

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND
SEWAGE WORKS ASSOCIATION
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND
SEWAGE WORKS ASSOCIATION
WATER SYSTEM FUND - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015

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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 and
Mr. Tim Keller, 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, 2015. 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:** The Association has fourteen checking, savings and investment accounts. I tested 100% of the bank reconciliations of Garfield Mutual Domestic Water Consumers and Sewage Works Association to determine that the bank reconciliations are being performed in a timely manner and that 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:**
I selected six months (Aug 2014, Oct 2014, Dec 2014, Feb 2015, Apr 2015 and June 2015) for each of the fourteen accounts for a total of 50% of the bank reconciliations of Garfield Mutual Domestic Water Consumers and Sewage Works Association to determine the accuracy of the bank reconciliations. I traced ending balances to the general ledger, supporting documentation, and the financial reports submitted to DFA-Local Government.
Findings: No exceptions were found as a result of applying this procedure.
- 3. Procedure Performed:** I reviewed the supporting documentation provided by the financial institutions of Garfield Mutual Domestic Water Consumers and Sewage Works Association to 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. The fourteen accounts are in three separate banking institutions and all accounts were fully covered by FDIC and NCUA with \$250,000. The bank accounts never exceeded uninsured limits at anytime during the year.
Findings: No exceptions were found as a result of applying this procedure.
- 4. Procedure Performed:** I 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:** I 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:** I inquired about the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules and underlying documentation. I performed an analytical review; tested actual revenue compared to budgeted revenue for the year for each type of revenue. All revenues appeared reasonable based on the analytical review performed in comparison to budgeted revenue.
Findings: No exceptions were found as a result of applying this procedure.
7. **Procedure Performed:** Amounts were recorded (cash basis) to the revenue accounts on a daily basis (based on receipt of payments) and annually adjusted for accrual of the final month billing of the fiscal year end. The total revenue for fiscal year ended June 30, 2015 was \$443,646 excluding any grant revenue. I tested all revenue for eight months (July 2014, Sep 2014, Nov 2014, Dec 2014, Jan 2015, Feb 2015, Mar 2015 and May 2015 for a total of \$279,858 (63%) of revenue to determine that 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:** I tested all revenue for eight months (July 2014, Sep 2014, Nov 2014, Dec 2014, Jan 2015, Feb 2015, Mar 2015 and May 2015 for a total of \$279,858 (63%) to determine 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.
Findings: No exceptions were found as a result of applying this procedure.
9. **Procedures Performed:** I selected and tested every cash disbursement in excess of \$250 which resulted in \$314,017 (87%) of the total expenses \$445,795 to determine that the amount recorded as disbursed agreed to adequate supporting documentation and verified that the amount, payee, date and description agree to the vendor's invoice, purchase order, contract and canceled check, as appropriate.
Findings: No exceptions were found as a result of applying this procedure.
10. **Procedures Performed:** I selected and tested every cash disbursement in excess of \$250 which resulted in \$314,017 (87%) of the total expenses \$445,795 to determine that the amount was properly authorized.
Findings: No exceptions were found as a result of applying this procedure.
11. **Procedures Performed:** I inquired if the bidding process (or request for proposal process, if applicable), purchase orders, contracts and agreements were 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:** I verified that journal entries appeared reasonable and had supporting documentation. The Agency doesn't make any adjusting entries.
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:** I verified that the original budget and subsequent budget adjustments were approved by the local governing board and DFA-LGD.
Findings: No exceptions were found as a result of applying this procedure.
15. **Procedures Performed:** I verified if the total actual expenditures exceeded the final budget. I determined that actual expenditures did not exceed the final budget at the legal level of budgetary control. I have prepared a schedule of Budgetary Comparison to Actual revenues and expenditures (see pages 15 and 16)
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 5/23/14 in the amount of \$100,000 of which \$84,225 was funded and expended during fiscal year 6/30/15. The company was awarded a Colonias Infrastructure grant on 5/22/15 in the amount of 360,000 with a \$40,000 loan. Both were funded but not expended during fiscal year 6/30/15. The company was awarded a grant in the amount of \$30,000 on 5/22/15 and was funded but not expended during fiscal year 6/30/15.
17. **Procedures Performed:** I tested 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.
18. **Procedures Performed:** If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The finding must include the required contents per Section 2.2.2.1-(1)(3)(C) NMAC.
Findings: No exceptions were found as a result of applying this procedure.

