



State of New Mexico
**Doña Ana Mutual Domestic
Water Consumers Association**

Annual Financial Report
June 30, 2016

De'Aun Willoughby CPA, PC
Certified Public Accountant
Clovis, New Mexico



Doña Ana Mutual Domestic Water Consumers Association

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State of New Mexico
Doña Ana Mutual Domestic Water Consumers Association
Official Roster
June 30, 2016

Board of Directors

| | |
|---------------|---------------------|
| James Melton | President |
| Jamie Stull | Vice President |
| Kurt Anderson | Secretary/Treasurer |
| Ray Ponteri | Member |
| Vacant | Member |

Administrative Official

| | |
|-----------------|--------------------|
| Jennifer Horton | Executive Director |
|-----------------|--------------------|

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

Independent Auditor's Report

Mr. Tim Keller
State Auditor of the State of New Mexico
Board Members of the Doña Ana Mutual Domestic Water Consumers Association

Mr. Keller and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities for the Doña Ana Mutual Domestic Water Consumers Association (Association), as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Association's basic financial statements as listed in the table of contents. We also have audited the budgetary comparison presented as supplementary information, as defined by the Government Accounting Standards Board, as of and for the year ended June 30, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Association as of June 30, 2016, and the respective changes in financial position and cash flows for the for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedules of Required Supplementary Information for Pension Plan and related notes be presented to supplement the basic financial statements. Such information although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during my audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the Association's financial statements and the budgetary comparison. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Vendor Schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2016, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

 De'Ann Willoughby CPA PC

Clovis, New Mexico
December 1, 2016

Financial Section

State of New Mexico

Doña Ana Mutual Domestic Water Consumers Association

Statement of Net Position

June 30, 2016

| | |
|--|----------------------|
| Assets | |
| Current Assets | |
| Cash and Cash Equivalents | \$ 260,369 |
| Receivables (Net of Allowance for Uncollectibles) | |
| Accounts | 318,230 |
| Inventory | 174,154 |
| Prepaid Expenses | 4,486 |
| Restricted Cash | 7,377,702 |
| Restricted Investments | 1,885,198 |
| Total Current Assets | <u>10,020,139</u> |
| Noncurrent Assets | |
| Capital Assets | 34,530,879 |
| Accumulated Depreciation | <u>(7,354,753)</u> |
| Total Noncurrent Assets | <u>27,176,126</u> |
| Total Assets | <u>37,196,265</u> |
| Deferred Outflows of Resources | |
| Deferred Outflows Related to Pensions | |
| Changes in Proportion | 60,164 |
| Contributions Subsequent to Measurement Date | 59,010 |
| Total Deferred Outflows of Resources | <u>119,174</u> |
| Liabilities | |
| Current Liabilities | |
| Accounts Payable | 7,238 |
| Accrued Salaries and Benefits | 11,385 |
| Accrued Interest | 41,300 |
| Compensated Absences | 26,707 |
| Current Maturities of Long-Term Debt | 567,606 |
| Total Current Liabilities | <u>654,236</u> |
| Noncurrent Liabilities | |
| Long-Term Debt | 15,815,764 |
| Customer Deposits | 60,340 |
| Pension Liability | 733,083 |
| Total Noncurrent Liabilities | <u>16,609,187</u> |
| Total Liabilities | <u>17,263,423</u> |
| Deferred Inflows of Resources | |
| Deferred Inflows Related to Pensions | |
| Actuarial Experience | 16,238 |
| Changes of Assumptions | 286 |
| Investment Experience | 2,319 |
| Total Deferred Inflows of Resources | <u>18,843</u> |
| Net Position | |
| Invested in Capital Assets | 10,792,756 |
| Restricted for Construction | 7,377,702 |
| Unrestricted | 1,862,715 |
| Total Net Position | <u>\$ 20,033,173</u> |

The notes to the financial statements are an integral part of this statement.

