

**GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND  
SEWAGE WORKS ASSOCIATION  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011**

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND  
SEWAGE WORKS ASSOCIATION  
WATER SYSTEM FUND - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2011

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*Wanda M. Lucero, C.P.A.*

INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

To Garfield Mutual Domestic Water Consumers and Sewage Works Association

I have performed the procedures enumerated below, which were agreed to by you, solely to assist you with respect to the accounting records of Garfield Mutual Domestic Water Consumers and Sewage Works Association as of June 30, 2011. Garfield Mutual Domestic Water Consumers and Sewage Works Association is responsible for the company'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 Garfield Mutual Domestic Water Consumers and Sewage Works Association. Consequently, I 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.

My procedures and findings are as follows:

1. **Procedure Performed:** Verified that 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.

**Findings:** No exceptions were found as a result of applying this procedure.

2. **Procedure Performed:** Performed a random test of bank reconciliations for accuracy. Traced ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division.

**Findings:** No exceptions were found as a result of applying this procedure.

3. **Procedure Performed:** Determine if the financial institution has provided the 50% pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

**Findings:** No exceptions were found as a result of applying this procedure.

4. **Procedure Performed:** Verified that the company performs a yearly inventory of Capital Assets as required by Section 12-6-10 NMSA 1978.

**Findings:** No exceptions were found as a result of applying this procedure.

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5. **Procedure Performed:** Verified that the required debt payments were made during the year and that the company was in compliance with any reserves required by debt agreements.

**Findings:** No exceptions were found as a result of applying these procedures.

6. **Procedure Performed:** Inquired about the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules and underlying documentation. Performed analytical review; tested actual revenue compared to budgeted revenue for the year for each type of revenue.

**Findings:** No exceptions were found as a result of applying this procedure.

7. **Procedure Performed:** Verified that the amount recorded in the general ledger agrees to the supporting documentation and the bank statement.

**Findings:** No exceptions were found as a result of applying this procedure.

8. **Procedure Performed:** Verified that the receipts of revenue were recorded to the proper classification, amount and period in the general ledger that agrees with the same basis of accounting records that the company uses which is the accrual method.

**Findings:** No exceptions were found as a result of applying this procedure.

9. **Procedures Performed:** Verified that amount recorded as disbursed agreed to vendor's invoice by comparing canceled check to vendor's invoice.

**Findings:** No exceptions were found as a result of applying this procedure.

10. **Procedures Performed:** Inquired about approval for cash disbursements and if the cash disbursements were properly authorized.

**Findings:** No exceptions were found as a result of applying this procedure.

11. **Procedures Performed:** Inquired if the bidding process was processed in accordance with the New Mexico Procurement Code and State Purchasing Regulations.

**Findings:** No exceptions were found as a result of applying this procedure.

12. **Procedures Performed:** Verified that journal entries appeared reasonable and had supporting documentation.

**Findings:** No exceptions were found as a result of applying this procedure.

13. **Procedures Performed:** Inquired if the company has procedures that require journal entries be reviewed and that they are being reviewed.

**Findings:** The company has no procedure requiring that journal entries be reviewed.

14. **Procedures Performed:** Verified that the original budget and subsequent budget adjustments were approved by the local governing board.

**Findings:** No exceptions were found as a result of applying this procedure.

15. **Procedures Performed:** Verified if the total actual expenditures exceeded the final budget.

**Findings:** Four exceptions were found as a result of applying this procedure. Actual depreciation expense exceeded the budgeted amount by \$109,426. Actual legal and accounting fees exceeded budgeted amount by \$1,981. Actual system repair expense exceeded the budgeted amount by \$43,044. Actual utilities - electric expense exceeded the budgeted amount by \$1,391.

16. **Procedures Performed:** Inquired into any and all state-funded capital outlay awards.

**Findings:** The company had no state funded capital outlay awards for fiscal year ended June 30, 2011. No exceptions were found as a result of applying this procedure.

17. **Procedures Performed:** Verified that the Association was in compliance with 2.2.2 NMAC, Audit rule 2010 on submitting year-end financial statements to the NM State Auditor's Office by December 1, 2011.

