



Accounting & Consulting Group, LLP

Certified Public Accountants

State of New Mexico
Cottonwood Rural Water Association
Annual Compiled Financial Statements
December 31, 2011

STATE OF NEW MEXICO
COTTONWOOD RURAL WATER ASSOCIATION
ANNUAL COMPILED FINANCIAL STATEMENTS
DECEMBER 31, 2011

INTRODUCTORY SECTION

STATE OF NEW MEXICO
 Cottonwood Rural Water Association
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 December 31, 2011

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STATE OF NEW MEXICO
Cottonwood Rural Water Association
Official Roster
December 31, 2011

<u>Name</u>	<u>Board of Directors</u>	<u>Title</u>
Roby Zumwalt		President
Jack Callaway		Vice-President
Vance Riggs		Secretary/Treasurer
Dan Dolan		Member
Randy Bristow		Member

	<u>Administration</u>	
Jan Waldrip		Office Manager

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FINANCIAL SECTION

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Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Hector H. Balderas
New Mexico State Auditor
Jan Waldrip, Office Manager
Board of Directors
Cottonwood Rural Water Association
P.O. Box 1484
Artesia, NM 88211-1484

We have compiled the accompanying financial statements of the business-type activities of the Cottonwood Rural Water Association (the "Association") as of and for the year ended December 31, 2011, which collectively comprise the Association's basic financial statements as listed in the table of contents. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has omitted the management's discussion and analysis and budgetary comparison information that is required to be presented for purposes of additional analysis. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Accounting & Consulting Group, L.L.P.

Accounting & Consulting Group, LLP
Roswell, New Mexico
May 25, 2012

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
Cottonwood Rural Water Association
Statement of Net Assets
December 31, 2011

Exhibit A-1

ASSETS

Current assets	
Cash and cash equivalents	\$ 241,724
Customer receivables, net of allowance for doubtful accounts	28,423
Grants receivables	47,209
Prepays	8,155
Inventory	5,788
Total current assets	331,299
Noncurrent assets	
Restricted cash and cash equivalents	19,885
Capital assets	2,268,765
Accumulated depreciation	(571,977)
Water rights, net of accumulated amortization	267,647
Loan costs, net of accumulated amortization	4,719
Total noncurrent assets	1,989,039
Total assets	\$ 2,320,338

LIABILITIES AND NET ASSETS

Liabilities	
Current liabilities	
Accounts payable	\$ 3,741
Accrued expenses	18,549
Meter and other refundable deposits	7,740
Current portion of long-term debt	53,572
Total current liabilities	83,602
Noncurrent liabilities	
Notes and loans payable	972,286
Total noncurrent liabilities	972,286
Total liabilities	1,055,888
Net assets	
Invested in capital assets, net of related debt	670,930
Restricted net assets	19,885
Unrestricted net assets	573,635
Total net assets	1,264,450
Total liabilities and net assets	\$ 2,320,338

STATE OF NEW MEXICO
 Cottonwood Rural Water Association
 Statement of Revenues, Expenses and Changes in Net Assets
 For the Year Ended December 31, 2011

Exhibit A-2

Operating revenues	
Charges for services	\$ 319,940
Total operating revenues	<u>319,940</u>
Operating expenses	
Personnel services	97,055
Contractual services	61,502
Supplies	21,405
Repairs and maintenance	9,027
Utilities	25,409
Depreciation	29,637
Amortization	398
Miscellaneous	14,390
Total operating expenses	<u>258,823</u>
Operating income (loss)	<u>61,117</u>
Non-operating revenues (expenses)	
Capital grants	36,209
Interest income	8,654
Interest expense	(57,009)
Miscellaneous	469
Total non-operating revenues (expenses)	<u>(11,677)</u>
Change in net assets	49,440
Net assets, beginning of year	<u>1,215,010</u>
Net assets, end of year	<u><u>\$ 1,264,450</u></u>

STATE OF NEW MEXICO
Cottonwood Rural Water Association
Statement of Cash Flows
For the Year Ended December 31, 2011

