

**GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND  
SEWAGE WORKS ASSOCIATION  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014**

**GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND  
SEWAGE WORKS ASSOCIATION  
WATER SYSTEM FUND - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

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*Wanda M. Lucero CPA*  
INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES

To: Board of Directors of Garfield Mutual Domestic Water Consumers and Sewage Works Association  
The Honorable Hector H. Balderas, New Mexico State Auditor

I have performed the agreed-upon procedures enumerated below with respect to accrual basis financial information and state law compliance for Tier 6 of the Audit Act - Section 12-6-3B(6) NMSA 1978 and Section 2.2.2.16 NMAC which were agreed to by the management of Garfield Mutual Domestic Water Consumers and Sewage Works Association (the "Association") and the New Mexico State Auditor, solely to assist you with respect to the accounting records of Garfield Mutual Domestic Water Consumers and Sewage Works Association for the fiscal year ended June 30, 2014. The management of Garfield Mutual Domestic Water Consumers and Sewage Works Association is responsible for maintaining the financial records and complying with state law. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Garfield Mutual Domestic Water Consumers and Sewage Works Association is the responsible party, and the subject matter is the responsibility of the Association. 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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P.O. Box 427, Mesilla, NM 88046  
2960 Camino Castillo, Las Cruces, NM 88005  
(575) 526-4312

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:** From a select sample, I verified the amount recorded for revenue 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:** From a select sample, I 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:** From a select sample, I 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:** From a select sample, I 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:** No exceptions were found as a result of applying this procedure because the company didn't make any journal entries during the fiscal year.
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:** No exceptions were found as a result of applying this procedure.
16. **Procedures Performed:** Inquired into any and all state-funded capital outlay awards.  
**Findings:** The company was awarded a Colonias Infrastructure grant on May 23, 2014 in the amount of \$100,000.
17. **Procedures Performed:** Test all capital outlay expenditures during the fiscal year to determine amounts recorded agree with supporting documentation, were properly authorized and determine whether cash received for the award was accounted for in a separate fund or bank account and if reimbursement requests were properly supported by costs incurred by the recipient.  
**Findings:** No exceptions were found in testing all capital outlay expenditures because no funds were expended during the fiscal year ending June 30, 2014. No cash was received by the Association. The award was funded directly with New Mexico Finance Authority which did not disburse any funds to the Association during fiscal year ended June 30, 2014.
18. **Procedures Performed:** Verified that the Association was in compliance with 2.2.2 NMAC, Audit rule 2014 on submitting year-end financial statements to the NM State Auditor's Office by December 1, 2014.  
**Findings:** No exceptions were found as a result of applying this procedure.

I was not engaged to, and did not, conduct an audit, 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, 2014. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the information and use of the Management of Garfield Mutual Domestic Water Consumers and Sewage Works Association and the Honorable Hector H. Balderas, NM State Auditor, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Wanda M. Lucero, CPA*

Wanda M. Lucero, CPA  
Mesilla, NM

November 10, 2014

*Wanda M. Lucero, CPA*

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To The Board of Directors  
Garfield Mutual Domestic Water Consumers & Sewage Works Association  
Garfield, New Mexico 87936

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, 2014. I 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.

My 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.

The budgetary comparison information on Pages 15 - 16 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, 2014

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*P.O. Box 427, Mesilla, NM 88046  
2960 Camino Castillo, Las Cruces, NM 88005  
(575) 526-4312*