I was not engaged to, and did not, conduct 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, 2015. 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, the Board of Directors, the New Mexico State Auditor, the Department of Finance and Administration - Local Government Division, and the New Mexico Legislature, and is not intended to be, and should not be, used by anyone other than those specified parties.

Wanda M. Lucero, CPA

Wanda M. Lucero, CPA
Mesilla, NM
November 11, 2015

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 Position - 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 Position - Water System Fund - Proprietary Fund and the Statements of Cash Flows - Water System Fund - Proprietary Fund for the year ended June 30, 2015. 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 11, 2015

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GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND
SEWAGE WORKS ASSOCIATION
OFFICIAL ROSTER
JUNE 30, 2015

OFFICERS

RONALD GARAY	PRESIDENT
DAVID M. HOLGUIN	VICE PRESIDENT
NGA BREWSTER	SECRETARY/TREAS (NON VOTING)
ISIDRO ALVAREZ	DIRECTOR
ERROL GONZALEZ	DIRECTOR
ROBERT SHANNON	DIRECTOR

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND
SEWAGE WORKS ASSOCIATION
STATEMENT OF NET POSITION
WATER SYSTEM FUND - PROPRIETARY FUND
JUNE 30, 2015

ASSETS

CURRENT ASSETS

CASH & CASH EQUIVALENTS	
UNRESTRICTED	\$227,761
RESTRICTED	14,338
TOTAL CASH & CASH EQUIVALENTS	<u>242,099</u>
INVESTMENTS:	
UNRESTRICTED	106,769
RESTRICTED	141,250
TOTAL INVESTMENTS	<u>248,019</u>
TOTAL CASH & CASH EQUIVALENTS & INVESTMENTS	490,118
ACCOUNTS RECEIVABLE	51,566
INVENTORY, SYSTEM MATERIAL	45,330
PREPAID EXPENSES	18,560
TOTAL CURRENT ASSETS	<u>605,574</u>

CAPITAL ASSETS

LAND	84,207
BUILDINGS	147,207
WATER SYSTEMS	5,478,134
CONSTRUCTION INTEREST	46,526
EQUIPMENT	71,950
SYSTEM IMPROVEMENT - ENGINEERING	84,225
FURNITURE AND FIXTURES	9,569
AUTOMOBILES	46,990
FENCE	17,158
ACCUMULATED DEPRECIATION	<u>(2,522,348)</u>
CAPITAL ASSETS - NET OF DEPRECIATION	<u>3,463,618</u>

OTHER ASSETS

LOAN COSTS	20,787
ACCUMULATED AMORTIZATION	<u>(8,528)</u>
OTHER ASSETS - NET OF AMORTIZATION	<u>12,259</u>

TOTAL ASSETS \$4,081,451

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

ACCOUNTS PAYABLE	\$15,445
REFUND AND SECURITY KEY DEPOSITS	5,789
ACCRUED INTEREST PAYABLE	3,981
PAYROLL AND GROSS RECEIPTS TAXES PAYABLE	10,272
CURRENT PORTION OF LONG-TERM DEBT	85,315
TOTAL CURRENT LIABILITIES	<u>120,802</u>

NON-CURRENT LIABILITIES

NON-CURRENT PORTION OF LONG-TERM DEBT	865,003
TOTAL NON-CURRENT LIABILITIES	<u>865,003</u>
TOTAL LIABILITIES	<u>985,805</u>

NET POSITION

INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	2,490,072
RESTRICTED FOR:	
DEBT SERVICE AND REPAIRS	155,588
UNRESTRICTED	449,986
TOTAL NET POSITION	<u>3,095,646</u>
TOTAL LIABILITIES & NET POSITION	<u>\$4,081,451</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 POSITION
WATER SYSTEM FUND - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015

OPERATING REVENUES

WATER SYSTEM REVENUE	\$423,905
PENALTY REVENUE	10,411
WATER CONNECTION REVENUE	6,000
MEMBERSHIP FEES REVENUE	7
DELINQUENT RECONNECT CHARGE REVENUE	1,790
TURN ON CONNECT REVENUE	352
RETURN CHECK FEE REVENUE	125
RE-CONNECT AND RELOCATING METERS	1,056
GRANT NO. 2974-CIF	84,225
TOTAL OPERATING REVENUES	<u>527,871</u>