**Findings:** No exceptions were found as a result of applying this procedure.

I was not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on Garfield Mutual Domestic Water Consumers and Sewage Works Association accounting records at June 30, 2011. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for your information and use and is not intended to be, and should not be, used by anyone other than you.

*Wanda M Lucero, CPA*

Wanda M. Lucero, CPA  
Mesilla, NM  
November 10, 2011

*Wanda M. Lucero, CPA*  
INDEPENDENT ACCOUNTANT'S REPORT

To The Board of Directors  
Garfield Mutual Domestic Water Consumers & Sewage Works Association  
Garfield, New Mexico

I have compiled the accompanying Statement of Net Assets - Water System Fund - Proprietary Fund of Garfield Mutual Domestic Water Consumers & Sewage Works Association and the related Statement of Revenues, Expenses and Changes in Fund Net Assets - Water System Fund - Proprietary Fund and the Statements of Cash Flows - Water System Fund - Proprietary Fund for the year ended June 30, 2011 in accordance with Statement on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The budgetary comparison information on Pages 15 - 18 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, I do not express an opinion or any other form of assurance on the supplementary information.

*Wanda M Lucero, CPA*

November 10, 2011

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND  
SEWAGE WORKS ASSOCIATION  
OFFICIAL ROSTER  
JUNE 30, 2011

**OFFICERS:**

RONALD GARAY  
RICHARD A. MILLARD  
NGA BREWSTER  
ISIDRO ALVAREZ  
DAVID M. HOLGUIN  
ERROL GONZALEZ  
ROBERT SHANNON

**TITLE**

PRESIDENT  
VICE PRESIDENT  
SECRETARY/TREASURER  
DIRECTOR  
DIRECTOR  
DIRECTOR  
DIRECTOR

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND  
SEWAGE WORKS ASSOCIATION  
STATEMENT OF NET ASSETS  
WATER SYSTEM FUND - PROPRIETARY FUND  
JUNE 30, 2011

ASSETS

<b>CURRENT ASSETS</b>	
CASH & CASH EQUIVALENTS	\$262,082
RESTRICTED ASSETS:	
INVESTMENTS CASH & CASH EQUIVALENTS	175,606
UNRESTRICTED INVESTMENTS	67,343
TOTAL CASH & CASH EQUIVALENTS & INVESTMENTS	<u>505,031</u>
ACCOUNTS RECEIVABLE	55,940
INVENTORY, SYSTEM MATERIAL	42,321
PREPAID EXPENSES	10,188
TOTAL CURRENT ASSETS	<u>613,480</u>
<b>CAPITAL ASSETS</b>	
LAND	84,207
BUILDINGS	147,207
WATER SYSTEMS	5,478,134
CONSTRUCTION INTEREST	46,526
EQUIPMENT	69,350
FURNITURE AND FIXTURES	9,569
AUTOMOBILES	27,143
FENCE	17,158
ACCUMULATED DEPRECIATION	<u>(2,071,251)</u>
CAPITAL ASSETS - NET OF DEPRECIATION	<u>3,808,043</u>
<b>OTHER ASSETS</b>	
LOAN COSTS	20,787
ACCUMULATED AMORTIZATION	<u>(6,396)</u>
OTHER ASSETS - NET OF AMORTIZATION	<u>14,391</u>
TOTAL ASSETS	<u><u>\$4,435,914</u></u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>	
ACCOUNTS PAYABLE	\$13,079
REFUND AND SECURITY KEY DEPOSITS	5,507
ACCRUED INTEREST PAYABLE	9,645
PAYROLL AND GROSS RECEIPTS TAXES PAYABLE	8,470
CURRENT PORTION OF LONG-TERM DEBT	99,902
TOTAL CURRENT LIABILITIES	<u>136,603</u>
<b>NON-CURRENT LIABILITIES</b>	
NON-CURRENT PORTION OF LONG-TERM DEBT	1,335,320
TOTAL NON-CURRENT LIABILITIES	<u>1,335,320</u>
TOTAL LIABILITIES	<u>1,471,923</u>
<b>NET ASSETS</b>	
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	2,387,213
RESTRICTED FOR:	
DEBT SERVICE	175,606
UNRESTRICTED	401,172
TOTAL NET ASSETS	<u>2,963,991</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$4,435,914</u></u>

SEE ACCOUNTANT'S COMPILATION REPORT.



GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND  
SEWAGE WORKS ASSOCIATION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
WATER SYSTEM FUND - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2011

<b>OPERATING REVENUES</b>	
WATER SYSTEM REVENUE	\$433,182
PENALTY REVENUE	9,885
WATER CONNECTION REVENUE	4,700
MEMBERSHIP FEES REVENUE	13
DELINQUENT RECONNECT CHARGE REVENUE	1,550
TURN ON CONNECT REVENUE	550
BACKHOE RENTAL REVENUE	161
RETURNED CHECK FEE	125
TOTAL OPERATING REVENUES	<u>450,166</u>
<b>OPERATING EXPENSES</b>	
ANNUAL MEETING	139
AMORTIZATION	533
AUTO EXPENSES	3,149
BANK CHARGES	3
CHLORINE SOLUTION	2,694
SOFTWARE SERVICE AGREEMENT	3,523
DEPRECIATION	109,426
DUES AND SUBSCRIPTIONS	1,210
EDUCATION	250
FUEL	8,194
INSURANCE	13,339
LEGAL AND ACCOUNTING	6,598
LICENSES AND FEES	365
LOAN ADMINISTRATIVE FEE	3,298
MAINTENANCE	322
MISCELLANEOUS	98
OFFICE	3,773
PAYROLL TAXES	6,568
PROPERTY TAXES	3,674
POSTAGE	5,336
RENT - WAREHOUSE	600
SYSTEM MATERIALS	16,154
SYSTEM REPAIRS	49,458
TELEPHONE	3,807
TRAVEL	217
WAGES	79,210
WATER TESTING	4,613
UTILITIES	30,207
TOTAL EXPENSES	<u>356,758</u>
OPERATING INCOME	<u>93,408</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
INTEREST INCOME	1,746
INTEREST EXPENSE	(71,004)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(69,258)</u>
<b>CHANGES IN NET ASSETS</b>	24,150
TOTAL NET ASSETS - JULY 1	<u>2,939,841</u>
TOTAL NET ASSETS - JUNE 30	<u>\$2,963,991</u>

SEE ACCOUNTANT'S COMPILATION REPORT.

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND  
SEWAGE WORKS ASSOCIATION  
STATEMENT OF CASH FLOWS  
WATER SYSTEM FUND - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2011

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
CASH RECEIVED FROM CUSTOMERS	\$443,589
CASH PAID TO SUPPLIERS	(159,483)
CASH PAID TO EMPLOYEES	(79,210)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>204,896</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
INTEREST PAYMENTS ON LONG-TERM DEBT	(73,549)
PRINCIPAL PAYMENTS ON LONG-TERM DEBT	(106,269)
NET CASH USED IN CAPITAL & RELATED FINANCING ACTIVITIES	<u>(179,818)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
INTEREST EARNINGS	1,746
NET INCREASE IN CASH AND CASH EQUIVALENTS	26,824
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (INCLUDING \$177,125 REPORTED IN RESTRICTED ACCOUNTS)	<u>478,207</u>
CASH AND CASH EQUIVALENTS, END OF YEAR (INCLUDING \$175,606 REPORTED IN RESTRICTED ACCOUNTS)	<u><u>\$505,031</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
CASH FLOWS FROM OPERATING ACTIVITIES	
OPERATING INCOME	<u>\$93,408</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
DEPRECIATION AND AMORTIZATION	109,959
CHANGES IN ASSETS AND LIABILITIES	
INCREASE IN ACCOUNTS RECEIVABLE	(6,577)
INCREASE IN INVENTORY SYSTEM MATERIAL	(908)
INCREASE IN PREPAID EXPENSES	(1,129)
INCREASE IN ACCOUNTS PAYABLE	8,647
INCREASE IN DEPOSITS AND SECURITY KEY DEPOSITS	105
INCREASE IN PAYROLL & GROSS RECEIPTS TAXES	1,391
TOTAL ADJUSTMENTS	<u>111,488</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$204,896</u></u>

SEE ACCOUNTANT'S COMPILATION REPORT.