State of New Mexico

Doña Ana Mutual Domestic Water Consumers Association
Statement of Revenue, Expenses and Changes in Net Position
For the Year Ended June 30, 2016

| | |
|--------------------------------------|----------------------|
| Operating Revenues | |
| Sales and Services | \$ 3,313,273 |
| Fines and Penalties | 189,294 |
| Installation Charges | 124,126 |
| Miscellaneous | 42,459 |
| Memberships | 13,306 |
| Total Operating Revenues | <u>3,682,458</u> |
| Operating Expenses | |
| Salaries and Benefits | 1,034,488 |
| Depreciation | 831,187 |
| Professional Services | 362,947 |
| System Repairs | 313,053 |
| Utilities | 254,720 |
| Office Expenses | 178,959 |
| Other | 102,121 |
| Contractual Fees | 70,381 |
| Postage | 65,296 |
| Vehicle Expense | 42,921 |
| Mileage and Per Diem | 17,377 |
| Telephone | 17,223 |
| Bad Debts | 13,511 |
| Training | 12,503 |
| Advertising and Public Relations | 8,813 |
| Dues and Fees | 7,600 |
| Total Operating Expenses | <u>3,333,100</u> |
| Operating Income (Loss) | <u>349,358</u> |
| Nonoperating Revenue (Expenses) | |
| Investment Income | 32,099 |
| Interest Expense | (129,508) |
| Total Nonoperating Revenue (Expense) | <u>(97,409)</u> |
| Income Before Capital Grants | 251,949 |
| Capital Grants | <u>744,077</u> |
| Change in Net Position | 996,026 |
| Total Net Position - Beginning | <u>19,037,147</u> |
| Total Net Position - Ending | <u>\$ 20,033,173</u> |

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Doña Ana Mutual Domestic Water Consumers Association
Statement of Cash Flows
For the Year Ended June 30, 2016

| | |
|---|---------------------|
| Cash Flows from Operating Activities | |
| Receipts from Customers and Users | \$ 3,681,816 |
| Payments to Suppliers and Employees | (2,504,978) |
| Net Cash Provided (Used) by Operating Activities | <u>1,176,838</u> |
| Cash Flows from Capital & Related Financing Activities | |
| Acquisition of Capital Assets | (4,340,448) |
| Capital Grants | 744,077 |
| Proceeds from Long-Term Debt | 4,452,209 |
| Principal Paid on Long-Term Debt | (337,710) |
| Interest Expense | (129,508) |
| Net Cash Provided (Used) by Capital & Related Financing Activities | <u>388,620</u> |
| Cash Flows from Investing Activities | |
| Investment Income | 32,099 |
| Net Cash Provided by Investing Activities | <u>32,099</u> |
| Net Increase (Decrease) in Cash | 1,597,557 |
| Cash, Beginning of the Year | <u>7,925,712</u> |
| Cash, End of the Year | <u>\$ 9,523,269</u> |
| Cash and Cash Equivalents | \$ 260,369 |
| Restricted Cash | 7,377,702 |
| Restricted Investments | 1,885,198 |
| Total Cash | <u>\$ 9,523,269</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | |
| Operating Income (Loss) | \$ 349,358 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | |
| Depreciation | 831,187 |
| (Increase) Decrease in Accounts Receivable | (11,900) |
| (Increase) Decrease in Inventory | 39,806 |
| (Increase) Decrease in Prepaid Expenses | 1,688 |
| (Increase) Decrease in Deferred Outflow | (64,485) |
| Increase (Decrease) in Accounts Payable | (62,152) |
| Increase (Decrease) in Accrued Salaries | 5,657 |
| Increase (Decrease) in Accrued Interest | 13,343 |
| Increase (Decrease) in Compensated Absences | 784 |
| Increase (Decrease) in Customer Deposits | (7,330) |
| Increase (Decrease) in Pension Liability | 250,977 |
| Increase (Decrease) in Deferred Inflow | (170,095) |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 1,176,838</u> |

The notes to the financial statements are an integral part of this statement.

Doña Ana Mutual Domestic Water Consumers Association

Notes to the Financial Statements

June 30, 2016

Form and Function

The Doña Ana Mutual Domestic Water Consumers Association (Association) is a not-for-profit Mutual Domestic Association, incorporated under the provision of the Sanitary Projects Act (SPA) of the State of New Mexico on May 3, 1974. It was established for the purpose of constructing, maintaining and operating a water and wastewater system for the members of the Association in Doña Ana community in Doña Ana County, New Mexico. The business and affairs of the Association are conducted and managed by a Board of Directors consisting of five directors selected by the membership. Bona fide occupants and residents within and in the vicinity of the community of Doña Ana, New Mexico, may apply to become members by payment of a \$75, non-refundable membership fee, and must be approved by the Board of Directors. The rights, privileges, and obligations of the members are equal. No capital stock is authorized nor issued.