Exhibit A-3

<i>Cash flows from operating activities</i>	
Cash received from user charges	\$ 267,275
Cash payments to employees for services	(90,309)
Cash payments to suppliers for goods and services	(131,432)
<i>Net cash provided (used) by operating activities</i>	<u>45,534</u>
 <i>Cash flows from noncapital financing activities</i>	
Net miscellaneous income and expenses	471
<i>Net cash provided (used) by noncapital financing activities</i>	<u>471</u>
 <i>Cash flows from capital and related financing activities</i>	
Capital grants	36,209
Acquisition of capital debt	513,592
Principal paid on capital debt	(450,795)
Interest paid on capital debt	(57,009)
<i>Net cash provided (used) by capital and related financing activities</i>	<u>41,997</u>
 <i>Cash flows from investing activities</i>	
Interest income	8,654
<i>Net cash provided (used) by investing activities</i>	<u>8,654</u>
 <i>Net increase (decrease) in cash and cash equivalents</i>	 96,656
 <i>Cash and cash equivalents - beginning of year</i>	 164,953
 <i>Cash and cash equivalents - end of year</i>	 <u>\$ 261,609</u>
 <i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>	
Operating income (loss)	\$ 61,115
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:	
Depreciation	29,638
Amortization	399
Changes in assets and liabilities	
Receivables	(49,548)
Accounts payable	302
Accrued expenses	6,746
Meter other refundable deposits	(3,118)
 <i>Net cash provided (used) by operating activities</i>	 <u>\$ 45,534</u>

STATE OF NEW MEXICO
Cottonwood Rural Water Association
Notes to the Financial Statements
December 31, 2011

NOTE 1. Summary of Significant Accounting Policies

Cottonwood Rural Water Association (the "Association") is a political subdivision of the State of New Mexico established and regulated by the constitution of the State of New Mexico. The Association was incorporated on January 4, 1979 for the purpose of constructing, maintaining, and operating a water system for the supply and distribution of water for domestic use to its members. The Association has a Board of Directors and approximately 520 members. The water service delivery area is restricted to Cottonwood rural district in northern Eddy County, New Mexico.

The summary of significant accounting policies of the Association is presented to assist in the understanding of the Association's financial statements. The financial statements and notes are the representation of the Association's management and Board of Directors who are responsible for their integrity and objectivity. The financial statements of the Association have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their government-wide financial statements, subject to this same limitation. The Association has elected to utilize alternative #2 under GASB No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities That Use Proprietary Fund Accounting*. Under alternative #2, the governmental entities using proprietary fund accounting must follow 1) all GASB pronouncements and 2) all FASB Statements and Interpretations issued after November 30, 1989, APB Opinions, and ARB's, no matter when issued, except those that conflict with a GASB pronouncement. The more significant of the Association's accounting policies are described below.

A. Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In evaluating how to define the Association, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14 and 39.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Association and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Association and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Association is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the Association has no component units, and is not a component unit of any other entity.

STATE OF NEW MEXICO
Cottonwood Rural Water Association
Notes to the Financial Statements
December 31, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Measurement focus, basis of accounting, and financial statement presentation

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

The accounts of the Association are organized on the basis of fund type, of which there is only one fund which is considered to be an enterprise fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the Association's enterprise fund is charges for services for the Association's water. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The enterprise fund is accounted for using the full accrual basis of accounting. Revenues are recognized when the related service is completed and billed. Expenses are recorded when an item is utilized or a liability is incurred.

The Association reports its proprietary fund as a major fund. The proprietary fund includes:

The Cottonwood Rural Water Association Fund accounts for a water system for the supply and distribution of water for domestic use to its members, including constructing, maintaining and operating the system.

