

**State of New Mexico  
Garfield Mutual Domestic Water Consumers Association  
And Mutual Sewage Works Association**

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

**Year Ended June 30, 2018**

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

**State of New Mexico**  
**Garfield Mutual Domestic Water Consumers Association and**  
**Mutual Sewage Works Association**  
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**June 30, 2018**

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**State of New Mexico  
Garfield Mutual Domestic Water Consumers Association and  
Mutual Sewage Works Association  
Official Roster  
June 30, 2018**

**Board Members**

Ronald Garay

President

David Michael Holguin

Vice President

Isidora Alvarez

Director

Errol Gonzalez

Director

Robert Shannon

Director

**Administration**

Nga Brewster

Secretary/Treasurer

Dusty Barnett

Water System Operator

## Financial Section

DAN AUSTIN CPA, P.C.  
MEMBER  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
NEW MEXICO SOCIETY OF CERTIFIED PUBLIC ACCOUNTS

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

Wayne Johnson, New Mexico State Auditor  
The Board of Directors  
Garfield Mutual Domestic Water Consumers Association and Mutual Sewage Works Association  
Garfield, New Mexico

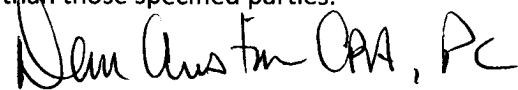
We have performed the procedures enumerated below for the Garfield Mutual Domestic Water Consumers Association and Mutual Sewage Works Association (GWCAMSWA), for the year ended June 30, 2018. The GWCAMSWA was determined to be a Tier 6 entity under the Audit Act, Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC. The procedures were agreed to by the GWCAMSWA through the Office of the New Mexico State Auditor. The Garfield Mutual Domestic Water Consumers Association and Mutual Sewage Works Association'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 June 30, 2018. 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 Garfield Mutual Domestic Water Consumers Association and Mutual Sewage Works Association Garfield Mutual Domestic Water Consumers Association and Mutual Sewage Works Association, 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  
November 28, 2018

**STATE OF NEW MEXICO  
GARFIELD MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION AND  
MUTUAL SEWAGE WORKS ASSOCIATION  
OFFICE OF THE STATE AUDITOR TIER 6 AGREED - UPON PROCEDURES  
SCOPE OF PROCEDURES AND RESULTS  
JUNE 30, 2018**

Our findings related to the required procedures are presented as follows:

**1. Revenue Calculation and Tier Determination**

**Procedures**

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

**Results of Procedure**

Garfield Mutual Domestic Water Consumers Association had revenue of \$488,192, therefore a Tier 6 agreed upon procedure engagement is required.

**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 the bank reconciliations for accuracy. Also trace ending balances to the general ledger, supporting documentation, and the financial reports submitted to DFA-Local Governments 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 of Procedure**

- a) We obtained the bank statements and corresponding reconciliation's for all of the Association's accounts as of June 30, 2018. No exceptions were noted as a result of this procedure. Bank reconciliation's were completed in a timely manner, and all bank statements and reconciliation's are complete and on hand.
- b) A random sample of four monthly bank reconciliations were haphazardly selected in the fiscal year 2018 from the Association's accounts and found to be accurate. Reconciled balances were traced to the general ledger and related DFA reports. No exceptions were noted as a result of this procedure.
- c) The Association at June 30, 2018 had uninsured deposits totaling requiring a pledge of collateral in compliance with Section 6-10-17 NMSA 1978, NM Public Money Act. The Bank had not pledged securities for these deposits. See Finding 2016-003.

**3. Capital Assets**

**Procedures:**

Verify that the local public body performing a yearly inventory as required by Section 12-6-10 NMSA.

**Results of Procedure**

The Garfield MDWCA last inventory count was completed during FYE 2018.

**4. Debt**

**Procedures:**

If the local public body has any debt, verify that the required payments were made during the year. If the debt agreement requires reserves, verify that the local public body is in compliance with those requirements.

### Results of Procedure

We obtained the annual debt statements, and verified that all payments were made during the year. The Association is in compliance with debt service requirements.