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND  
SEWAGE WORKS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

- (a) **REPORTING ENTITY** - Garfield Mutual Domestic Water Consumers and Sewage Works Association was organized in March 1968. The organization supplies water to approximately 800 consumers from the north edge of Hatch to Exit 59 which is 1/4 mile south of I-25 Caballo Lake Exit in Sierra County. The area is known as the Hatch Valley. The organization is governed by a eight-member Board of Directors, whose members are elected to three year terms.

As required by accounting principles generally accepted in the United States of America, These financial statements present the Garfield Mutual Domestic Water Consumers and Sewage Works Association (the primary government) as a stand-alone government. The reporting entity for the organization includes all functions of government in which the Board of Directors exercise oversight responsibility. Oversight responsibility includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, significant ability to influence operations and accountability for fiscal matters. No component units exist in which the Organization has any oversight responsibilities, which would require inclusion in the Organization's financial statements in accordance with Governmental Accounting Standards Board Statement No. 14.

The organization's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB). Is responsible for establishing GAAP for state and local governments through its pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements.

- (b) **WATER SYSTEM FUND - PROPRIETARY FUND FINANCIAL STATEMENTS** - The water system fund financial statements (ie., the statement of net assets and the statement of revenues, expenses and changes in fund net assets) report information on all activities of the primary government and its component units.

The statement of revenues, expenses and changes in fund net assets demonstrates the degree to which the expenses are offset by program revenues. Program revenues include: 1) Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) grants that are restricted to meeting the operational or capital requirements of a particular function or activity. Other items not properly included among program revenues are reported instead as general revenues.

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND  
SEWAGE WORKS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Continued)

(c) **Measurement focus, basis of accounting, and financial statement presentation** - The Water System Fund - Proprietary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

1. **Major Proprietary Funds** - The Organization's Water System Fund - Proprietary Fund accounts for the operations of the water system which is funded by proceeds from operations of this facility, including user fees, meter fees, connection fees, late payment fees. The water system fund is the Organization's only enterprise fund.

The Organization utilizes the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Organization has elected not to follow subsequent private-sector guidance issued after November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Organization's enterprise fund is charges to customers for sales and services. Operating expenses for the enterprise fund include cost of sales and 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 Organization's policy to use restricted first, and then unrestricted resources as they are needed.

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND  
SEWAGE WORKS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Continued)

(d) **CASH AND CASH EQUIVALETS AND INVESTMENTS** - The Organization's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of twelve months or less from the date of acquisition.

(e) **INVENTORIES** - Inventories in the general fund consist of expendable system materials held for the Organization's use and are carried at cost using the first-in, first-out method.

(f) **RECEIVABLES AND PAYABLES** - The Water System Fund - Proprietary Fund receivables are due from customers within the Hatch Valley. The Organization's policy for collections is limited to collecting security and key deposits, the right to discontinue service and place liens on property.

(g) **RESTRICTED ASSETS** - Certain net assets of the Organization are classified as restricted assets on the Statement of Net Assets because their use is limited either by law through constitutional provisions or enabling legislation, or by restrictions imposed externally by creditors, or laws or regulations of other governments.

(h) **PREPAID ITEMS** - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The Organization uses the consumption method.

(i) **CAPTIAL ASSETS** - Capital assets, which include property, plant and equipment, and infrastructure assets (water system), are reported in the applicable business-type activities in the water system fund - proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of assets constructed. There was no interest capitalized as part of the cost of capital assets under construction during the year ended June 30, 2011.

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND  
SEWAGE WORKS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Continued)

Depreciation of capital assets is computed and recorded by utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings	20 - 50 years
Water System	30 - 50 years
Machinery & Equipment	5 - 10 years
Automobiles	3 - 5 years
Fence	10 - 20 years

(j) **LONG-TERM OBLIGATIONS** - In the water system fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable water system fund - proprietary fund statement of net assets. Debt and refinance issuance costs are reported as deferred charges and amortized over the term of the related debt.