An Attorney General's (AG) opinion (90-30, dated December 27, 1990) concluded that entities created under the SPA are subject to the New Mexico Audit Act. Additionally, another AG opinion (68-38) states Mutual Domestic Associations (MDA) under the SPA are created for "one purpose only, and that is to establish and maintain a water system" Further, it concluded MDAs are not municipal corporations. HB 297, enacted during the 2009 legislative session, exempts MDAs from being subject to ad valorem taxes.

The Association is considered to be a special-purpose governmental entity in accordance with Governmental Accounting Standards Board Statement No. 14. The Association is not a component unit of a governmental entity nor does it have any component units. This conclusion was reached because the Association was converted from a cooperative to an MDWA, pursuant to NMSA 3-29-20, by a vote of the Board of Directors rather than through legislative action or action by the entire membership; it does not have the ability to levy taxes but it does have the ability to set and change rates for service, it continues to file not-for-profit tax returns, and it is not a subdivision of any governmental entity.

Attorney General Opinion 06-02 determined that MDWAs created pursuant to the Sanitary Projects Act, NMSA 1978 are public bodies/political subdivisions, whose revenues are "public money" and they have statutory responsibilities to abide by: the Open Meetings Act, the Inspection of Public Records Act, the Procurement Code, and the Per Diem and Mileage Act. Due to the fact that MDWAs have officially been determined to be governmental nonprofit organizations, their financial statements must follow the government format as described in GASB 34 beginning with the fiscal year ending June 30, 2007.

Summary of Significant Accounting Policies

Basis of Presentation

The Association's basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Association's accounting policies are described below.

The accounts of the Association are organized and operated on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a self-balancing set of accounts that comprise the Association's assets, liabilities, net position, revenues and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; (ii) that are required by laws or regulations that the activity's cost of providing services, including capital costs (such as depreciation debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

State of New Mexico

Doña Ana Mutual Domestic Water Consumers Association

Notes to the Financial Statements

June 30, 2016

The accounting and financial reporting treatment applied to the Association is determined by its measurement focus. The transactions of the Association are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted; and unrestricted components.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, Investments are stated at market value. For the purpose of reporting cash flows, all highly liquid investments(including restricted assets) with a maturity date of three months or less are considered to be cash equivalents.

Investments

All money not immediately necessary for the public uses of the Association may be invested in :

(a) bonds or negotiable securities of the United States, the state or any county or municipality which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or

(b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.

(c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

Receivables

Substantially all of the Association's outstanding receivables are from its customers for water sales. Account receivable are shown net of an allowance for uncollectible accounts.

Concentrations of Credit Risk

The Association grants credit without collateral to its customer for its services, but the customers are subject to service termination if the receivables are not settled within a specified time frame.

Inventory

The inventory held by the Association is recorded at cost, with cost being determined on the first-in, first-out basis.

Prepaid Expenses

Prepaid expenses are for payments made by the Association in the current year for insurance that is in effect through part of the next year.

Doña Ana Mutual Domestic Water Consumers Association

Notes to the Financial Statements

June 30, 2016

Restricted Assets

Certain resources are set aside for replacement reserves, debt service and emergencies, and are classified as restricted investments on the Statement of Net Position. The use of these monies is limited by the Association's by-laws and loan covenants. In addition, customers' meter deposits are classified as restricted cash.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets. Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the Association as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands.

Straight line depreciation is used based on the following estimated useful lives:

| | |
|--------------------------------|-----------|
| Utility Plant | 40 Years |
| Equipment | 5-8 Years |
| Vehicles | 5 Years |
| Office Furniture and Equipment | 10 Years |
| Engineering Cost | 10 Years |
| Right of Way Permits | 25 Years |
| Waste Water Acquisition Costs | 5 Years |

Compensated Absences

It is the Association's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation leave may be accumulated up to 80 hours. Upon termination, the Association will compensated an employee for unused accrued vacation leave up to a maximum of 80 hours. Accrued sick leave may be accrued and carried over, however upon termination sick leave is not paid out.