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND  
SEWAGE WORKS ASSOCIATION  
OFFICIAL ROSTER  
JUNE 30, 2014

OFFICERS

RONALD GARAY  
NGA BREWSTER  
ISIDRO ALVAREZ  
DAVID HOLGUIN  
ERROL GONZALEZ  
ROBERT SHANNON

TITLE

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, 2014

<u>ASSETS</u>	
<b>CURRENT ASSETS</b>	
CASH & CASH EQUIVALENTS	
UNRESTRICTED	\$236,199
RESTRICTED	13,396
TOTAL CASH & CASH EQUIVALENTS	<u>249,595</u>
INVESTMENTS:	
UNRESTRICTED	70,413
RESTRICTED	176,160
TOTAL INVESTMENTS	<u>246,573</u>
TOTAL CASH & CASH EQUIVALENTS & INVESTMENTS	496,168
ACCOUNTS RECEIVABLE	47,500
INVENTORY, SYSTEM MATERIAL	58,939
PREPAID EXPENSES	18,167
TOTAL CURRENT ASSETS	<u>620,774</u>
<b>CAPITAL ASSETS</b>	
LAND	84,207
BUILDINGS	147,207
WATER SYSTEMS	5,478,134
CONSTRUCTION INTEREST	46,526
EQUIPMENT	71,950
FURNITURE AND FIXTURES	9,569
AUTOMOBILES	46,990
FENCE	17,158
ACCUMULATED DEPRECIATION	<u>(2,408,180)</u>
CAPITAL ASSETS - NET OF DEPRECIATION	<u>3,493,561</u>
<b>OTHER ASSETS</b>	
LOAN COSTS	20,787
ACCUMULATED AMORTIZATION	<u>(7,995)</u>
OTHER ASSETS - NET OF AMORTIZATION	<u>12,792</u>
<b>TOTAL ASSETS</b>	<u><u>\$4,127,127</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
<b>CURRENT LIABILITIES</b>	
ACCOUNTS PAYABLE	\$7,054
REFUND AND SECURITY KEY DEPOSITS	6,036
ACCRUED INTEREST PAYABLE	5,164
PAYROLL AND GROSS RECEIPTS TAXES PAYABLE	8,533
CURRENT PORTION OF LONG-TERM DEBT	114,131
TOTAL CURRENT LIABILITIES	<u>140,918</u>
<b>NON-CURRENT LIABILITIES</b>	
NON-CURRENT PORTION OF LONG-TERM DEBT	974,349
TOTAL NON-CURRENT LIABILITIES	<u>974,349</u>
TOTAL LIABILITIES	<u>1,115,267</u>
<b>NET ASSETS</b>	
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	2,391,087
RESTRICTED FOR:	
DEBT SERVICE AND REPAIRS	189,556
UNRESTRICTED	431,217
TOTAL NET ASSETS	<u>3,011,860</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$4,127,127</u></u>

SEE INDEPENDENT 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, 2014

<b>OPERATING REVENUES</b>	
WATER SYSTEM REVENUE	\$429,505
PENALTY REVENUE	10,897
WATER CONNECTION REVENUE	5,200
MEMBERSHIP FEES REVENUE	14
DELINQUENT RECONNECT CHARGE REVENUE	1,750
TURN ON CONNECT REVENUE	300
RETURN CHECK FEE REVENUE	50
CAPPING AND RELOCATING METERS	803
<b>TOTAL OPERATING REVENUES</b>	<u>448,519</u>
<b>OPERATING EXPENSES</b>	
ANNUAL MEETING	724
AMORTIZATION	533
AUTO EXPENSES	4,625
BACKHOE REPAIR	3,363
BANK CHARGES	133
CASH (OVER) SHORT	(7)
CHLORINE SOLUTION	1,658
SOFTWARE SERVICE AGREEMENT	3,864
DEPRECIATION	117,245
DUES AND SUBSCRIPTIONS	799
EDUCATION	420
ENGINEERING	2,713
FUEL	8,001
INSURANCE	19,879
LEGAL AND ACCOUNTING	9,378
LICENSES AND FEES	1,072
LOAN ADMINISTRATIVE FEE	2,772
MISCELLANEOUS	214
OFFICE	4,194
PAYROLL TAXES	9,215
PROPERTY TAXES	16
POSTAGE AND FREIGHT	5,682
RENT - WAREHOUSE	3,000
REPAIRS AND MAINTENANCE	1,173
SYSTEM MATERIALS	25,251
SYSTEM REPAIRS	33,282
TELEPHONE	3,820
WAGES	86,766
WATER TESTING	3,381
UTILITIES	31,593
<b>TOTAL EXPENSES</b>	<u>384,759</u>
<b>OPERATING INCOME</b>	<u>63,760</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
INTEREST INCOME	1,302
INTEREST EXPENSE	(56,453)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(55,151)</u>
<b>CHANGES IN NET ASSETS</b>	8,609
<b>TOTAL NET ASSETS - JULY 1</b>	<u>3,003,251</u>
<b>TOTAL NET ASSETS - JUNE 30</b>	<u>\$3,011,860</u>

