed the procedures enumerated below for the Liberty Mutual Domestic Water System Association, Inc. (LMDWSA), for the year ended December 31, 2019. The LMDWSA was determined to be a Tier 4 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures 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, 2019. 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
May 8, 2020

Liberty Mutual Domestic Water System Association, Inc.
Scope of Procedures and Results
December 31, 2019

- 1. Verify the local public body's revenue calculation and tier determination documented on the provided at 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 \$64,456 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 accounting 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 two operational accounts 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 80% 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 \$43,005 or 66 % 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 76% transactions totaling \$47,489.66. 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, 2019**

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
Revenues:				
Water Sales	\$ 33,600	\$ 33,600	\$ 23,083	\$ (10,517)
Connecttion/Reconnection Fees	500	500	-	(500)
Membership/Meter Sales	41,000	41,000	38,933	(2,067)
Late Fees and Penalties	1,000	1,000	1,627	627
Other Operating Revenue	52,159	52,159	813	(51,346)
Total revenue	<u>128,259</u>	<u>128,259</u>	<u>64,456</u>	<u>(63,803)</u>
Expenditures:				
Water Purchases	29,000	29,000	25,716	3,284
Salaries and Benefits	15,150	15,150	14,293	857
Employee Benefits	1,475	1,475	1,265	210
Electricity	650	650	340	310
System Parts and Supplies	750	750	108	642
System Repairs and Maintenance	12,396	12,396	4,798	7,598
Office and Administrative	1,750	1,750	2,047	(297)
Professional Services	55,020	55,020	2,861	52,159
Insurance	4,000	4,000	3,712	288
Dues, Fees, Permits	250	250	484	(234)
Taxes, Gross Receipts and Water Conservation	3,600	3,600	78	3,522
Training	200	200	180	20
Debt Service	6,205	6,205	6,200	5
Total expenditures	<u>130,446</u>	<u>130,446</u>	<u>62,082</u>	<u>68,364</u>
Excess (deficiency) of revenue and cash over expenditures	(2,187)	(2,187)	\$ 2,374	<u>\$ 4,561</u>
Beginning Cash Carryover	42,901	42,901	42,901	
Budget Ending Cash	<u>\$ 40,714</u>	<u>\$ 40,714</u>		
Accrual adjustments			(3,537)	
Ending Cash			<u>\$ 41,738</u>	

STATE OF NEW MEXICO
LIBERTY MUTUAL DOMESTIC WATER SYSTEM ASSOCIATION, INC.
Year End Financial Report Submitted to DFA
Year Ended December 31, 2019

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

Calendar Year
2019

		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
Beginning balances:	Cash	\$ 7,760.01							
	Savings	\$ 4,486.80							
	CDs	\$ 30,654.29							
	Investments								
	Beginning Balance TOTAL	\$ 42,901							
REVENUES									
	Water Sales (Water Use Fees)	\$ 30,000.00	2,922	2,585	(7,487)	(5,287)	(7,267)	37,267	-24%
	Connection/Reconnection Charges	\$ 500.00					0	500	0%
	Membership and Meter Sales (Utility Service Fees)	\$ 41,000.00	9,690	9,690	9,760	9,793	38,933	2,067	95%
	Late Fees and Penalties (Other Fines and Forfeits)	\$ 1,000.00	492	277	337	522	1,627	(627)	163%
	Gross Receipts Tax (Other State shared taxes)	\$ 3,600.00					0	3,600	0%
	Other Operating Revenue (miscellaneous - other)	\$ 52,159.00	384	16	0	347	747	51,412	1%
	TOTAL	\$ 128,259	13,488	12,567	2,610	5,375	34,040	94,219	27%
EXPENDITURES									
	Salaries - Operator, Bookkeeper, etc.	\$ 15,150.00	3,573	3,573	3,573	3,573	14,293	857	94%
	Employee Benefits and Expenses	\$ 1,475.00	319	320	307	319	1,265	210	86%
	Electricity	\$ 650.00	85	85	85	85	340	310	52%
	Other Utilities - Gas, Water, Sewer, Telephone	\$ -					0	0	-
	System Parts and Supplies	\$ 750.00		98			98	652	13%
	System Repairs and Maintenance	\$ 12,396.00	561	565	763	1,542	3,432	8,964	28%
	Vehicle Expenses	\$ -					0	0	-
	Office and Administrative Expenses	\$ 1,750.00	201	449	387	1,219	2,256	(506)	129%
	Professional Services - Accounting, Engineering, Legal	\$ 55,020.00	715	715	715	715	2,861	52,159	5%
	Insurance	\$ 4,000.00	657	640	1,827	588	3,712	288	93%
	Dues, Fees, Permits and Licenses	\$ 250.00	77	47	75	333	533	(283)	213%
	Taxes - Gross Receipts Tax, Water Conservation Fee	\$ 3,600.00					0	3,600	0%
	Training	\$ 200.00		180			180	20	90%
	Miscellaneous	\$ 29,000.00					0	29,000	0%
	Annual debt service - Loan 1	\$ 6,205.00		6,205			6,205	0	100%
	Annual debt service - Loan 2						0	0	-
	TOTAL	\$ 130,446	6,189	12,878	7,733	8,376	35,175	95,271	27%
	Ending Balance	40,714					41,766		
	LESS: Operating Reserve								
	Emergency Reserve	\$ 35,727.00							
	Capital Improvement Reserve								
	Debt Reserve	\$ 12,912.15							
	Ending Available Cash Balance	\$ (7,925)					\$ 41,766		

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

February 10, 2020

 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, 2019**

Prior Year Audit Findings:

2018-001 Late Report submission-Resolved

Current Year Findings

None

EXIT CONFERENCE

The report contents were discussed at a telephonic exit conference with the officials of Liberty Mutual Domestic Water System Association, Inc. on May 12, 2020. The following in attendance:

Liberty Mutual Domestic Water System Association, Inc.

Pablo Lopez, Acting 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 preform 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.