Medical Benefits

The Association pay's 100% of the employee's medical insurance premiums. The Employee is responsible for any dependent on the plan. Total paid on behalf of the Association employees for the fiscal year ended June 30, 2016 totaled \$102,519.42.

Net Position

Net Position represent the difference between assets and liabilities. Net Position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed by creditors, grantors, or laws or regulations of other governments. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the Association's policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

Revenues

Revenues are classified as operating or non-operating according to the following criteria:

- (1) Operating revenues include activities that have the characteristics of an exchange transaction, such as charges for services and fees, net of allowance for uncollectible accounts.
- (2) Non-operating revenues include activities that have the characteristics of non-exchange transactions such as capital grants and investment income.

Doña Ana Mutual Domestic Water Consumers Association

Notes to the Financial Statements

June 30, 2016

The Association receives grants as well as contributions in the course of operations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

Expenses

Expenses are classified as operating or non-operating according to the following criteria:

- (1) Operating expenses include activities that have the characteristics of an exchange transaction such as employee salaries, benefits and related expenses; maintenance, operations and contractual services; materials and supplies; office expenses; and depreciation expenses related to the Association's capital assets.
- (2) Non-operating expenses include activities that have the characteristics of non-exchange transactions such as interest on debt and bond expenses.

Budgetary Compliance

An operating budget is adopted each fiscal year and is approved by the Board of Directors and the New Mexico Department of Finance and Administration (DFA). The budget is prepared on a cash basis as required by DFA. The Board of Directors is authorized to transfer budgetary amounts between the items within the fund; however, any revision that alters the total expenditures must be approved by DFA. In conjunction with this, the Association can overspend line items within the fund, but it is a violation of state statute to over-expend a fund total.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are as follows included on each Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

Use of Estimates

Management of the Association has made certain estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results may differ from those estimates.

Tax Status

The Association operates as a not-for profit association and has received exempt status under Code Section 501 (C)(12) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

State of New Mexico

Doña Ana Mutual Domestic Water Consumers Association

Notes to the Financial Statements

June 30, 2016

A. Deposits

The Association had cash and cash equivalents on deposit with local financial institutions, consisting of checking accounts. Following is a schedule as of June 30, 2016 of the cash and cash equivalents.

| | Balance Per Bank 6/30/16 | Reconciled Balance |
|------------------------------------|--------------------------------|-----------------------|
| Wells Fargo Bank | | |
| <u>Checking Accounts</u> | | |
| Operating | \$ 50,000 | \$ (48,609) |
| Grants | 0 | 0 |
| DAMDWCA | 452,246 | 452,246 |
| DAMDWCA-Water Rights | 27,681 | (125,000) |
| USDA RD Account | 28,730 | 28,730 |
| Fort Sheldon | 0 | (96,782) |
| <u>Savings</u> | | |
| USDA Fort Sheldon Reserve | 28,984 | 28,984 |
| Citizens Bank of Las Cruces | | |
| <u>Checking Accounts</u> | | |
| Operating | 20,000 | 20,000 |
| Total Cash in Banks | <u>\$ 607,641</u> | <u>259,569</u> |

There is \$800 cash on hand.

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

In accordance with Section 6-10-17, NMSA 1978 compilation, deposits of public monies are required to be collateralized. Pledged collateral is required in amounts in aggregate equal to one half of the amount of uninsured public money in each account during the fiscal year. Securities are valued at market value. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation.

| | |
|-------------------------------------|------------------|
| Total Deposited at Wells Fargo Bank | \$ 587,641 |
| Less: FDIC Coverage | (250,000) |
| Uninsured Amount | 337,641 |
| 50% collateral requirement | 168,821 |
| Pledged securities | 179,599 |
| Over (Under) requirement | <u>\$ 10,779</u> |

The following securities are pledged at Wells Fargo Bank

| <u>Description</u> | <u>CUSIP #</u> | <u>Market Value</u> | <u>Maturity Date</u> | <u>Location</u> |
|--------------------|----------------|---------------------|----------------------|-----------------|
| FNMA FNMS | 3138AVTE5 | \$ 57,570 | 11/01/26 | Mellon, NY |
| FNMA FNMS | 3138M7G82 | 81,236 | 09/01/42 | Mellon, NY |
| FNMA FNMS | 31417DQU0 | 40,794 | 10/01/42 | Mellon, NY |
| | | <u>\$ 179,599</u> | | |

| | |
|--|-----------|
| Total Deposited at Citizens Bank of Las Cruces | \$ 20,000 |
| Less: FDIC Coverage | (20,000) |
| Uninsured Amount | <u>0</u> |