OPERATING EXPENSES

ANNUAL MEETING	588
AMORTIZATION	533
AUTO EXPENSES	7,684
BACKHOE REPAIR	565
BANK CHARGES	553
CASH (OVER) SHORT	0
CHLORINE SOLUTION	1,248
SOFTWARE SERVICE AGREEMENT	4,888
DEPRECIATION	114,168
DUES AND SUBSCRIPTIONS	824
EDUCATION	300
FUEL	6,710
INSURANCE	20,649
LEGAL AND ACCOUNTING	9,362
LICENSES AND FEES	435
LOAN ADMINISTRATIVE FEE	2,579
MISCELLANEOUS	283
OFFICE	5,665
PAYROLL TAXES	11,964
PROPERTY TAXES	5,997
POSTAGE AND FREIGHT	5,749
RENT - WAREHOUSE	3,000
REPAIRS AND MAINTENANCE	1,817
SYSTEM MATERIALS	38,043
SYSTEM REPAIRS	16,382
TELEPHONE	3,951
WAGES	94,472
WATER TESTING	3,813
UTILITIES	31,090
TOTAL EXPENSES	<u>393,312</u>
OPERATING INCOME	<u>134,559</u>

NONOPERATING REVENUES (EXPENSES)

INTEREST INCOME	1,711
INTEREST EXPENSE	(52,484)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(50,773)</u>

CHANGES IN NET POSITION

CHANGES IN NET POSITION	83,786
TOTAL NET POSITION - JULY 1	<u>3,011,860</u>
TOTAL NET POSITION - JUNE 30	<u>\$3,095,646</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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

CASH RECEIVED FROM CUSTOMERS	\$439,580
CASH PAID TO SUPPLIERS	(161,040)
CASH PAID TO EMPLOYEES	(94,472)
NET CASH PROVIDED BY OPERATING ACTIVITIES	184,068

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

GRANT NO. 2974 - CIF	84,225
EXPENDITURES OF GRANT NO. 2974 - CIF	(84,225)
INTEREST PAYMENTS ON LONG-TERM DEBT	(53,667)
PRINCIPAL PAYMENTS ON LONG-TERM DEBT	(138,162)
NET CASH USED IN CAPITAL & RELATED FINANCING ACTIVITIES	(191,829)

CASH FLOWS FROM INVESTING ACTIVITIES

INTEREST EARNINGS	1,711
NET CASH USED IN INVESTING ACTIVITIES	1,711
NET INCREASE IN CASH AND CASH EQUIVALENTS	(6,050)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR (INCLUDING \$189,556 REPORTED IN RESTRICTED ACCOUNTS)	496,168
CASH AND CASH EQUIVALENTS, END OF YEAR (INCLUDING \$155,588 REPORTED IN RESTRICTED ACCOUNTS)	\$490,118

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

CASH FLOWS FROM OPERATING ACTIVITIES	
OPERATING INCOME	\$134,559
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
GRANT NO. 2974-CIF	(84,225)
DEPRECIATION AND AMORTIZATION	114,701
CHANGES IN ASSETS AND LIABILITIES:	
(INCREASE) DECREASE IN ACCOUNTS RECEIVABLE	(4,066)
(INCREASE) DECREASE IN INVENTORY SYSTEM MATERIAL	13,609
(INCREASE) DECREASE IN PREPAID EXPENSES	(393)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	8,391
INCREASE (DECREASE) IN DEPOSITS AND SECURITY KEY DEPOSITS	(247)
INCREASE (DECREASE) IN PAYROLL & GROSS RECEIPTS TAXES	1,739
TOTAL ADJUSTMENTS	49,509
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$184,068

SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT.

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND
SEWAGE WORKS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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 900 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, 2015

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, 2015

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, 2015.

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND
SEWAGE WORKS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015, the Organization had no accounts of uninsured balances.

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND
SEWAGE WORKS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

Investments at June 30, 2015 consist of the following:

<u>Types of Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
Bank of New York Mellon	n/a	\$125,320
New Mexico Financial Authority	n/a	31,363
White Sands Federal Credit Union	9/04/15	<u>91,336</u>
Total Investments		\$248,019
Cash and cash equivalents		<u>242,099</u>
Total cash and cash equivalents and investments		<u>\$490,118</u>

Presented on the accompanying statement of net assets as:

Cash and cash equivalents	\$227,761
Restricted cash and cash equivalents	14,338
Restricted Investments	141,250
Unrestricted Investments	<u>106,769</u>
	<u>\$490,118</u>

3. RECEIVABLES:

Receivables at June 30, 2015 consisted of \$51,566 gross billings to customers for water consumption through June 30, 2015.

