

**STATE OF NEW MEXICO  
LIBERTY MUTUAL DOMESTIC WATER SYSTEM ASSOCIATION, INC..  
Independent Accountants' Report on  
Applying Agreed-Upon Procedures  
Year Ended December 31, 2017**

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, 2017**

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**STATE OF NEW MEXICO**  
**Liberty Mutual Domestic Water System Association, Inc..**  
**Official Roster**  
**December 31, 2017**

**Board of Directors**

Wayne Huffman  
Pablo Lopez  
Nola Hendrickson  
Royden Lopez  
Clayton Kehnemund

President  
Vice-President  
Member  
Member  
Member

Michelle Jaynes

Secretary/Treasurer

**RONNY FOUTS**  
**CERTIFIED PUBLIC ACCOUNTANT**

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Melrose, NM 88124

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**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES**

Mr. Wayne Johnson  
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, 2017. 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:

Procedures:

Verify the local public body's revenue calculation and tier determination documentation on the form provided at [WWW.saonm.org](http://WWW.saonm.org) under "Tiered System Reporting Main Page"

Finding

I verified the association's revenue calculation and tier determination. No exceptions noted.

**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) Test at least 30% of the 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.

Select a sample of revenue equal to at least 30% of the 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:

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

#### **4. Expenditures**

Procedures:

Select a sample of cash disbursements equal to at least 30% of the 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:

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:

Test all non-routine journal entries, adjustments and reclassifications posted to the general ledger 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 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.

Findings:

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.

Findings:

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.

We were not engaged to and did not conduct an examination or review of the subject matter, the objective of which would be the expression of an opinion or conclusion on the compliance with results of procedures required of a Tier 4 examination. 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 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 10, 2018



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 December 31, 2017

	Budgeted Amounts		Actual	Variance-Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Water Sales	\$ 30,000	\$ 30,000	\$ 27,554	\$ (2,446)
Connection/Reconnection Charges	500	500	39,970	39,470
Service Fees	41,000	41,000	-	(41,000)
Gross Receipts Tax	3,600	3,600	581	(3,019)
Other Operating Revenue	52,159	52,159	942	(51,217)
Late charges	1,000	1,000	545	(455)
Total Revenues	128,259	128,259	69,592	(58,667)
Budgeted Cash	3,847	3,847	4,725	878
<b>Total Revenues and Cash</b>	<b>\$ 132,106</b>	<b>\$ 132,106</b>	<b>\$ 74,317</b>	<b>\$ (57,789)</b>
<b>Expenditures:</b>				
Salaries-Operator, bookkeeper	\$ 15,150	\$ 15,150	\$ 14,521	\$ 629
Wmployee Benefits and expenses	1,475	1,475	1,050	425
Electricity	650	650	359	291
Other Utilities - Gas Water Sewer Telephone	-	-	-	-
System Parts and Supplies	750	750	31	719
System Repairs and Maintenance	12,396	12,396	-	12,396
Vehicle Expenses	-	-	-	-
Office and Administrative Expenses	1,750	1,750	1,498	252
Professional Services - Accounting Legal	55,020	55,020	5,186	49,834
Insurance	3,500	3,500	3,910	(410)
Dues, Fees, Permits and Licenses	250	250	19	231
Taxes- Gross Redeipts Tax etc	3,600	3,600	104	3,496
Training	200	200	307	(107)
Miscellaneous	29,000	29,000	6,875	22,125
Annual Debt Service	6,205	6,205	-	6,205
<b>Total Expenditures</b>	<b>129,946</b>	<b>129,946</b>	<b>33,860</b>	<b>96,086</b>

**FINANCIAL STATEMENTS  
and  
SUPPLEMENTARY INFORMATION**

**Liberty Mutual Domestic Water Sys. Assoc.**

**For the quarter and year ended  
December 31, 2017 and 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, 2017, and December 31, 2016, 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.