State of New Mexico

Doña Ana Mutual Domestic Water Consumers Association

Notes to the Financial Statements

June 30, 2016

Custodial Credit Risk-Deposits

| <u>Depository Account</u> | <u>Bank Balance</u> |
|---|-------------------------|
| Insured | \$ 270,000 |
| Collateralized: | |
| Collateral held by the pledging bank in Association's name | 179,599 |
| Uninsured and uncollateralized | 158,042 |
| Total Deposits | <u>\$ 607,641</u> |

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Association does not have a deposit policy for custodial credit risk. As of June 30, 2016 \$158,042 of the Association's bank balance of \$607,641 was exposed to custodial credit risk.

The restricted cash totaling \$7,377,702 is held at NMFA for construction. The source of the cash is various loans and grants administered by NMFA.

B. Investments

Pursuant to a resolution by the Board of Directors, the Association has established a reserve fund for future plant expansion, debt service, emergencies, and water rights acquisition. This reserve is funded by a hook-up charge of \$2,027 plus \$1,750 for water rights for each 3/4 inch connection.

The reserve fund consists of the following investments:

| | Fair Value | <u>Investment Maturities</u> | | |
|-------------------|---------------------|------------------------------|-------------------|-------------------|
| | | Current | 1 to 5 years | 6 to 10 years |
| Scottrade | | | | |
| Cash | \$ 966,491 | \$ 966,491 | \$ - | \$ - |
| FHLBC | 249,600 | - | 249,600 | - |
| FHLC | 424,865 | - | 199,461 | 197,082 |
| FHLMC | 75,098 | - | 405,128 | 96,199 |
| FFCB | 169,145 | - | - | 240,978 |
| Total Investments | <u>\$ 1,885,198</u> | <u>\$ 966,491</u> | <u>\$ 854,189</u> | <u>\$ 534,259</u> |

Custodial Credit Risk

All of the Association's investments are purchased through a Scottrade managed account, which holds all U.S. depository eligible securities with the federally regulated Depository Trust Company or through the Federal Reserve Bank System in Scottrade's name. The Total Investor Protection for Scottrade per account is \$25,000,000, including up to \$1,150,000 in cash. The Association does not have an investment policy for custodial credit risk.

Interest Rate Risk

The Association does not have a policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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Notes to the Financial Statements

June 30, 2016

Credit Risk Investments

The Association's weighted average days to maturity and ratings are as follows:

| Investments | Weighted Average Days to Maturity | Standard & Poor's Ratings | Moody's Ratings |
|--|---|---------------------------------|--------------------|
| Federal Home Loan Bank Call(FHLBC) | 1604 | AA+ | Aaa |
| Federal Home Loan Call(FHLC) | 2030 | AA+ | Aaa |
| Federal Home Loan Mortgage Corporation (FHLMC) | 2713 | AA+ | Aaa |
| Federal Farm Credit Bank (FFCB) | 3200 | AA+ | Aaa |
| Fannie Mae Call (FMC) | 1641 | AA+ | Aaa |

Concentration of Credit Risk

The Association places no limits on the amount the Association may invest in any one issuer. Approximately 9.51% of the Association's investments are invested in FHLBC, 18.85% in FHLC, 23.84% in FFLMC, 11.46% in FFCB and 4.75% in FMC.

C. Accounts Receivable

The accounts receivable are shown net of an allowance for uncollectable accounts. Total customer accounts receivable were \$397,754 and the allowance for uncollectable accounts was \$79,524 for a net amount of receivables of \$318,230.