4. CAPITAL ASSETS:

	Balance <u>7/1/14</u>	Increase _____	Decrease _____	Balance <u>6/30/15</u>
Business-type Activities:				
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
Water System Impr		84,225		84,225
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	84,225		5,985,966
Accumulated Depreciation	<u>(2,408,180)</u>	<u>(114,168)</u>		<u>(2,522,348)</u>
Capital Assets, net	<u>\$3,493,561</u>	<u>\$ (29,943)</u>	<u>\$ - 0 -</u>	<u>\$3,463,618</u>

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND
SEWAGE WORKS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

5. LONG-TERM DEBT:

Long-term liabilities for the year ended June 30, 2015 were as follows:

	Balance 7/1/14	Additions	Reductions	Balance 6/30/15	Due in one yr
Business-type activities:					
NMFA	\$1,031,486	\$ 0	\$81,168	\$ 950,318	\$85,315
NMED	<u>56,994</u>		<u>56,994</u>	<u>- 0 -</u>	<u>- 0 -</u>
Total	<u>\$1,088,480</u>	<u>\$ 0</u>	<u>\$138,162</u>	<u>\$ 950,318</u>	<u>\$85,315</u>

The Organization at June 30, 2015 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.

Total \$ 950,318

The aggregate maturities of outstanding long-term debt during the next five years are as follows: 2016 - \$85,315; 2017 - \$89,717; 2018 - \$94,390; 2019 - \$99,346; 2020 - \$104,593.

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.

7. SUBSEQUENT EVENTS:

Subsequent events are events or transactions that occurred after the balance sheet date but before the financial statements are issued or available to be issued. The Association recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the balance sheet date, including estimates inherent in the process of preparing financial statements. The financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the balance sheet date. Subsequent events were evaluated through November 11, 2015, which is the date the financial statements were available to be issued. As of November 11, 2015, there were no subsequent events to report.

8. INCOME TAXES:

The company is an organization that is exempt from Federal Income Taxes under 501(c)(12) and files federal Form 990 yearly. The federal tax returns of the company for 2012, 2013, 2014 and 2015 are subject to examination by the IRS, generally for three years after they were filed.

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION
BUDGETARY COMPARISON SCHEDULE
WATER SYSTEM FUND - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	TOTAL		Variance
	Actual	Budget	(Under) Over
Ordinary Income/Expense			
Income			
40000 · Membership Fee Revenue	7.00	19.00	(12.00)
40100 · Penalty Revenue	10,410.53	10,896.60	(486.07)
40150 · Delinquent Reconnect Charge	1,789.91	1,750.00	39.91
40300 · Turn on Charge Revenue	351.59	300.00	51.59
40400 · Water Connection Revenue	6,000.00	15,000.00	(9,000.00)
40500 · Water System Revenue	423,905.03	441,045.94	(17,140.91)
40800 · Interest Income	1,711.32	1,301.60	409.72
41000 · Misc. Income	355.82	803.13	(447.31)
41500 · Returned check fee	125.00	50.00	75.00
49000 · Re-connect charge	700.00	0.00	700.00
65700 · Grant No. 2974-CIF	84,225.07	0.00	84,225.07
Total Income	<u>529,581.27</u>	<u>471,166.27</u>	<u>58,415.00</u>