## 5. 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% of the total dollar amount 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 of Procedure

- a) Actual revenue compared to budgeted revenue for the fiscal year is reasonable and within expectations. The variance analysis for budgets to actual may be noted in the Budgetary analysis in pages 9.
- b) A sample of 94 revenue transactions totaling \$325,800 totaling 44.92% were tested. No exceptions were noted as a result of this procedure. Amounts recorded in the general ledger agreed with supporting documents.
- c) A sample of 94 revenues transactions totaling \$325,800 totaling 44.92% were tested. No exceptions were noted as a result of this procedure. Amounts were recorded on a cash basis as to classification, amount and period per review of supporting documentation.

## 6. Expenditures

### Procedures:

Select a sample of cash disbursements equal to at least 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, contact and canceled 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 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

### Results of Procedure

- a) A sample of 84 expenditure transactions totaling \$396,466 or 80.55% of the total transaction were tested. No exceptions were noted as a result of this procedure. The 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.
- b) A sample of 84 expenditure transactions totaling \$396,466 or 80.55% of the total transaction were tested. Transaction tested were properly approved and in compliance with the budget, legal requirements, and established policies and procedures.

- c) There were no exceptions noted as a result of this procedure for the bid process or request for proposal process, if applicable), contracts and agreements were processed in accordance with the New Mexico Section 13-1-28 through 13-1-99 NMSA 1978) and State Purchasing 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).

## 7. 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 of Procedure

- a) We reviewed all non-routine journal entries and they, all have supporting documentation and appear reasonable.
- b) Per inquiry with management, Association journal entries prepared by an accounting firm and approved by the management.

## 8. 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 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 budgets 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 of Procedure

- a) The review of Board minutes and letter from the State indicated that the budget and budget adjustments were approved by the board and the DFA.
- b) Total actual expenditures from the general ledger did exceed budgeted amounts. See audit finding 2017-001
- c) A schedule of revenue and expenses - budget and actual was prepared from the Association records on accrual budgetary basis on pages 9.

## 9. Capital Outlay Appropriations

### Procedures

Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the fiscal year. Test all capital outlay expenditures during the fiscal year to:

- a) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.
- b) Determine that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.
- c) Determine that the bid process (or request for proposal process is applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).



- d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.
- e) Verify that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.
- f) If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.
- g) If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.
- h) Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.
- i) Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.

**Results of Procedure**

- a) We reviewed all grants received and noted no Capital Outlay Grants from the New Mexico State Legislature were received. These procedures do not apply.

**10. 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.

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, the objective of which would be the expression of an opinion or conclusion on the accounting records. 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 Garfield Mutual Domestic Water Consumers Association and Mutual Sewage Works Association, the New Mexico State Auditor's Office, the 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.

STATE OF NEW MEXICO  
 GARFIELD MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION AND  
 MUTUAL SEWAGE WORKS ASSOCIATION  
 OFFICE OF THE STATE AUDITOR TIER 6 AGREED-UPON PROCEDURES  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN NET POSITION  
 BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2018

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Water System Revenue	\$ 496,761	\$ 496,761	\$ 438,847	\$ (57,914)
Penalty Revenue	11,832	11,832	11,954	122
Water Connection Revenue	19,000	19,000	31,500	12,500
Membership Fees Revenue	2	2	1	(1)
Grant Income	-	-	80,016	80,016
Miscellaneous	2,265	2,265	2,468	203
Interest Income	3,598	3,598	3,422	(176)
Total revenue	<u>533,458</u>	<u>533,458</u>	<u>568,208</u>	<u>34,750</u>
<b>Expenditures:</b>				
Personnel Expense	108,700	108,700	125,013	(16,313)
Operating Expense	139,003	139,003	177,664	(38,661)
Depreciation	149,160	149,160	151,835	(2,675)
Debt Service	40,268	40,268	37,629	2,639
Total expenditures	<u>437,131</u>	<u>437,131</u>	<u>492,141</u>	<u>(54,974)</u>
<b>Excess (deficiency) of revenue and cash over expen:</b>	<u>\$ 96,327</u>	<u>\$ 96,327</u>	76,067	<u>\$ (20,224)</u>
			-	
			<u>3,700,572</u>	
			<u>\$ 3,776,639</u>	

**State of New Mexico  
Garfield Mutual Domestic Water Consumers Association and  
Mutual Sewage Works Association  
Year End Report Submitted to NMDFA  
June 30, 2018**