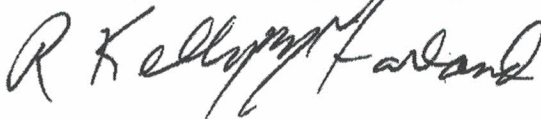
The financial statements are prepared in accordance with the tax basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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 5 and 6 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

February 6, 2018

**Liberty Mutual Domestic Water Sys. Assoc**  
**STATEMENT OF ASSETS, LIABILITIES AND**  
**MEMBERS' EQUITY - TAX BASIS**  
As of December 31, 2017 and 2016

**ASSETS**

	2017	2016
<b>CURRENT ASSETS</b>		
Cash In Bank - Wells Fargo Bank	\$ 4,944.37	\$ 5,534.34
CD-Tuc. Federal Savings & Loan	30,206.37	35,726.80
Debt Service-Wells Fargo Bank	5,215.21	12,912.16
Accounts Receivable	9,656.99	6,950.45
Returned Checks	114.22	0.00
<b>Total Current Assets</b>	<b>50,137.16</b>	<b>61,123.75</b>
<b>PROPERTY AND EQUIPMENT</b>		
Land	2,834.66	2,834.66
Equipment, Tools & Meters	42,709.91	42,709.91
Line & Storage	376,285.06	353,790.06
Accumulated Depreciation	(299,770.05)	(289,906.16)
<b>Total Property and Equipment</b>	<b>122,059.58</b>	<b>109,428.47</b>
<b>OTHER ASSETS</b>		
Deposit on Equipment	0.00	2,099.27
<b>Total Other Assets</b>	<b>0.00</b>	<b>2,099.27</b>
<b>RESTRICTED ASSETS</b>		
Due from General Operating Acct	3,800.00	0.00
Customer Deposits- Wells Fargo	1,917.85	5,675.00
<b>Total Restricted Assets</b>	<b>5,717.85</b>	<b>5,675.00</b>
<b>TOTAL ASSETS</b>	<b>\$ 177,914.59</b>	<b>\$ 178,326.49</b>

**Liberty Mutual Domestic Water Sys. Assoc**  
**STATEMENT OF ASSETS, LIABILITIES AND**  
**MEMBERS' EQUITY - TAX BASIS**  
As of December 31, 2017 and 2016

**LIABILITIES AND MEMBERS' EQUITY**

	2017	2016
<b>CURRENT LIABILITIES</b>		
Fica OASDI Payable	\$ 443.10	\$ 433.70
Federal Withholding Taxes Pay	0.00	90.00
FICA Medicare Payable	103.63	101.43
State Withholding Taxes Payab	0.00	15.00
State Unemp. Taxes Payable	11.79	11.54
Fed. Unemp. Taxes Payable	86.41	75.69
Gross Receipts Tax Payable	240.42	273.59
Due to Customer Deposit Acct	3,800.00	0.00
Current Portion LT Debt-EID	5,849.05	5,678.69
<b>Total Current Liabilities</b>	<b>10,534.40</b>	<b>6,679.64</b>
<b>LONG-TERM LIABILITIES</b>		
Customer Deposits	5,725.00	5,675.00
N/P - EID	6,024.53	11,873.58
<b>Total Long-Term Liabilities</b>	<b>11,749.53</b>	<b>17,548.58</b>
<b>Total Liabilities</b>	<b>22,283.93</b>	<b>24,228.22</b>
<b>MEMBERS' EQUITY</b>		
Members' Equity	155,630.66	154,098.27
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ 177,914.59</b>	<b>\$ 178,326.49</b>

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

For the 1 Quarter Ended December 31, 2017 and December 31, 2016  
For the 4 Quarter(s) Ended

	CURRENT YEAR				PRIOR YEAR	
	Quarter	%	Year-to-Date	%	Quarter	Year-to-Date
<b>Revenue</b>						
Water Sales	\$ 6,621.63	38.75 %	\$ 26,229.01	38.98 %	\$ 6,095.24	\$ 27,553.55
Maint/Service Meters	9,964.35	58.32 %	40,086.95	59.58 %	10,200.00	39,970.40
Late Charges	0.00	0.00 %	345.33	0.51 %	134.17	545.14
Grant Income	0.00	0.00 %	0.00	0.00 %	0.00	2,162.50
Miscellaneous Income	20.00	0.12 %	137.00	0.20 %	27.44	942.17
Capital Credits	0.00	0.00 %	7.15	0.01 %	0.00	0.00
Interest Income	479.92	2.81 %	480.95	0.71 %	578.15	580.82
Refunds	0.00	0.00 %	0.00	0.00 %	0.00	(1.87)
<b>Total Revenue</b>	<b>17,085.90</b>	<b>100.00 %</b>	<b>67,286.39</b>	<b>100.00 %</b>	<b>17,035.00</b>	<b>71,752.71</b>
<b>Cost of Sales</b>						
Water Purchases	7,871.33	46.07 %	28,033.00	41.66 %	8,141.63	29,589.81
Operating Supplies/Repairs	0.00	0.00 %	180.00	0.27 %	13.48	89.46
<b>Total Cost of Sales</b>	<b>7,871.33</b>	<b>46.07 %</b>	<b>28,213.00</b>	<b>41.93 %</b>	<b>8,155.11</b>	<b>29,679.27</b>
<b>Gross Profit</b>	<b>9,214.57</b>	<b>53.93 %</b>	<b>39,073.39</b>	<b>58.07 %</b>	<b>8,879.89</b>	<b>42,073.44</b>