When both restricted and unrestricted resources are available for use, it is the Association's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities and Net Assets or Equity

Deposits and Investments: The Association's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Association to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the Association are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

Receivables and Payables: All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Inventory: The Association's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed. Inventory is valued at cost and consists of supplies and materials. The cost of purchased supplies and materials is recorded as an expenditure at the time individual inventory items are consumed.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

STATE OF NEW MEXICO
 Cottonwood Rural Water Association
 Notes to the Financial Statements
 December 31, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities and Net Assets or Equity (continued)

Restricted Assets: Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Because the Association is a phase III government for purposes of implementing GASB 34, it is not required to retroactively report its major general infrastructure assets. However, it must report all infrastructure assets purchased or built after July 1, 2003. Donated capital assets are recorded at estimated fair market value at the date of donation. The Association does not develop any software.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Furniture and fixtures (including software)	5-7
Automobiles	5
Plant and water system	5-50

The Association completed construction of a new water well in 2003. As of the date of this report, the well was still not in use. Therefore, no depreciation has been recorded on the well as of December 31, 2011. Management expects the well to be in use in the near future and does not expect any impairment of the well.

Accrued Expenses: Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through December 31, 2011, along with applicable payroll taxes.

Long-term Obligations: In the financial statements, long-term debt and other long-term obligations are reported as liabilities. For bonds issued after the Association implemented GASB 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

STATE OF NEW MEXICO
Cottonwood Rural Water Association
Notes to the Financial Statements
December 31, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities and Net Assets or Equity (continued)

Equity Classifications

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt:
Net assets invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets:
Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets:
All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Water Rights: The Association annually reviews the impairment of all water rights and adjusts the carrying values as necessary.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the Association’s financial statements include management’s estimate of depreciation on assets over their estimated useful lives and the allowance for uncollectible accounts.

Reclassifications: Certain amounts included in the financial statements have been reclassified to conform to the current year presentation.

STATE OF NEW MEXICO
Cottonwood Rural Water Association
Notes to the Financial Statements
December 31, 2011

NOTE 2. Deposits and Investments

State statutes authorize the investment of Association funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the Association properly followed State investment requirements as of December 31, 2011.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the City of Artesia. Deposits may be made to the extent that they are insured by an agency of the United States or are collateralized as required by statute.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Association for at least one half of the amount on deposit with the institution. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. At December 31, 2011, the Association did not have any deposits in excess of the federal deposit insurance.

According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Under the Transaction Account Guarantee Program (TAGP) in effect from July 1, 2010 to December 31, 2010, time deposits, savings deposits and interest bearing negotiable order of withdrawal (NOW) accounts of a public unit in an institution in the same state were insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. The TAGP program expired on December 31, 2010. On November 9, 2010, the FDIC Board of Directors issued a final rule to implement the section of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides temporary unlimited coverage for noninterest-bearing transaction accounts at all FDIC-insured depository institutions. The separate coverage on non-interest bearing transaction accounts became effective on December 31, 2010 and will terminate on December 31, 2012. From December 31, 2010 to July 20, 2011 accounts held by an official custodian for a government unit are insured as follows:

- Up to \$250,000 for the combined total of all time and savings deposits (including NOW accounts), and
- Unlimited coverage for noninterest-bearing transaction (demand deposit) accounts.

Through July 20, 2011, there is no difference in deposit insurance coverage when an official custodian deposits money in-state or out-of-state.

Custodial Credit Risk – Deposits Custodial credit risk is the risk that in the event of a bank failure, the Association's deposits may not be returned to it. The Association does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At December 31, 2011, none of the Association's bank balances of \$144,839 was exposed to custodial credit risk.