**Garfield Mutual Domestic Water Consumers & Mutual Sewer Works Association**

AUTHORIZING AND APPROVING SUBMISSION OF A BUDGET FOR July 2018 - June 2019

RESOLUTION NUMBER 7102018-1  
Garfield MDWC&MSWA July 2018 to June 2019 BUDGET ADOPTION  
(2018-2019 FISCAL YEAR)

WHEREAS, the Garfield MDWC & MSWA " Government Unit " in accordance with Section 6-6-2(B) NMSA 1978 " Act" the Board of Directors wishes to adopt and pass a resolution to approve the July 2018 – June 2019 Budget

NOW THEREFORE BE IT RESOLVED BY THE GOVERNING BODY OF THE Garfield MDWC & MSWA


Section 1. That the Board of Directors adopts and passes this resolution to approve July 2018 – June 2019 Budget.

PASSED, APPROVED, AND ADOPTED July 10, 2018

Garfield MDWC&MSWA of

Doña Ana and Sierra County, New Mexico

Attest

  
\_\_\_\_\_  
Nga Brewster, Secretary

  
\_\_\_\_\_  
Ronald Garay, President

State of New Mexico  
 Garfield Mutual Domestic Water Consumers Association and  
 Mutual Sewage Works Association  
 Year End Report Submitted to NMDFA  
 June 30, 2018

8:49 AM  
 07/17/18  
 Accrual Basis

Garfield Mutual Domestic Water Works  
 Profit & Loss  
 July 2017 through June 2018

	Jul '17 - Jun 18
Ordinary Income/Expense	
Income	
*Uncategorized Income	0.00
40000 · Membership Fee Revenue	1.00
40100 · Penalty Revenue	11,954.14
40150 · Delinquent Reconnect Charge	1,700.00
40300 · Turn on Charge Revenue	200.00
40400 · Water Connection Revenue	29,800.00
40500 · Water System Revenue	451,227.92
40800 · Interest Income	3,421.94
41000 · Misc. Income	368.16
420 · Non-refundable membership fee	1,900.00
<b>Total Income</b>	<b>500,573.16</b>
<b>Gross Profit</b>	<b>500,573.16</b>
Expense	
60100 · Advertising Expense	98.35
60700 · Annual / REGULAR Meeting Exp	1,675.61
61000 · Auto Expenses	2,482.04
61200 · Equipment Repair	547.87
62000 · Bank Charges	1,075.33
63100 · Chlorine/Solution	2,374.21
63500 · Commissions and Fees Exp	20.00
63700 · Software Serv. Agreem	1,803.89
64000 · Depreciation Expense	2,250.55
64500 · Dues and Subscriptions Exp	869.30
64700 · Education	165.00
65300 · Fuel Expense	7,890.49
65700 · Grant Expense	
65710 · Grant Expense -Garfield 5	64,395.03
<b>Total 65700 · Grant Expense</b>	<b>64,395.03</b>
67000 · Insurance Expense	22,162.20
67500 · Debt Service/Interest Expense	19,577.28
68000 · Laundry and Cleaning Exp	2,180.20
68100 · Clothes	0.00
68500 · Legal and Accounting Fees	9,488.29
68600 · LEGAL FEES	813.96
68700 · Legal Notice	193.95
69000 · Licenses and Fees Expense	31,889.85
69100 · Loan Admin. Fee	969.11
70000 · Maintenance Expense	13,040.16
70500 · Meals and Entertainment Exp	79.57
70600 · Miscellaneous	186.72
70700 · PEST CONTROL & weed killer	23.77
71000 · Office Expense	8,327.28
72000 · Payroll Fica Taxes	7,178.36
72010 · Payroll Expenses	7,360.00
72100 · Payroll Medicare Tax	1,678.82
72200 · Payroll Work Comp Tax	82.30
72300 · Payroll SUTA Tax	4,920.10
72400 · Payroll Futa Tax	141.85
72600 · Property Taxes	2,686.71
73500 · Postage Expense	5,898.02
74000 · Rent - WAREHOUSE	3,000.00
75600 · System Materials	25,468.54
75700 · System Repair	18,340.51
75800 · Telephone Exp & Internet	3,619.86
76500 · Travel Expense/ LODGING	207.48
77500 · Wages Expense	108,419.92
77600 · Water Testing	3,355.84
78000 · Utilities - Electric	26,291.65
781 · Utilities - PNM gas	574.40
<b>Total Expense</b>	<b>413,804.37</b>
<b>Net Ordinary Income</b>	<b>86,768.79</b>
<b>Net Income</b>	<b>86,768.79</b>