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

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS AND SEWAGE WORKS ASSOCIATION
BUDGETARY COMPARISON SCHEDULE
WATER SYSTEM FUND - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	TOTAL		Variance
	Actual	Budget	(Under) Over
Expense			
60100 · Advertising Expense	0.00	0.00	0.00
60500 · Amortization Expense	533.00	0.00	533.00
60700 · Annual / REGULAR Meeting Exp	587.74	701.41	(113.67)
61000 · Auto Expenses	7,684.44	6,000.66	1,683.78
61200 · BACKHOE REPAIR	564.92	3,987.52	(3,422.60)
62000 · Bank Charges	553.09	132.69	420.40
62500 · Cash Over and Short	0.00	-6.95	6.95
63100 · Chlorine/Solution	1,247.82	1,657.97	(410.15)
63700 · Software Serv. Agreem	4,888.20	4,921.42	(33.22)
64000 · Depreciation Expense	114,168.00	109,428.00	4,740.00
64500 · Dues and Subscriptions Exp	824.02	798.71	25.31
64700 · Education	300.00	420.00	(120.00)
65200 · Engineering Fee	0.00	2,713.28	(2,713.28)
65300 · Fuel Expense	6,709.95	9,001.46	(2,291.51)
65700 · Grant check order	58.86	0.00	58.86
65500 · Freight Expense	0.00	0.00	0.00
67000 · Insurance Expense	20,649.32	28,339.73	(7,690.41)
67500 · Interest Expense	52,484.18	55,410.90	(2,926.72)
68000 · Laundry and Cleaning Exp	28.78	0.00	28.78
68100 · Clothes	46.65	200.00	(153.35)
68500 · Legal and Accounting Fees	8,484.84	8,484.84	0.00
68600 · Legal Fees	877.07	1,493.02	(615.95)
69000 · Licenses and Fees Expense	435.00	1,072.36	(637.36)
69100 · Loan Admin. Fee	2,578.72	2,771.88	(193.16)
70000 · Maintenance Expense	1,240.43	77.76	1,162.67
70500 · Meals and Entertainment Esp	42.00	0.00	42.00
70600 · Miscellaneous	165.02	213.95	(48.93)
70700 · Pest Control & weed killer	575.77	0.00	575.77
71000 · Office Expense	5,606.06	5,978.38	(372.32)
72000 · Payroll Fica Taxes	5,857.28	5,379.47	477.81
72010 · Payroll Expenses	0.00	2,800.00	(2,800.00)
72100 · Payroll Medicare Tax	1,369.84	1,258.10	111.74
72200 · Payroll Work Comp Tax	68.80	68.80	0.00
72300 · Payroll SUTA Tax	4,534.80	140.00	4,394.80
72400 · Payroll Futa Tax	133.20	133.20	0.00
72500 · Penalties and Fines Exp	0.00	0.00	0.00
72600 · Property Taxes	5,997.15	4,915.50	1,081.65
73000 · Other Taxes	0.00	0.00	0.00
73500 · Postage Expense	5,749.00	5,681.70	67.30
74000 · Rent - WAREHOUSE	3,000.00	3,000.00	0.00
74500 · Repairs Expense		8,095.01	(8,095.01)
75600 · System Materials	38,043.02	32,840.40	5,202.62
75700 · System Repair	16,382.24	32,157.16	(15,774.92)
76000 · Telephone Exp & Internet	3,951.36	3,819.83	131.53
77500 · Wages Expense	94,472.24	83,965.68	10,506.56
77600 · Water Testing	3,812.59	3,226.72	585.87
78000 · Utilities - Electric	30,731.64	33,138.88	(2,407.24)
781 · Utilities - PNM gas	358.31	399.70	(41.39)
Total Expense	445,795.35	464,819.14	(19,023.79)
Net Income	\$83,785.92	\$6,347.13	\$77,438.79

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, 2015

Capital Appropriations Project Title	Project #	Award	Amount Received Prior Years	Amount Received Current Year	Total Amount Expended	Balance 06/30/15
NMFA CIF Grant (Water Plan)	2974-CIF	\$100,000	\$0	\$84,225	\$84,225	\$15,775
NMFA CIF Grant (Environmental Report)	3218-PG	30,000	0	0	0	30,000
NMFA CIF Grant (Design)	3179-CIF	360,000	0	0	0	360,000
			<u>\$490,000</u>	<u>\$0</u>	<u>\$84,225</u>	<u>\$84,225</u>
					<u>\$84,225</u>	<u>\$405,775</u>

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, 2015

Current year findings: None

Prior year findings: None

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS
AND SEWAGE WORKS ASSOCIATION
ENTRANCE CONFERENCE
FOR YEAR ENDED JUNE 30, 2015

An entrance conference was held on August 25, 2015 at 7:00 pm at the office of Garfield Mutual Domestic Water Consumers Association at 8580 N. Hwy 187, Garfield, NM 87936 which was a closed session. Three members of the Six members of the governing board in attendance were:

Ronald Garay	President
Nga Brewster	Secretary - Treasurer (Non voting)
Robert Shannon	Director

GARFIELD MUTUAL DOMESTIC WATER CONSUMERS
AND SEWAGE WORKS ASSOCIATION
EXIT CONFERENCE
FOR YEAR ENDED JUNE 30, 2015

An exit conference was held on November 12, 2015 at 7:00 pm at the office of Garfield Mutual Domestic Water Consumers Association at 8580 N. Hwy 187, Garfield, NM 87936 which was a closed session. Three members of the governing board in attendance were:

Ronald Garay	President
Nga Brewster	Secretary - Treasurer (non voting)
Robert Shannon	Director