SEE INDEPENDENT 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, 2014

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
CASH RECEIVED FROM CUSTOMERS	\$448,627
CASH PAID TO SUPPLIERS	(193,286)
CASH PAID TO EMPLOYEES	(86,766)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>168,575</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
INTEREST PAYMENTS ON LONG-TERM DEBT	(57,394)
PRINCIPAL PAYMENTS ON LONG-TERM DEBT	(109,949)
NET CASH USED IN CAPITAL & RELATED FINANCING ACTIVITIES	<u>(167,343)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
INTEREST EARNINGS	1,302
NET CASH USED IN INVESTING ACTIVITIES	<u>1,302</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,534
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (INCLUDING \$189,043 REPORTED IN RESTRICTED ACCOUNTS)	<u>493,634</u>
CASH AND CASH EQUIVALENTS, END OF YEAR (INCLUDING \$189,556 REPORTED IN RESTRICTED ACCOUNTS)	<u>\$496,168</u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
OPERATING INCOME	<u>\$63,760</u>
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET</b>	
<b>CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
DEPRECIATION AND AMORTIZATION	117,778
<b>CHANGES IN ASSETS AND LIABILITIES:</b>	
( INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	108
( INCREASE) DECREASE IN INVENTORY SYSTEM MATERIAL	(7,437)
( INCREASE) DECREASE IN PREPAID EXPENSES	(439)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	(6,132)
INCREASE (DECREASE) IN DEPOSITS AND SECURITY KEY DEPOSITS	98
INCREASE (DECREASE) IN PAYROLL & GROSS RECEIPTS TAXES	839
TOTAL ADJUSTMENTS	<u>104,815</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$168,575</u>

SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT.

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND  
SEWAGE WORKS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**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, 2014

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, 2014

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

(d) **CASH AND CASH EQUIVALENTS 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) **CAPITAL 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, 2014.

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND  
SEWAGE WORKS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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. At June 30, 2014, the Organization had no accounts of uninsured balances.

**GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND  
SEWAGE WORKS ASSOCIATION**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

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

Investments at June 30, 2014 consist of the following:

<u>Types of Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Bank of New York Mellon	n/a	\$124,862
New Mexico Financial Authority	n/a	30,796
White Sands Federal Credit Union	9/04/14	<u>90,915</u>
Total Investments		\$246,573
Cash and cash equivalents		<u>249,595</u>
Total cash and cash equivalents and investments		<u>\$496,168</u>

Presented on the accompanying statement of net assets as:

Cash and cash equivalents	\$236,199
Restricted cash and cash equivalents	13,396
Restricted Investments	176,160
Unrestricted Investments	<u>70,413</u>
	<u>\$496,168</u>

**3. RECEIVABLES:**

Receivables at June 30, 2014 consisted of \$47,500 gross billings to customers for water consumption through June 30, 2014.

**4. CAPITAL ASSETS:**

	<u>Balance</u> <u>7/1/13</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>6/30/14</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	5,524,660			5,524,660
Equipment	71,950			71,950
Furniture & Fixtures	9,569			9,569
Automobiles	46,990			46,990
Fence	<u>17,158</u>			<u>17,158</u>
	5,901,741			5,901,741
Accumulated Depreciation	<u>(2,290,935)</u>	<u>(117,245)</u>		<u>(2,408,180)</u>
Capital Assets, net	<u>\$3,610,806</u>	<u>\$ (117,245)</u>	<u>\$ - 0 -</u>	<u>\$3,493,561</u>



GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND  
SEWAGE WORKS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**5. LONG-TERM DEBT:**

Long-term liabilities for the year ended June 30, 2014 were as follows:

	Balance <u>7/1/13</u>	Additions <u>          </u>	Reductions <u>          </u>	Balance <u>6/30/14</u>	Due in <u>one yr</u>
Business-type activities:					
NMFA	\$1,108,746	\$ 0	\$77,260	\$1,031,486	\$81,168
NMED	<u>89,683</u>	<u>          </u>	<u>32,689</u>	<u>56,994</u>	<u>32,963</u>
Total	<u>\$1,198,429</u>	<u>\$ 0</u>	<u>\$109,949</u>	<u>\$ 1,088,480</u>	<u>\$114,131</u>

The Organization at June 30, 2014 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.

\$1,031,486

Note payable NM Environment Department, payable \$34,673 annually at 3% interest, matures 2017, secured with assignment of income. Loan was paid off Oct 2014

56,994

Total

\$ 1,088,480

The aggregate maturities of outstanding long-term debt during the next five years are as follows:  
2015 - \$114,131; 2016 - \$109,345; 2017 - \$89,717; 2018 - \$94,390; 2019 - \$99,346.