**STATE OF NEW MEXICO  
GARFIELD MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION AND  
MUTUAL SEWAGE WORKS ASSOCIATION  
OFFICE OF THE STATE AUDITOR TIER 6 AGREED-UPON PROCEDURES  
SCHEDULE OF RESULTS AND FINDINGS  
JUNE 30, 2018**

The following are the results and finding for the year ended June 30, 2018:

**Prior Year Findings:**

2016-002 Reports submitted to NMDFA-LGD - Repeated and Amended  
2016-003 Credit Risk-Deposit Pledging - Resolved  
2017-001 Expenditures in Excess of Budget - Repeated

**Current Year Findings**

**2016-002 Budget Reporting-Significant Deficiency**

**Condition**

Prior year finding noted no budget reports submitted. The District is required to submit quarterly reports to monitor its budget and timely report quarterly results to the New Mexico Department of Finance on a quarterly basis per. The Association reported on quarterly basis, however the reports failed to include all information required by NMDFA including budget comparisons and cash balances.

**Criteria**

Pursuant to Section 6-6-2 NMSA 1978 the District adopted a budget. The District per 6-6-2 F failed to accurately report complete and accurate quarterly results to as required by DFA-LGD including cash balances and comparative budget information.

**Effect**

Non-Compliance with statutory requirements.

**Cause**

Lack of understanding of reporting requirements required by NMDFA-LGD

**Recommendation**

Establish policy to review and approve complete budget reports on a quarterly basis prior to submission and approve budget prior to submission including all required budget information.

**Response & Corrective Action**

Board will implement a policy to expand Budget Reports to include all required components and obtain approval of reports prior to submission.

**Expected Response Completion Date** February 28, 2019

**Responsible Party** Secretary/Treasurer

STATE OF NEW MEXICO  
GARFIELD MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION AND  
MUTUAL SEWAGE WORKS ASSOCIATION  
OFFICE OF THE STATE AUDITOR TIER 6 AGREED-UPON PROCEDURES  
SCHEDULE OF RESULTS AND FINDINGS  
JUNE 30, 2018

**2017-001 Expenditures in Excess of Budget-Significant Deficiency**

**Condition**

Prior year noted expenditures in excess of budget. The Association did not monitor spending and amend budgets as required thereby exceeding budgeted expenditures in violation of NMSA 6-6-6 in the following fund:

Proprietary Fund \$54,974

**Criteria**

Per 6-6-6 NMSA 1978 Compilation, it is unlawful for expenditures to exceed the approved budget adopted by the governing body of the Association and approved by the New Mexico Department of Finance and Administration LGD on August 16, 2017.

**Effect**

Expenditures in excess of approved budgets result in liability against public officials allowing claims to be paid in excess of budget.

**Cause**

Oversight and failure to approve amended budget.

**Recommendation**

Monitor budget more closely and request budget adjustments timely.

**Response & Corrective Action**

Management will update Budget Reports to improve monitoring budget expenditures and will more closely monitor budget reports and request budget adjustments in a timely manner.

**Expected Response Completion Date** February 28, 2019

**Responsible Party** Secretary/Treasurer

**STATE OF NEW MEXICO  
GARFIELD MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION AND  
MUTUAL SEWAGE WORKS ASSOCIATION  
OFFICE OF THE STATE AUDITOR TIER 6 AGREED-UPON PROCEDURES  
EXIT CONFERENCE  
JUNE 30, 2018**

**Exit Conference**

The contents of this report were discussed on December 4, 2018. The following individuals were in attendance:

Representing the Association:

Ronald Garay - President  
Nga Brewster – Secretary/Treasurer

Representing Dan Austin CPA PC:

Dan Austin CPA

**FINANCIAL STATEMENT PREPARATION**

The agreed-upon procedures, compiled financial statements of the Garfield Mutual Domestic Water Consumers Association and Mutual Sewage Works Association were prepared by Dan Austin CPA, PC, from the original books and records of the Association with the assistance of management in accordance with accounting principles generally accepted in the United States of America.