D. Capital Assets

Capital Assets Balances and Activity for the Year Ended June 30, 2016, is as follows:

| | Balance 6/30/15 | Increases | Adjustments Deletions | Balance 6/30/16 |
|---|----------------------|---------------------|--------------------------|----------------------|
| Capital Assets not being Depreciated | | | | |
| Land | \$ 1,211,928 | \$ 0 | \$ 0 | \$ 1,211,928 |
| Water Rights | 1,821,179 | 0 | 0 | 1,821,179 |
| Construction in Progress | 1,132,248 | 3,892,060 | 26,716 | 5,051,024 |
| Total Capital Assets not being Depreciated | <u>4,165,355</u> | <u>3,892,060</u> | <u>26,716</u> | <u>8,084,131</u> |
| Capital Assets being Depreciated | | | | |
| Buildings and Improvements | 1,724,064 | | (480,496) | 1,243,568 |
| Distributions Systems | 23,173,929 | 281,744 | 575,333 | 24,031,006 |
| Equipment and Vehicles | 1,127,083 | 166,644 | (121,553) | 1,172,174 |
| Total Capital Assets being Depreciated | <u>26,025,076</u> | <u>448,388</u> | <u>(26,716)</u> | <u>26,446,748</u> |
| Less Accumulated Depreciation | | | | |
| Buildings and Improvements | 209,720 | 39,675 | (12,629) | 262,024 |
| Distributions Systems | 5,781,776 | 665,595 | 87,433 | 6,359,938 |
| Equipment and Vehicles | 532,069 | 125,918 | (74,804) | 732,791 |
| Total Accumulated Depreciation | <u>6,523,567</u> | <u>831,188</u> | <u>0</u> | <u>7,354,753</u> |
| Capital Assets, net | <u>\$ 23,666,864</u> | <u>\$ 3,509,260</u> | <u>\$ 0</u> | <u>\$ 27,176,126</u> |

Doña Ana Mutual Domestic Water Consumers Association

Notes to the Financial Statements

June 30, 2016

E. Long-Term Debt and Other Liabilities

A summary of activity in the Long-Term Debt is as follows:

| Loans | Balance 6/30/15 | Additions | Reductions | Balance 6/30/16 | Amounts Due Within One Year |
|-------------------------|----------------------|---------------------|-------------------|----------------------|-----------------------------------|
| USDA/RUS | \$ 405,725 | \$ 0 | \$ 17,776 | \$ 387,949 | \$ 18,262 |
| USDA/RUS | 1,156,872 | 0 | 56,958 | 1,099,914 | 58,515 |
| NMED/RIP-2013 | 1,920,716 | 0 | 81,167 | 1,839,549 | 83,095 |
| NMED/RIP-2014 | 2,000,000 | 0 | 0 | 2,000,000 | 79,284 |
| NMED/RIP-2015 | 2,000,000 | 0 | 0 | 2,000,000 | 79,284 |
| NMFA WTB-55 | 27,265 | 0 | 1,916 | 25,349 | 1,921 |
| NMFA WTB-105 | 10,021 | 0 | 704 | 9,317 | 706 |
| NMFA WTB-83 | 272,650 | 0 | 19,160 | 253,490 | 19,208 |
| NMFA WTB-243 | 1,231,202 | 0 | 70,986 | 1,160,216 | 71,163 |
| NMFA CIF-2770 | 31,491 | 0 | 1,853 | 29,638 | 1,853 |
| NMFA DW 2868 | 1,544,542 | 0 | 0 | 1,544,542 | 63,568 |
| NMFA WTB-271 | 1,522,695 | 0 | 78,367 | 1,444,328 | 78,563 |
| NMFA CI-2972 | 145,692 | 0 | 7,668 | 138,024 | 7,668 |
| NMFA CI-3177 | 0 | 18,800 | 0 | 18,800 | 482 |
| NMFA CI-3184 | 0 | 10,020 | 440 | 9,580 | 505 |
| NMFA CI-3349 | 0 | 67,764 | 715 | 67,049 | 3,529 |
| NMFA DW 3227 | 0 | 2,083,125 | 0 | 2,083,125 | 0 |
| NMFA DW 3382 | 0 | 2,272,500 | 0 | 2,272,500 | 0 |
| | <u>\$ 12,268,871</u> | <u>\$ 4,452,209</u> | <u>\$ 337,710</u> | <u>\$ 16,383,370</u> | <u>\$ 567,606</u> |
| Compensated Absences | \$ 25,925 | \$ 30,524 | \$ 29,742 | \$ 26,707 | \$ 26,707 |
| | <u>\$ 25,925</u> | <u>\$ 30,524</u> | <u>\$ 29,742</u> | <u>\$ 26,707</u> | <u>\$ 26,707</u> |

Loans consist of the following:

USDA/RUS-The Association entered into an agreement with the U.S. Department of Agriculture's Rural Utilities Services on January 22, 2001, to purchase two tracts of land in Doña Ana County. The original amount of the note was \$509,800, bearing 4.75% interest. Principal and interest payments are due monthly, with the note maturing on January 22, 2041.