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

For the 1 Quarter Ended December 31, 2017 and December 31, 2016  
For the 4 Quarter(s) Ended

	CURRENT YEAR				PRIOR YEAR	
	Quarter	%	Year-to-Date	%	Quarter	Year-to-Date
<b>Expenses</b>						
Advertising	\$ 0.00	0.00 %	\$ 100.28	0.15 %	\$ 0.00	\$ 36.31
Bank Charges	6.50	0.04 %	66.34	0.10 %	15.25	33.75
Contractual Services	120.00	0.70 %	120.00	0.18 %	0.00	390.00
Depreciation	193.70	1.13 %	9,863.89	14.66 %	2,385.66	9,791.89
Dues and Subscriptions	0.00	0.00 %	0.00	0.00 %	135.00	214.77
Interest Expense	0.00	0.00 %	526.57	0.78 %	0.00	691.97
Insurance	1,348.60	7.89 %	3,919.35	5.82 %	979.80	3,452.25
Accounting Expense	715.29	4.19 %	5,016.16	7.45 %	715.29	5,023.66
NM 811 Locate Fees	0.00	0.00 %	144.61	0.21 %	0.00	9.88
Office Expense	117.00	0.68 %	809.20	1.20 %	943.50	1,487.63
Other Professional Services	0.00	0.00 %	25.00	0.04 %	0.00	0.00
Penalties and Fines	0.00	0.00 %	50.12	0.07 %	0.00	0.00
Postage	91.64	0.54 %	638.64	0.95 %	151.00	689.12
Salaries	3,573.37	20.91 %	14,401.74	21.40 %	3,497.58	12,615.12
Operating Expenses	0.00	0.00 %	30.71	0.05 %	0.00	0.00
Taxes and Licenses	6.25	0.04 %	106.43	0.16 %	26.55	93.75
Testing Expense	0.00	0.00 %	107.72	0.16 %	0.00	0.00
Payroll Taxes	306.59	1.79 %	1,248.57	1.86 %	300.07	1,082.31
Seminars and Training	0.00	0.00 %	0.00	0.00 %	171.00	346.00
Travel	0.00	0.00 %	0.00	0.00 %	323.68	767.88
Utilities	85.51	0.50 %	358.52	0.53 %	85.81	590.20
<b>Total Expenses</b>	<b>6,564.45</b>	<b>38.42 %</b>	<b>37,533.85</b>	<b>55.78 %</b>	<b>9,730.19</b>	<b>37,316.49</b>
<b>REVENUE IN EXCESS (DEFICIENCY) OF EXPENSES</b>	<b>\$ 2,650.12</b>	<b>15.51 %</b>	<b>\$ 1,539.54</b>	<b>2.29 %</b>	<b>\$ (850.30)</b>	<b>\$ 4,756.95</b>

SUPPLEMENTARY  
INFORMATION



**Liberty Mutual Domestic Water Sys. Assoc**  
**SCHEDULE I**  
**REVENUES AND EXPENSES COMPARED WITH BUDGET**  
For the 4 Quarters Ended December 31, 2017

	Year-to-Date Dec 31, 2017	YE 2017 Budget	Remaining YE 2017 Budget Favorable (Unfavorable)
<b>Revenues</b>			
Water Sales	\$ 26,229.01	\$30,000.00	\$ (3,770.99)
Water Sales-NonTax	0.00	0.00	0.00
Maint/Service Meters	40,086.95	41,000.00	(913.05)
Late Charges	345.33	1,000.00	(654.67)
Connect/Reconnect Fees	0.00	500.00	(500.00)
Grant Income	0.00	52,155.00	(52,155.00)
Miscellaneous Income	137.00	0.00	137.00
Capital Credits	7.15	0.00	7.15
Interest Income	480.95	4.00	476.95
<b>Total Revenue</b>	<b>67,286.39</b>	<b>124,659.00</b>	<b>(57,372.61)</b>
<b>Cost of Sales</b>			
Water Purchases	\$ 28,033.00	\$29,000.00	\$ 967.00
Operating Supplies/Repairs	180.00	750.00	570.00
<b>Total Cost of Sales</b>	<b>28,213.00</b>	<b>29,750.00</b>	<b>1,537.00</b>
<b>Gross Profit</b>	<b>39,073.39</b>	<b>94,909.00</b>	<b>(55,835.61)</b>