Although it would be preferable and desirable for the Association to prepare its own GAAP-based financial statements, it is felt that the Association's personnel have neither the time nor the expertise to prepare them. The Association designated a competent management level individual to oversee the financial statement preparation by Dan Austin CPA, PC. The District reviewed, approved and accepted responsibility for the compiled financial statements and related notes.

**State of New Mexico  
Garfield Mutual Domestic Water Consumers Association and  
Mutual Sewage Works Association**

**Annual Compiled Financial Statements**

**Year Ended June 30, 2018**

Dan Austin CPA, PC  
700 Mechem Drive  
Suite 15  
Ruidoso, New Mexico 88345



## Introductory Section

**State of New Mexico  
Garfield Mutual Domestic Water Consumers Association and  
Mutual Sewage Works Association  
Official Roster  
June 30, 2018**

**June 30, 2018**

**Board Members**

Ronald Garay  
David Michael Holguin  
Isidora Alvarez  
Errol Gonzalez  
Robert Shannon

President  
Vice President  
Director  
Director  
Director

**Administration**

Nga Brewster  
Dusty Barnett

Secretary/Treasurer  
Water System Operator

## **Financial Section**

DAN AUSTIN CPA, P.C.  
MEMBER  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
NEW MEXICO SOCIETY OF CERTIFIED PUBLIC ACCOUNTS

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dan@dacpanm.com

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SUITE 15  
RUIDOSO, NM 88345  
Website - dacpanm.com

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**INDEPENDENT ACCOUNTANTS' COMPILATION REPORT**

Wayne Johnson, New Mexico State Auditor  
Board of Directors  
Garfield Mutual Domestic Water Consumers Association and Mutual Sewage Works Association  
Garfield, New Mexico

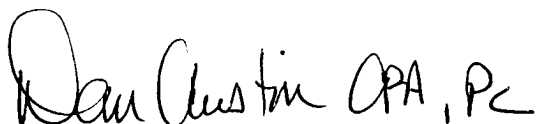
Management is responsible for the accompanying financial statements of the business-type activities of the Garfield Mutual Domestic Water Consumers Association and Mutual Sewage Works Association (the "Association"), as of and for the year ended June 30, 2018, which comprise the Statement of Net Position and Statement of Revenues, Expenses and Change in Net Position as listed in the table of contents, in accordance with Tier 6 of the Audit Act-Section 12-6-3 B (6) NMSA 1978 and Section 2.2.2.16 NMAC.

We 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. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

In order to comply with the requirements of Section 12-6-3(B) NMSA 1978 and 2.2.2.16 NMAC, the proprietary fund financial statements and the notes related to those financial statements were prepared using the modified accrual basis of accounting. However, in complying with these requirements, management has omitted the following financial statements and notes required by accounting principles generally accepted in the United States of America (GAAP): the statement of cash flows - proprietary funds and note disclosures related to the cash flow statement. These omissions result in the financial statements being presented on a basis of accounting other than GAAP.

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the modified accrual basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Management has omitted the *Management's Discussion and Analysis* that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. 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.



Dan Austin CPA PC  
Ruidoso, New Mexico  
November 28, 2018

**State of New Mexico  
Garfield Mutual Domestic Water Consumers Association and  
Mutual Sewage Works Association  
Statement of Net Position  
June 30, 2018**

**Assets**

**Current Assets**

Cash-Unrestricted	\$	444,984
Cash-Restricted		162,460
Accounts Receivable		13,712
Due From NMFA		22,118
Due From BLM		24,650
Inventory Materials		62,000
Prepays		11,959
Total Current Assets		741,883

**Noncurrent Assets**

Capital Assets	\$	6,831,585
Accumulated Depreciation		(2,943,308)
		3,888,277
Intangible Assets	\$	20,787
Accumulated Amortization		(10,127)
Total Noncurrent Assets		3,898,937

<b>Total Assets</b>	<b>\$</b>	<b>4,640,820</b>
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**Liabilities and Net Assets**

**Current Liabilities**

Account Payable	\$	4,399
Deposits Payable		8,160
Gross Receipts Tax Payable		1,727
Payroll Taxes Payable		3,814
Accrued Interest		5,741
Current Portion of Long-Term Debt		103,824
Total Current Liabilities		127,665

**Long-Term Liabilities**

Notes Payable	840,340
Less: Current Portion	(103,824)
Total Long-Term Liabilities	736,516