STATE OF NEW MEXICO
Cottonwood Rural Water Association
Notes to the Financial Statements
December 31, 2011

NOTE 2. Deposits and Investments (continued)

	<u>Western Bank</u>	<u>First American Bank</u>	<u>Totals</u>
Amount of deposits	\$ 213,307	\$ 41,814	\$ 255,121
FDIC Coverage	<u>(213,307)</u>	<u>(41,814)</u>	<u>(255,121)</u>
 Total uninsured public funds	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Association's name	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Uninsured and uncollateralized	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>
 Collateral requirement (50% of uninsured public funds)	 \$ -	 \$ -	 \$ -
Pledged collateral	<u>-</u>	<u>-</u>	<u>-</u>
 Over (under) collateralized	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

Reconciliation to the Statement of Net Assets

Unrestricted cash and cash equivalents per Exhibit A-1	\$ 241,724
Restricted cash and cash equivalents per Exhibit A-1	19,885
Less U.S. Treasury Money Market Mutual Funds	(19,885)
Less deposits in transit	13,472
Less petty cash	<u>(75)</u>
 Bank balance of deposits	 <u>\$ 255,121</u>

STATE OF NEW MEXICO
Cottonwood Rural Water Association
Notes to the Financial Statements
December 31, 2011

NOTE 3. Receivables

Proprietary fund receivables are shown as follows:

	Total
Water billings	\$ 19,128
Meters	9,936
Grant receivable	47,209
Gross accounts receivable	76,273
Allowance for doubtful accounts	(641)
Net accounts receivable	\$ 75,632

The vast majority of all receivables are concentrated in one geographical region, specifically Eddy County.

NOTE 4. Capital Assets

A summary of capital assets and changes occurring during the year ended December 31, 2011, including those changes pursuant to the implementation of GASB Statement No. 34, follow. Land and construction in progress are not subject to depreciation.

	Balance, December 31, 2010	Additions	Deletions	Balance, December 31, 2011
Capital assets not being depreciated:				
Land	\$ 7,590	\$ -	\$ -	\$ 7,590
Construction in progress	109,238	-	-	109,238
Total	116,828	-	-	116,828
Capital assets being depreciated:				
Furniture and fixtures	9,543	-	-	9,543
Automobiles	21,172	-	-	21,172
Plant and water system	2,121,222	-	-	2,121,222
Total	2,151,937	-	-	2,151,937
Less accumulated depreciation:				
Furniture and fixtures	9,543	-	-	9,543
Automobiles	12,884	3,834	-	16,718
Plant and water system	519,913	25,803	-	545,716
Total	542,340	29,637	-	571,977
Total capital assets, net of depreciation	\$ 1,726,425	\$ (29,637)	\$ -	\$ 1,696,788

Depreciation expense for the year ended December 31, 2011 was \$29,637.

STATE OF NEW MEXICO
Cottonwood Rural Water Association
Notes to the Financial Statements
December 31, 2011

NOTE 5. Other Assets

During the year ended December 31, 2011, the following changes occurred in the other assets reported in the statement of net assets:

	Balance, December 31, 2010	Additions	Deletions	Balance, December 31, 2011
Other assets being amortized:				
Water rights	\$ 381,041	\$ -	\$ -	\$ 381,041
Loan costs	8,462	-	-	8,462
Total	<u>389,503</u>	<u>-</u>	<u>-</u>	<u>389,503</u>
Less accumulated amortization:				
Water rights	113,394	-	-	113,394
Loan costs	3,345	398	-	3,743
Total	<u>116,739</u>	<u>398</u>	<u>-</u>	<u>117,137</u>
Total other assets, net of amortization	<u>\$ 272,764</u>	<u>\$ (398)</u>	<u>\$ -</u>	<u>\$ 272,366</u>

Amortization expense for the year ended December 31, 2011 was \$398.

NOTE 6. Deposits Held for Others

The Association holds water and meter deposits for all members, which may be refunded only if requested by members upon termination of the water service agreement. The balance held on behalf of the members of the Association is \$10,857.