**Liberty Mutual Domestic Water Sys. Assoc**  
**SCHEDULE I**  
**REVENUES AND EXPENSES COMPARED WITH BUDGET**  
For the 4 Quarters Ended December 31, 2017

	Year-to-Date Dec 31, 2017	YE 2017 Budget	Remaining YE 2017 Budget Favorable (Unfavorable)
<b>Expenses</b>			
Advertising	\$ 100.28	\$ 50.00	\$ (50.28)
Bad Debts	0.00	200.00	200.00
Bank Charges	66.34	48.00	(18.34)
Contractual Services	120.00	0.00	(120.00)
Dues and Subscriptions	0.00	250.00	250.00
Freight	0.00	20.00	20.00
Interest Expense	526.57	0.00	(526.57)
Insurance	3,919.35	3,500.00	(419.35)
Accounting Expense	5,016.16	5,020.00	3.84
NM 811 Locate Fees	144.61	50.00	(94.61)
Office Expense	809.20	532.00	(277.20)
Other Professional Services	25.00	50,000.00	49,975.00
Penalties and Fines	50.12	0.00	(50.12)
Postage	638.64	750.00	111.36
Salaries	14,401.74	15,150.00	748.26
Operating Expenses	30.71	0.00	(30.71)
Taxes and Licenses	106.43	100.00	(6.43)
Testing Expense	107.72	0.00	(107.72)
Payroll Taxes	1,248.57	1,475.00	226.43
Seminars and Training	0.00	200.00	200.00
Utilities	358.52	650.00	291.48
<b>Total Expenses</b>	<b><u>27,669.96</u></b>	<b><u>77,995.00</u></b>	<b><u>50,325.04</u></b>
<b>Revenues in Excess (Deficiency) of Expenses</b>	<b><u>11,403.43</u></b>	<b><u>16,914.00</u></b>	<b><u>5,510.57</u></b>
<b>Capitalized Projects and Depreciation</b>			
Capitalized System Repairs	22,495.00	12,396.00	(10,099.00)
Depreciation	9,863.89	0.00	(9,863.89)
<b>Total Capitalized Projects and Depreciation</b>	<b><u>32,358.89</u></b>	<b><u>12,396.00</u></b>	<b><u>(19,962.89)</u></b>
<b>Revenues in Excess (Deficiency) of Expenses Net of Capitalized System Repairs and Depreciation</b>	<b><u>\$ 43,762.32</u></b>	<b><u>\$29,310.00</u></b>	<b><u>\$ (14,452.32)</u></b>

**STATE OF NEW MEXICO  
Liberty Mutual Domestic Water System Association, Inc.  
Schedule of Findings and Responses  
Year Ended December 31, 2017**

**Prior Year Audit Findings**

None

**Current Year Findings**

None

**Exit Conference**

An exit conference was held May 14, 2018. Those present were Michelle Jaynes, Bookkeeper, Wayne Huffman, President, and Ronny Fouts, CPA

*Ronny Fouts, CPA*

<h1>OK To Print Communication</h1>		<b>Date:</b> 05/15/2018 Number of pages including cover sheet: 2
<b>Subject:</b> Liberty Mutual Domestic Water System Association, Inc. <b>Agency #:</b> 3231 <b>Fiscal Year:</b> June 30, 2017		<b>From:</b> Office of the State Auditor  2540 Camino Edward Ortiz, Ste #A Santa Fe, NM 87507
<b>Attention:</b> <u>IPA</u> Ronny Fouts <b>Firm:</b> Ronny Fouts, CPA <b>Telephone:</b> 575-253-4554 <b>Fax:</b> 575-253-4727 <b>E-mail:</b> rfouts@yucca.net		<b>Attention:</b> Lisa Jennings  <b>e-mail:</b> reports@osa.state.nm.us  <b>Telephone:</b> (505) 476-3800 <b>Fax:</b> (505) 827-3512
	<b>AGENCY</b>	
<b>Attention:</b> Michelle Jaynes  <b>Telephone:</b> 575-815-9015 <b>Fax:</b> 575-461-8584 <b>E-mail:</b> michelle.jaynes5@gmail.com		