**Net Assets**

Net Investment in Capital Assets	3,047,937
Restricted For Debt Service	162,460
Unrestricted	566,242
Total Net Assets	3,776,639

<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b>4,640,820</b>
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**State of New Mexico**  
**Garfield Mutual Domestic Water Consumers Association and**  
**Mutual Sewage Works Association**  
**Statement of Revenues, Expenses and Change in Net Position**  
**June 30, 2018**

<b>Operating Revenues</b>	
Sales and Services	\$ 484,770
Total Operating Revenues	484,770
<b>Operating Expenses</b>	
Personnel Costs	125,013
Depreciation	149,585
Utilities	26,505
Postage and Supplies	5,898
Insurance	28,129
Repairs and Maintenance	15,180
Property Tax	2,687
Other Operating Expense	101,514
Total Operating Expense	454,511
Total Operating Income (Loss)	30,259
<b>Non-Operating Revenues (Expenses)</b>	
Interest Income	3,422
Grant Revenues	80,016
Interest Expense	(37,630)
Total Non-operating Revenue (Expense)	45,808
Change in Net Position	76,067
<b>Net Position at Beginning of Year</b>	<u>3,700,572</u>
<b>Net Position at End of Year</b>	<u>\$ 3,776,639</u>

See accountant's compilation report.

**STATE OF NEW MEXICO**  
**Garfield Mutual Domestic Water Consumers Association and Mutual Sewage Works Association**  
**Notes to Special Purpose Financial Statements**  
**June 30, 2018**

**NOTE 1. Summary of Significant Accounting Policies**

Garfield Mutual Domestic Water Consumers 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 in 1952 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 700 members. The water service delivery area is restricted to Garfield rural district in Otero 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 Tier 6 of the Audit Act -Section 12-6-3 B (6) NMSA 1978 and Section 2.2.2.16 NMAC, which is a special-purpose framework.

***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 as amended by GASB Statement No. 39 and GASB Statement No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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 does not have any component units, and is not a component unit of another governmental agency.

The Association's basic financial statements are prepared in accordance with Tier 6 of the Audit Act - Section 12-6-3 B (6) NMSA 1978 and Section 2.2.2.16 NMAC, which is a special-purpose framework. In order to comply with the requirements of Section 126-3(B) NMSA 1978 and 2.2.2.16 NMAC, the proprietary fund financial statements and the notes related to those financial statements were prepared using the modified budget accrual basis of accounting. However, in complying with these requirements, management has omitted the following financial statements and notes required by accounting principles generally accepted in the United States of America (GAAP): the statement of cash flows - proprietary funds and note disclosures related to the cash flow statement. These omissions result in the financial statements being presented on a basis of accounting other than GAAP and is considered a special purpose framework.

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

The accounting and financial reporting treatment applied to the Association is determined by its measurement focus. The Association's proprietary (enterprise) fund is accounted for on the how of economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All assets and all liabilities associated with the operations are included on the balance sheet. Net Position (i.e. total assets net of total liabilities) is segregated into net investment in capital assets: restricted: and unrestricted components.

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 services. 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.

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.

The Association reports its proprietary fund as a major fund. The proprietary, fund is:

The *Garfield Mutual Domestic Water Consumers 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

### ***C. Assets, Liabilities and Net Positions 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.

**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. Payables are comprised of unpaid vendor and supplier invoices and are recognized when incurred.

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

**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. Water rights and land are not subject to depreciation and are carried at their historical costs. 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 Association annually reviews the impairment of all water rights and adjusts the carrying values as necessary.

Information Technology Equipment including software is being capitalized and included in furniture and fixtures in accordance with NMAC 2.20.1.9 C (5).

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	5-10



Automobiles	10
Wells	40
Plant and Water System	5-40

**Accrued Expenses:** Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees, 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 are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

**Compensated Absences:** Management has not recorded a liability for compensated absences in business-type activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that compensated absences attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenditures of the business-type activities. The amount by which this departure would affect the liabilities and expenses of the business-type activities is not reasonably determinable.

### **Equity Classifications:**

**Equity** is classified as net positions and displayed in three components:

- a. **Net investment in capital assets:**  
Capital assets, net of accumulated depreciation is 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 position:**  
Consists of net position 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.

**Estimates:** The preparation of financial statements 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.

### **Note 2. Stewardship and Accountability**

Annual budgets of the Association are prepared prior to December 1 and must be approved by resolution of the Board Members and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the Board Members and the Department of Finance and Administration. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total at the fund level.

