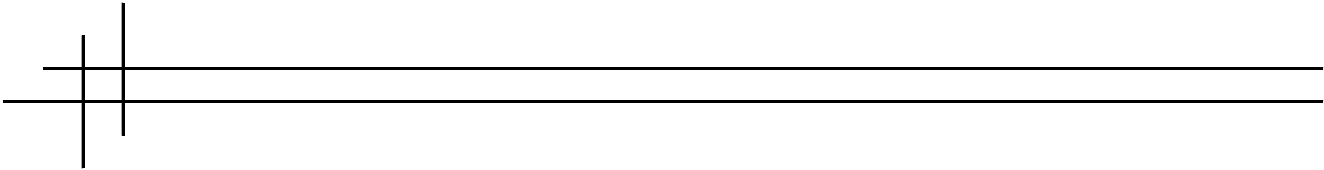


**Liberty Mutual Domestic Water System Association, Inc.**  
Tucumcari, New Mexico

**ANNUAL FINANCIAL REPORT**  
December 31, 2013

**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, 2013

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**Liberty Mutual Domestic Water System Association, Inc.**  
Official Roster  
December 31, 2013

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**BOARD OF DIRECTORS**

Wayne Huffman	President
Pablo Lopez	Vice-President
Jeannette Maddaford	Secretary/Treasurer
Matt Smith	Member
Royden Lopez	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. Hector Balderas  
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, 2013. 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 and two saving accounts. 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 26 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 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:

A review of the minutes revealed the budget was approved by the local board but not by DFA-LGD. See finding 2010-3.

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(I)(3)(C) NMAC.

### Results:

The report was received later than the due date. See finding 2010-5.

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  
July 31, 2014

**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, 2013

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
Revenues				
Water Sales	\$ 23,000	\$ 23,000	\$ 22,028	\$ (972)
Service	43,000	43,000	38,727	(4,273)
Late Charges	650	650	372	(278)
Interest Income	300	300	394	94
Miscellaneous	3,000	3,000	64	(2,936)
Total Revenues	<u>69,950</u>	<u>69,950</u>	<u>61,585</u>	<u>(8,365)</u>
Expenditures				
Water Purchases	28,000	28,000	25,762	2,238
Operating Supplies	2,000	2,000	2,576	(576)
System Repairs	1,500	1,500	420	1,080
Salaries	12,688	12,688	13,357	(669)
Contractual Services	7,500	7,500	5,000	2,500
Payroll Taxes	1,500	1,500	1,139	361
Other Expenses	1,700	1,700	1,954	(254)
Insurance	2,300	2,300	2,605	(305)
Interest	1,200	1,200	1,160	40
Depreciation	12,129	12,129	12,215	(86)
Total Expenditures	<u>70,517</u>	<u>70,517</u>	<u>66,188</u>	<u>4,329</u>
Excess (Deficiency) of Revenues Over Expenditures	(567)	(567)	(4,603)	(4,036)
Cash Balance Beginning of Year	<u>52,640</u>	<u>52,640</u>	<u>52,640</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 52,073</u>	<u>\$ 52,073</u>	<u>\$ 48,037</u>	<u>\$ (4,036)</u>

**Liberty Mutual Domestic Water System Association, Inc.**  
Schedule of Findings and Responses  
December 31, 2013

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<b>Prior Year Audit Findings</b>	<b><u>Status</u></b>
2012-1 Accounts Receivable	Resolved
2012-2 Budget	Resolved
2010-1 Cash	Resolved
2010-2 Journal Entries	Resolved
2010-3 Budget and Report Submission to DFA	Repeated
2010-5 Late Agreed-Upon Procedures Report	Repeated & Modified

**Current Year Audit Findings**

**2010-3 Budget and Report Submission to DFA  
Condition**

The Liberty Mutual Domestic Water System Association, Inc. (LMDWSA) prepared and presented a 2013 proposed budget to the Association Board. The Board approved the proposed budget but it was not sent to DFA-LGD for approval, nor was financial reports submitted to DFA for the year.

**Criteria**

Section 6-6-2 (A), NMSA, 1978, requires each local public body to furnish and file with the Department of Finance and Administration, Local Government Division (DFA-LGD), on or before June 1 of each year, a proposed budget for the next fiscal year. Upon receipt of any budget approved by DFA-LGD, the local public body shall cause such budget to be made part of the minutes of such body. Section 6-6-2 (B), NMSA, 1978, requires each local public body to submit periodic financial reports, at least quarterly, to the Division. Section 6-6-3, NMSA, 1978, Compilation states that every local public body shall make all reports as may be required by DFA-LGD and conform to the rules and regulations adopted by the Division. While the statutes makes no reference to the calendar year entities, DFA encourages calendar year entities to submit their budgets in November of the preceding year.

**Cause**

The Association was not previously aware of the requirement to prepare an annual budget and to submit the budget to DFA-LGD. The Association had its first Agreed-Upon Procedures Report in January of 2013, for the calendar year 2010 when it first learned of this requirement. Therefore, the Association has not had an opportunity to comply.

**Effect**

The Association is not in compliance with the statute.

**Recommendation**

I recommend the Board adopt an annual budget as required by Section 6-6-2 (A), NMSA, 1978, and request approval from DFA.

**Response**

The Association has adopted this recommendation for the 2014 budget year.

**2010-5 Late Agreed-Upon Procedures Contract and Report  
Condition**

The contract and report were not submitted timely.

**Criteria**

In accordance with Section 2.2.2.16.H, NMAC the Agreed-Upon procedures reports should have been submitted to the State Auditor five months after calendar year end, by May 31, 2014. The Audit Contract should have been submitted by October 15, 2013.



**Cause**

Management was not aware the contract should have been submitted by October 15, 2013. Because the contract was not submitted to the State Auditor until May 19, 2014 and approved by the State Auditor on June 18, 2014, it was impossible to meet the May 31, 2014 deadline.

**Effect**

The users of the report such as legislators, government agencies, management, etc., do not have timely reports for their review.

**Recommendation**

The contract should be sent to the State Auditor by October 15th and the report should be submitted to the State Auditor by May 31th.

**Response**

We will submit the contract timely to assure the report is also timely submitted.

**Exit Conference**

An exit conference was held on July 31, 2014. Those present were and Wayne Huffman, President, Jeannette Maddaford, Treasurer and De'Aun Willoughby, CPA.