In accordance with the Audit Act, Section 12-6-1 et seq., NMSA 1978, and the 2017 Audit Rule, NMAC 2.2.2.1 et seq., the Office of the State Auditor (“OSA”) reviewed this financial and compliance audit report or agreed-upon procedures report (“Report”). In accordance with Audit Act, the OSA has determined that the Report has been made in accordance with the provisions of the contract and applicable rules promulgated by the OSA. **Therefore this Report is “OK to Print”**. 1 SEARCHABLE electronic copy labeled “Final” per 2.2.2.9(B)(3) NMAC) should be submitted to the OSA **within five business days** of receipt of this communication. You do not need to submit a hard-copy final Report to the OSA.

The following items, prepared using the most current templates posted on the OSA website in accordance with the instructions provided, must be submitted with the Final Report for financial and compliance audit Reports **(these items are not required for agreed-upon procedures Reports)**:

- The electronic Excel version of the Findings Summary form,
- The electronic Excel version of the Vendor Schedule form,
- The electronic Excel version of the Fund Balance Schedule form,
- The electronic Excel version of the GASBS 77 Disclosure template, if applicable, and
- The electronic Excel version of the Indigent Care Cost and Funding Report and Calculations of Cost of Providing Indigent Care Worksheet, if applicable (Hospitals only).

Except for any comments contained in this OK to Print communication, all of which should be addressed before resubmission, the Report should not be changed from what was previously submitted. Please provide **written notification** to the OSA of all changes made and relevant page numbers, including those changes made in response to OSA comments, with the requisite final copies of the Report submitted to the OSA. The written notification must be signed by the audit manager and attached as a PDF file to the email submission of the Final PDF Report. Written notifications submitted in the body of emails will not be considered received. **Please note that any changes that do not result from OSA comments may require an additional review of the report and could potentially jeopardize the report’s current “OK to Print” status.**

This message is intended only for the use of the individual or entity to which it is addressed, and may contain information that is privileged, confidential, and exempt for disclosure. If the reader of this message is not the intended recipient, or the employee or agent of the recipient, you are hereby notified that any dissemination, distribution, or copying of this document is strictly prohibited. If you have received this communication in error, please notify us immediately by telephone and return the original message to us at the address noted above. Thank you.

This communication does not authorize the IPA or the agency to release the Report to the public. Per Section 12-6-5, NMSA 1978, the Report and the information contained in it cannot be released to the public until five calendar days after the OSA has officially released the Report. The OSA will send the release letter to the agency after the OSA approves the final copies and the required five-day holding period has passed or is waived.

The audited agency can waive the five-day waiting period required by Section 12-6-5, NMSA 1978. To do so, the agency's governing authority or the governing authority's designee must provide written notification to the OSA of the waiver in the form of a letter. The letter must be signed by the agency's governing authority or the governing authority's designee and be sent via letter, email or fax to the attention of State Auditor Wayne A. Johnson. The OSA strongly prefers to receive the written notification prior to the submission of the final Report to the OSA.

Please call us if you have any questions. Thank you for your prompt attention regarding this matter.

Comments That Must Be Corrected or Addressed:

1. Please update procedure 1b on page 3 to indicate the following procedure required effective 8/15/2017.

Test at least 30% of the bank reconciliations for accuracy. Also trace ending balances to the general ledger, supporting documentation, and the financial reports submitted to DFA-Local Government Division.

2. It appears that there is an extra page number at the bottom of page 4.
3. Please provide the date of the entrance conference, it was not included as required on page 3 of the Report Review Guide.

4. Please update the language of the last paragraph on page 6 to meet the requirements of AT-C 215.35.

We were not engaged to and did not conduct an ~~audit~~ **examination or review** of the subject matter, the objective of which would be the expression of an opinion **or conclusion** on the compliance with results of procedures required of a Tier 4 examination. 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 you.

*Reminder: Please submit all electronic documents, such as the vendor schedule, audit report, etc. with the final Report.*

Corrected

Corrected

Added

Corrected

5/1/18