These budgets are prepared on the GAAP basis. The budget secures appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

### **Note 3. 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. The Association is not aware of any invested funds that did not meet the state investment requirements as of June 30, 2018.

Deposits of funds may be made in interest or noninterest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Association. Deposits may be made to the extent that they are insured

by an agency of the United States or are collateralized by statute. The financial institution must provide pledged collateral of 50% of the deposit in excess of the deposit insurance.

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 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.

*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 June 30, 2018, \$60,731 of the Association's bank balances of \$623,733 was exposed to custodial credit risk. New Mexico Depository States required \$30,366 to be collateralized, however none was secured by depositories as required.

Depository	Account Type	FDIC Insurance	Balance	Reconciling Items		Balance Per
			Per Depository	Outstanding Checks	Deposits	Financial Statements
Wells Fargo	Checking	\$ 131,882	\$ 131,882	\$ (16,537)	\$ 48	\$ 115,393
Wells Fargo	Savings	88,329	88,326	-	-	88,326
Wells Fargo	Savings	29,789	74,195	-	-	74,195
Wells Fargo	Checking	-	1,000	-	-	1,000
Wells Fargo	Checking	-	931	-	-	931
Wells Fargo	Checking	-	901	-	-	901
Wells Fargo	Checking	-	13,496	-	-	13,496
Total Wells Fargo		250,000	310,731	(16,537)	48	294,242
White Sands Fed CU	Checking	56,685	56,685	-	-	56,685
White Sands Fed CU	Checking	501	501	-	-	501
White Sands Fed CU	Checking	5,795	5,795	-	-	5,795
White Sands Fed CU	CD	11,591	11,591	-	-	11,591
White Sands Fed CU	CD	29,292	29,292	-	-	29,292
White Sands Fed CU	CD	17,386	17,386	-	-	17,386
White Sands Fed CU	CD	29,292	29,292	-	-	29,292
Total WSFCU		150,542	150,542	-	-	150,542
NY Mellon	Checking	125,060	125,060	-	-	125,060
NMST/NMFA	Checking	37,400	37,400	-	-	37,400
Total cash on deposit		<u>\$ 563,002</u>	623,733	<u>\$ (16,537)</u>	<u>\$ 48</u>	<u>\$ 607,244</u>
Petty cash						200
Total cash on hand and on deposit						<u>\$ 607,444</u>
Less: FDIC Insurance or Other Insurance			(563,002)			
Uninsured Deposits			<u>\$ 60,731</u>			
Required Pledge			<u>\$ 30,366</u>			
Pledged Securities:						
Description	CUSIP	Market Value				
FNMA 3.50% 3/1/42 Par \$ 2,975	3138EEPW3	\$ 1,131				
FNMA 3.00% 3/1/43 Par \$52,276	3138W7C51	34,592				
FNMA 3.00% 3/1/42 Par \$ 5,047	31417BHU4	2,690				
(Over) Under Pledged				<u>\$ (8,048)</u>		

#### Note 4. Receivables

At June 30, 2018 the Association has water billing receivables totaling \$27,713 less current allowance for uncollectible accounts of \$10,000 resulting in a net accounts receivable outstanding of \$13,713.

#### Note 5. Capital Assets

Capital and Intangible asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 84,207	\$ -	\$ -	\$ 84,207
Construction in progress	-	-	-	-
Total capital assets not being depreciated	84,207	-	-	84,207
Capital assets being depreciated:				
Buildings	147,207	-	-	147,207
Water System	5,839,405	126,001	-	5,965,406
Water System Improvements	449,277	-	-	449,277
Equipment	76,150	-	-	76,150
Furniture and Fixtures	11,335	-	-	11,335
Automobiles	80,845	-	-	80,845
Fence	17,158	-	-	17,158
Total capital assets being depreciated	6,621,377	126,001	-	6,747,378
Less:				
Accumulated depreciation	2,793,723	149,585	-	2,943,308
Total accumulated depreciation	2,793,723	149,585	-	2,943,308
Total capital assets being depreciated, net	3,827,654	(23,584)	-	3,804,070
Capital assets, net	\$ 3,911,861	\$ (23,584)	\$ -	\$ 3,888,277
Intangible assets being amortized:				
Loan Fees	20,787	-	-	20,787
Other	-	-	-	-
Total capital assets being depreciated	20,787	-	-	20,787
Less:				
Accumulated Amortization	9,594	533	-	10,127
Intangible assets, net	\$ 11,193	\$ (533)	\$ -	\$ 10,660

Total current year depreciation was \$149,585 and amortization was \$533.