NOTE 7. Long-term Debt

During the year ended December 31, 2011, the following changes occurred in the liabilities reported in the statement of net assets:

	Balance, December 31, 2010	Additions	Retirements	Balance, December 31, 2011	Due Within One Year
GMAC Loan	\$ 131,036	\$ -	\$ 9,364	\$ 121,672	\$ 9,843
NMFA Loan	427,989	-	34,803	393,186	36,729
Western Bank Loan	300,000	-	300,000	-	-
Western Bank Auto Loan	4,735	-	4,735	-	-
RCAC Loan	99,301	2,592	101,893	-	-
USDA/RUS	-	511,000	-	511,000	7,000
Totals	<u>\$ 963,061</u>	<u>\$ 513,592</u>	<u>\$ 450,795</u>	<u>\$ 1,025,858</u>	<u>\$ 53,572</u>

STATE OF NEW MEXICO
Cottonwood Rural Water Association
Notes to the Financial Statements
December 31, 2011

NOTE 7. Long-term Debt (continued)

Loans Payable

On April 3, 1981, the Association borrowed \$271,000 from the General Motors Acceptance Corporation for the purpose of purchasing a vehicle. The loan is payable in annual installments of \$16,068 and matures on April 3, 2021. The annual interest rate on the loan is 5.00%.

On May 1, 2002, the Association borrowed \$703,586 from the New Mexico Finance Authority. The loan is payable in monthly installments varying from \$2,500 to \$3,500 and matures on May 1, 2021. The annual interest rate on the loan is 1.47%.

On December 20, 2011, the Association borrowed \$511,000 from the Rural Community Assistance Corporation. The loan is payable in monthly installments varying from \$2,280 to \$2,010 and matures on December 20, 2048. The annual interest rate on the loan is 3.62%.

Debt Service Requirements

Debt service requirements on long-term debt at December 31, 2011 are as follows:

Fiscal Year Ending December 31,	Principal Payment	Interest Payment	Total Debt Service
2012	\$ 53,572	\$ 26,948	\$ 80,520
2013	54,690	25,707	80,397
2014	55,853	24,428	80,281
2015	58,061	23,757	81,818
2016	59,320	21,709	81,029
2017-2021	313,362	85,774	399,136
2022-2026	50,000	60,720	110,720
2027-2031	58,000	52,710	110,710
2032-2036	67,000	43,470	110,470
2037-2041	79,000	32,760	111,760
2042-2046	91,000	20,190	111,190
2047-2051	86,000	21,180	107,180
Total	<u>\$ 1,025,858</u>	<u>\$ 439,353</u>	<u>\$ 1,465,211</u>

STATE OF NEW MEXICO
Cottonwood Rural Water Association
Notes to the Financial Statements
December 31, 2011

NOTE 8. Subsequent Events

In March 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for financial statements for periods beginning after June 15, 2011 with earlier implementation encouraged. GASB Statement No. 54 distinguishes fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purpose for which specific amounts can be spent. This statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. The Association is analyzing the effect that this standard will have on the financial statements.

NOTE 9. Restricted Net Assets

The statement of net assets reports \$19,885 of restricted net assets, all of which is restricted by enabling legislation for debt service.

SUPPORTING SCHEDULE

STATE OF NEW MEXICO
 Cottonwood Rural Water Association
 Schedule of Deposit and Investment Accounts
 For the Year Ended December 31, 2011

Schedule I

Bank Account Type/Name	Deposits		Investments	Totals
	Western Bank	First American Bank	NMFA	
General - Checking	\$ 112,807	\$ -	\$ -	\$ 112,807
Construction - Checking	87,491	-	-	87,491
Water Rights - Savings	13,009	-	-	13,009
Co-op Reserve - Savings	-	41,814	-	41,814
NMFA - Debt Service *	-	-	19,885	19,885
Total on deposit	213,307	41,814	19,885	275,006
Reconciling items	(13,472)	-	-	(13,472)
Reconciled balance	\$ 199,835	\$ 41,814	\$ 19,885	261,534

*Account is U.S. Treasury MMA Mutual Funds and is considered cash equivalents

Petty cash	75
Total deposits and investments	\$ 261,609
Total unrestricted cash and cash equivalents per Exhibit A-1	\$ 241,724
Total restricted cash and cash equivalents per Exhibit A-1	19,885
Total deposits and investments	\$ 261,609