(k) **FUND EQUITY** - In the fund financial statements, water system funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(l) **NET ASSETS** - In the government-wide and water system fund financial statements, net assets invested in capital assets net of related debt is equal to the depreciated carrying value of the Organization's capital assets less related debt.

(m) **BUDGETS** - Budgets are prepared for and adopted by the Board after public hearings for the governmental funds. The budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the fund level. All budgeted appropriations lapse at fiscal year-end. Formal budgets are adopted for the general fund. As a result, deficits in the budget columns of the accompanying financial statements may occur. The Organization legally adopts budgets for all its funds on an annual basis.

2. **CASH AND CASH EQUIVALENTS AND INVESTMENTS:**

(a) **Deposits and Investments** - All deposits are held in qualified public depositories and are included in the accompanying balance sheet and statement of net assets as cash and cash equivalents. The Organization maintains cash and securities at several local financial institutions. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. In 2011, the Organization had \$2,154 of uninsured balances at one financial institution.

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND  
SEWAGE WORKS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

**2. CASH AND CASH EQUIVALENTS AND INVESTMENTS: (CONTINUED)**

Investments at June 30, 2011 consist of the following:

<u>Types of Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Bank of New York Mellon	n/a	\$124,378
New Mexico Financial Authority	n/a	29,737
White Sands Federal Credit Union	9/05/11	<u>88,834</u>
Total Investments		\$242,949
Cash and cash equivalents		<u>262,082</u>
Total cash and cash equivalents and investments		<u>\$505,031</u>

Presented on the accompanying statement of net assets as:

Cash and cash equivalents	\$262,082
Restricted cash and cash equivalents	0
Restricted Investments	175,606
Unrestricted Investments	<u>67,343</u>
	<u>\$505,031</u>

**3. RECEIVABLES:**

Receivables at June 30, 2011 consisted of \$55,940 gross billings to customers for water consumption through June 30, 2011.

**4. CAPITAL ASSETS:**

	<u>Balance</u> <u>7/1/10</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>6/30/11</u>
<b>Business-type Activities:</b>				
Capital Assets not being depreciated:				
Land	\$ 84,207			\$ 84,207
Capital Assets being depreciated:				
Buildings	147,207			147,207
Water System	5,478,134			5,478,134
Construction Interest	46,526			46,526
Equipment	69,350			69,350
Furniture & Fixtures	9,569			9,569
Automobiles	27,143			27,143
Fence	<u>17,158</u>			<u>17,158</u>
	5,879,294			5,879,294
Accumulated Depreciation	<u>(1,961,825)</u>	<u>(109,426)</u>		<u>(2,071,251)</u>
Capital Assets, net	<u>\$3,917,469</u>	<u>(109,426)</u>		<u>\$3,808,043</u>



GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND  
SEWAGE WORKS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

**5. LONG-TERM DEBT:**

Long-term liabilities for the year ended June 30, 2011 were as follows:

	Balance <u>7/1/10</u>	Additions <u>          </u>	Reductions <u>          </u>	Balance <u>6/30/11</u>	Due in <u>one yr</u>
Business-type activities:					
FHA	\$11,894	\$ 0	\$11,894	\$ - 0 -	\$ - 0 -
NMFA	1,319,260		66,843	1,252,417	70,097
NMED	<u>210,337</u>		<u>27,532</u>	<u>182,805</u>	<u>29,805</u>
Total	<u>\$1,541,491</u>	<u>0</u>	<u>\$ 106,269</u>	<u>\$ 1,435,222</u>	<u>\$99,902</u>

The Organization at June 30, 2011 had the following terms on long-term debt:

Note- Bond payable NM Finance Authority, payable semi-annually in May and November of each year based on a restructuring DSS aggregate debt service schedule. The reserve is funded monthly according to a monthly payment schedule. Maturity is April 2024. Bond Portion Coupon varies annually.

\$1,252,417

Note payable NM Environment Department, payable \$34,673 annually at 3% interest, matures 2017, secured with assignment of income

182,805

Total

\$1,435,222

The aggregate maturities of outstanding long-term debt during the next five years are as follows: 2012 - \$99,902; 2013 - \$103,657; 2014 - \$108,245; 2015 - \$113,083; 2016 - \$118,187.