#### Note 6. Due from Various Agencies

Due from the NMFA represents a receivable to the Association represent loan or grant funds that have not been advanced to the Association per various loan agreements. The balance as of June 30, 2018 amounted to \$68,766.

Due from the BLM represents a receivable to the Association for a refund of application fees relating to well permits that were not completed. The balance as of June 30, 2018 amounted to \$24,649.

## Note 7. Long-Term Debt

Long-term obligations of the Association are as follows:

	Balance 12/31/17	Additions	(Reductions)	Balance 12/31/18	Due Within One Year
Variable% Note Payable, to NMFA in monthly installments of \$11,687 unsecured dated 8/13/2003 matures 4/01/2024	\$ 775,286	\$ -	\$ (94,390)	\$ 680,896	\$ 94,638
0.00% Note Payable, payable to NMFA in annual installments of \$2,000, secured by pledged revenues dated 2/12/2015, 06/01/15matures 6/01/2035	36,000	-	(2,000)	34,000	2,000
0.00% Note Payable, payable to NMFA in annual installments of \$5,867 Monthly, unsecured dated 3/18/2016, matures 6/01/2035	105,601	-	(5,867)	99,734	5,867
0.00% Note Payable, payable to NMFA in annual installments of \$1,319 begin 6/19 secured by revenues dated 3/18/2016, matures 6/01/2035	26,372	-	(662)	25,710	1,319
<b>Total Long-Term Obligations</b>	<b>\$ 943,259</b>	<b>\$ -</b>	<b>\$ (102,919)</b>	<b>\$ 840,340</b>	<b>\$ 103,824</b>

The annual requirements to amortize principal on all debt outstanding as of June 30, 2018, is as follows:

Fiscal Year	Principal	Interest	Total
2019	103,824	40,853	144,677
2020	109,503	35,175	144,677
2021	115,521	29,156	144,678
2022	121,902	22,776	144,677
2023	128,665	16,013	144,678
2024-2028	193,341	10,091	144,678
2029-2033	45,930	-	45,930
2034-2037	21,654	-	21,654
2035-2043	-	-	-
2043-2047	-	-	-
	<b>\$ 840,340</b>	<b>\$ 154,064</b>	<b>\$ 935,649</b>

## Note 8. New Mexico Public Employees Retirement System

As of the year ended June 30, 2018, the Association does not participate in the New Mexico PERA plan.

## Note 9. Construction and Other Significant Commitments

As of the year ended June 30, 2018, the Association had a significant commitment with Souder. Miller & Associates for the design phase of water system improvements.

#### **Note 10. Contingent Liabilities**

The Association is party to various claims and lawsuits arising in the normal course of business. In the opinion of management, the outcome of these matters will not have a material effect on the financial position of the Association.

#### **Note 11. Risk Management**

The Association is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions and natural disasters. The Association purchases commercial liability insurance.

The Association has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the Association which exceeds the insurance coverage, the Association would not be responsible for a loss in excess of the coverage amounts. As claims are filed, commercial liability insurance company assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverages have not changed significantly from prior years and coverages are expected to be continued.

At June 30, 2018 no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the Association.

The commercial liability insurance company has not provided information on an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year.

#### **Note 12. Concentrations**

The Association depends on financial resources flowing from, or associated with, both the State of New Mexico and residents that are using the system. Because of this dependency, the Association is subject to changes in the specific flows of intergovernmental revenues based on modifications to State laws and State appropriations as well as water usage from the residents which are using the system.

#### **Note 13. Federal and State Grants**

In the normal course of operations, the Association receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

#### **Note 14. Income Tax**

The Association is organized as an exempt entity under IRC 501 (c) (12) and files a federal form 990 annually. The returns for the years 2015, 2016 and 2017 are subject to examination by the IRS.

#### **Note 15. Subsequent Events**

The date to which events occurring after June 30, 2018. The date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statement or disclosures is November 28, 2018, which is the date on which the financial statements were issued.