**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 DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION  
 BUDGETARY COMPARISON SCHEDULE  
 WATER SYSTEM FUND - PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2014**

	Actual	Budget	Variance (Under) Over
Membership Fee Revenue	\$14	\$19	(\$5)
Penalty Revenue	10,897	9,850	1,047
Delinquent Reconnect Charge	1,750	1,000	750
Turn on Charge Revenue	300	700	(400)
Water Connection Revenue	5,200	2,550	2,650
Water System Revenue	429,505	427,824	1,681
Interest Income	1,302	1,499	(197)
Misc. Income	803	33	770
Returned check fee	50	250	(200)
Gain/(Loss) on Sale of Assets	0	2,503	(2,503)
<b>Total Revenue</b>	<b>\$449,821</b>	<b>\$446,228</b>	<b>\$3,593</b>

SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT.  
 SEE INDEPENDENT ACCOUNTANT'S AGREED-UPON PROCEDURES REPORT.

**GARFIELD DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION  
BUDGETARY COMPARISON SCHEDULE  
WATER SYSTEM FUND - PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2014**

	Actual	Budget	Variance (Under) Over
Advertising Expense	0	90	(90)
Amortization Expense	533	0	533
Annual / REGULAR Meeting Exp	724	388	336
Auto Expenses	4,625	8,085	(3,460)
BACKHOE REPAIR	3,363	1,608	1,754
Bank Charges	133	71	61
Cash Over and Short	(7)	(55)	48
Chlorine/Solution	1,658	2,487	(829)
Software Serv. Agreem	3,864	3,807	57
Depreciation Expense	117,245	109,428	7,817
Dues and Subscriptions Exp	799	843	(44)
Education	420	525	(105)
Engineering Fee	2,713	12,293	(9,580)
Fuel Expense	8,001	7,444	557
Insurance Expense	19,879	18,234	1,646
Interest Expense	56,453	63,176	(6,723)
Clothes	0	268	(268)
Legal and Accounting Fees	9,378	8,485	893
Licenses and Fees Expense	1,072	1,219	(147)
Loan Admin. Fee	2,772	2,740	32
Maintenance Expense	1,173	107	1,066
Miscellaneous	214	259	(45)
Office Expense	4,194	2,415	1,780
Payroll Fica Taxes	5,379	5,241	138
Payroll Expenses	0	750	(750)
Payroll Medicare Tax	1,258	1,226	32
Payroll Work Comp Tax	69	73	(4)
Payroll SUTA Tax	2,376	177	2,199
Payroll Futa Tax	133	172	(39)
Property Taxes	16	2,808	(2,793)
Expense	5,682	5,276	406
Rent - WAREHOUSE	3,000	3,000	0
System Materials	25,251	27,332	(2,081)
System Repair	33,282	31,080	2,202
Telephone Exp & Internet	3,820	3,622	198
Wages Expense	86,766	83,786	2,979
Water Testing	3,381	5,875	(2,494)
Utilities - Electric	31,194	30,533	661
Utilities - PNM gas	399	399	(0)
<b>Total Expenses</b>	<b>441,212</b>	<b>445,268</b>	<b>(4,056)</b>
<b>Net Income (Fund Balance)</b>	<b>\$8,609</b>	<b>\$960</b>	<b>\$7,649</b>

SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT.  
SEE INDEPENDENT ACCOUNTANT'S AGREED-UPON PROCEDURES REPORT.

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND  
SEWAGE WORKS ASSOCIATION  
SCHEDULE OF CAPITAL OUTLAY AWARDS  
WATER SYSTEM FUND - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2014

<u>Project Title</u>	<u>Project #</u>	<u>Award</u>	<u>Amount</u> <u>Received</u>	<u>Amount</u> <u>Expended</u>	<u>Balance</u> <u>June 30, 2014</u>
NMFA CIF Grant (Water Plan)	2974-CIF	\$100,000	\$0	\$0	\$100,000

SEE INDEPENDENT ACCOUNTANT'S AGREED-UPON PROCEDURES REPORT.  
SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT.

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND  
SEWAGE WORKS ASSOCIATION  
SCHEDULE OF CURRENT & PRIOR YEAR FINDINGS AND RESPONSES  
JUNE 30, 2014

**Current year findings:**                      None

**Prior year findings:**

2012-01 Final Budget - Revenue amounts not complete  
Not repeated in current year

2012-02 Final Budget - Expense amounts not complete  
Not repeated in current year

2013-03 Late submission of the Agreed-Upon Procedure Report.  
Not repeated in current year

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS  
AND SEWAGE WORKS ASSOCIATION  
EXIT CONFERENCE  
FOR YEAR ENDED JUNE 30, 2014

An exit conference was held on November 13, 2014 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:

Ronald Garay	President
Nga Brewster	Secretary - Treasurer
Isidro Alvarez	Director
Robert Shannon	Director