**6. BUDGETS:**

Garfield Mutual Domestic Water Consumers and Sewage Works Association's annual budget, a requirement of the organization's bylaws, serves as a guide to estimate and coordinate anticipated revenues and expenditures.



**GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION  
BUDGETARY COMPARISON SCHEDULE**

**WATER SYSTEM FUND - PROPRIETARY FUND**

Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
<b>Income/Expense</b>			
<b>Income</b>			
Membership Fee Revenue	513	\$22	(\$9)
Penalty Revenue	9,885	10,493	(608)
Delinquent Reconnect Charge	1,550	650	900
Turn on Charge Revenue	550	520	30
Water Connection Revenue	4,700	6,850	(2,150)
Water System Revenue	433,182	412,223	20,959
Interest Income	1,746	11,649	(9,903)
Misc. Income	161	679	(518)
Returned check fee	125	25	100
<b>Total Income</b>	<u>451,912</u>	<u>443,111</u>	<u>8,801</u>
<b>Expense</b>			
Amortization Expense	533	0	533
Annual Meeting Expenses	139	163	(24)
Auto Expenses	3,149	2,487	662
Backhoe Repair	0	1,886	(1,886)
Bank Charges	3	128	(125)
Cash Over and Short	0	(8)	8
Chlorine/Solution	2,694	3,459	(765)
Software Serv. Agreem	3,523	3,108	415
Depreciation Expense	109,426	0	109,426
Dues and Subscriptions Exp	1,210	1,240	(30)
Education	250	260	0
Fuel Expense	8,194	7,642	552
Insurance Expense	13,339	13,613	(274)
Interest Expense	71,004	70,860	144
Legal and Accounting Fees	6,598	4,617	1,981
Licenses and Fees Expense	365	335	30
Loan Admin. Fee	3,298	3,610	(312)
Maintenance Expense	322	2,350	(2,028)
Miscellaneous	98	(35)	133
Office Expense	3,773	6,480	(2,707)
Payroll Fica Taxes	4,911	4,905	6
Payroll Expenses	0	28	(28)

SEE ACCOUNTANT'S COMPILATION REPORT.  
SEE ACCOUNTANT'S AGREED-UPON PROCEDURES REPORT.  
See accompanying notes to budgetary comparison schedule.

**GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION  
BUDGETARY COMPARISON SCHEDULE**

**WATER SYSTEM FUND - PROPRIETARY FUND  
Year Ended June 30, 2011**

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Payroll Medicare Tax	1,149	1,150	(1)
Payroll Work Comp Tax	69	77	(8)
Payroll SUTA Tax	100	29	71
Payroll Futa Tax	339	30	309
Property Taxes	3,674	5,093	(1,419)
Postage Expense	5,336	5,133	203
Rent - WAREHOUSE	600	600	0
Repairs Expense	0	413	(413)
System Materials	16,154	23,733	(7,579)
System Repair	49,458	6,414	43,044
Telephone Expense	3,807	3,144	663
Travel Expense	217	0	217
Wages Expense	79,210	79,331	(121)
Water Testing	4,613	3,884	729
Utilities - Electric	29,844	28,453	1,391
Utilities - PNM gas	363	369	(6)
<b>Total Expense</b>	<u>427,762</u>	<u>284,971</u>	<u>142,791</u>
<b>Net Income</b>	<u>\$24,160</u>	<u>\$168,140</u>	<u>(\$133,990)</u>

SEE ACCOUNTANT'S COMPILATION REPORT.  
SEE ACCOUNTANT'S AGREED-UPON PROCEDURES REPORT.  
See accompanying notes to budgetary comparison schedule.

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND  
SEWAGE WORKS ASSOCIATION

NOTES TO BUDGETARY COMPARISON SCHEDULE  
JUNE 30, 2011

**Garfield Mutual Domestic Water Consumers Association - Actual Expense Exceeded Budget:**

1. **FINDING:** Actual depreciation expense exceeded budgeted amount by \$109,426.  
**RESPONSE:** No estimated amount was entered as budget.
  
2. **FINDING:** Actual legal and accounting fees exceeded budgeted amount by \$1,981.  
**RESPONSE:** Budgeted amount of legal and accounting fees was determined using prior period amount which didn't include increase in accounting services for agreed-upon procedures.
  
3. **FINDING:** Actual system repair expense exceeded budgeted amount by \$43,044.  
**RESPONSE:** Budgeted system repair was determined using prior year expense but the actual was higher due to damage caused by freezing temperatures in February 2011.
  
4. **FINDING:** Actual utilities - electric exceeded budgeted amounts by \$1,391.  
**RESPONSE:** Budgeted utilities was determined using prior year expense. The freezing temperatures required additional utilities in February 2011.
  
5. **FINDING:** Other actual expenses exceeded budgeted amounts and the amounts were less than \$900.  
**RESPONSE:** None requested on amounts less than \$900.

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND  
SEWAGE WORKS ASSOCIATION

NOTES TO BUDGETARY COMPARISON SCHEDULE  
(CONTINUED)  
JUNE 30, 2011

**Garfield Mutual Domestic Water Consumers Association - Budgeted Expense Exceeded Actual:**

1. **FINDING:** Budgeted backhoe repair exceeded actual expense by \$1,886.  
**RESPONSE:** Budgeted backhoe repairs was determined using prior period expense. No repairs for backhoe were performed.
2. **FINDING:** Budgeted maintenance expense exceeded actual expense by \$2,028.  
**RESPONSE:** Budgeted amount of maintenance was determined using prior period. There were no repairs to well buildings.
3. **FINDING:** Budgeted office expense exceeded actual expenses by \$2,707.  
**RESPONSE:** Budgeted amount was determined using prior period amount which included amount for billing statements that were not required.
4. **FINDING:** Budgeted property taxes expense exceeded actual expenses by \$1,419.  
**RESPONSE:** Budgeted amount was determined using prior period amount which didn't account for refund of taxes from Dona Ana County.
5. **FINDING:** Budgeted system material expense exceeded actual expense by \$7,579.  
**RESPONSE:** Budgeted amount of system material was determined by using prior period expenses before adjustments for ending physical inventory.
6. **FINDING:** Other budgeted expenses exceeded actual amounts and the amounts were less than \$900.  
**RESPONSE:** None requested on amounts less than \$900.

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND  
SEWAGE WORKS ASSOCIATION

SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2011

The agreed-upon procedures performed for this engagement which were solely to assist you with respect to the accounting records of Garfield Mutual Domestic Water Consumers Association resulted in the following findings listed below. Management's response to these findings is as follows:

**2011-01 Final Budget not complete:**

**CONDITION**

The original and final budget did not include amounts for depreciation and amortization. The budget was not revised to include prior year actual amounts.

**CRITERIA**

State Audit Rule 222.10 O, Section 1(b) requires that if the agency prepare its budget on a cash basis, the Statement of Revenues and Expenditures (Budget and Actual) include the amounts of prior-year cash balance to balance the budget.

**EFFECT**

The actual revenues and expenditures do not accurately reflect what the difference in budget and actual are if prior year amounts are omitted from the budget. There is an increased risk of misstatements and or/or budget overages occurring and not being detected.

**CAUSE**

Budgeted amounts are entered using prior year expenses without considering any year end adjustments for accruals for interest, depreciation and amortization. No changes to budget are made after the board of directors approves the annual budget.

**RECOMMENDATION**

I recommend that the Association enter budgeted revenue and expenditures based on adjusted year end amounts from financial statements.

**MANAGEMENT'S RESPONSE**

The Agency will enter budget revenues and expenditures using information from the year-end financial statements and include adjusting entries made.

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS  
AND SEWAGE WORKS ASSOCIATION  
EXIT CONFERENCE  
FOR YEAR ENDED JUNE 30, 2011

An exit conference was held on November 15, 2011 at 7:00 pm at the office of Garfield Mutual Domestic Water Consumers Association at 8580 N. Hwy 187, Garfield, NM 87936. Members of the governing board in attendance were:

Richard Millard	Vice President
Nga Brewster	Secretary - Treasurer
Isidro Alvarez	Director
Errol Gonzalez	Director