USDA/RUS-The Association entered into an agreement with the U.S. Department of Agriculture's Rural Utilities Services on April 22, 2013, for the purchase of the Fort Selden Water Company, Inc., which includes land, water distribution systems and equipment. The original amount of the note was \$2,119,317, bearing 2.75% interest. Principal and interest payments are due monthly, with the note maturing on April 22, 2053. The Association has pledged as collateral all gross receipts, income accounts, deposit accounts, goods, supplies, inventory, equipment, the water works and distribution system and all facilities now owned of the Fort Selden Water Company, Inc.

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Notes to the Financial Statements

June 30, 2016

NMED/RIP-2013-The Association entered into an agreement with the N.M. Environmental Department on June 7, 2013, for the purchase of the Picacho Hills Utility company. The original amount of the note was \$2,000,000, bearing 2.375% interest. Principal and interest payments are due yearly starting December 13, 2014, with the note maturing on December 13, 2033. The Association has pledged net revenues for the water utility system to the payment of the loan.

NMED/RIP-2014-The Association entered into an agreement with the N.M. Environmental Department on June 7, 2013 for the purchase of the Picacho Hills Utility Company which also included repairing known issues and planning for future growth and long term sustainability. The original amount of the note was \$2,000,000 and bears interest at 2.375%. Principal payments on the note are due yearly and will begin one year after project completion. The Association has pledged net revenues from the water utility system to the payment of the loan.

NMED/RIP-2015-The Association entered into an agreement with the N.M. Environmental Department on June 17, 2015 for the improvements of the wastewater system of the Picacho Hills District 5 which also included repairing known issues and planning for future growth and long term sustainability. The original amount of the note was \$2,000,000 and bears interest at 2.375%. As of June 30, 2015 none of these loan funds have been expended. Principal payments on the note are due yearly and will begin one year after project completion. The Association has pledged net revenues from the water utility system to the payment of the loan.

New Mexico Finance Authority (NMFA) Loans

WTB-55-The Association entered into an agreement with the NMFA on March 27, 2009 to finance the site acquisition, design, planning, engineering and construction of a water reclamation plant. The original amount of the note was \$38,000 and is noninterest bearing. Principal payments on the note are due yearly on June 1st. The note mature on June 1, 2029. The Association has pledged net revenues from the water utility system to the payment of the loan.

WTB-105-The Association entered into an agreement with NMFA on March 27, 2009 to finance the cost of designing, planning, engineering and construction of a water reclamation plant. The original amount of the note was \$14,000 and is noninterest bearing. Principal payments on the note are due yearly on June 1st. The note matures on June 1, 2029. The Association has pledged net revenues from the water utility system to the payment of the loan.

WTB-83-The Association entered into an agreement with NMFA on March 27, 2009 to finance the cost of designing, planning, engineering and construction of a water reclamation plant. The original amount of the note was \$380,000 and is noninterest bearing. Principal payments on the note are due yearly on June 1st. The note matures on June 1, 2029. The Association has pledged net revenues from the water utility system to the payment of the loan.

WTB-243-The Association entered into an agreement with NMFA on December 21, 2012 for the completion of phase II of the surface water transmission line. The original amount of the note was \$1,404,000 and is noninterest bearing. Principal payments on the note are due yearly on June 1st. The note matures on June 1, 2032. The Association has pledged net revenues from the water utility system to the payment of the loan.

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CI-2770-The Association entered into an agreement with NMFA on February 22, 2013 for the construction of the final phase of line extension and additional capacity for a regional project that includes four Colonias. The original amount of the note was \$35,706 and is noninterest bearing. Principal payments on the note are due yearly on June 1st. The note matures on June 1, 2032. The Association has pledged net revenues from the water utility system to the payment of the loan.

DW-2868-The Association entered into an agreement with NMFA Drinking Water State Revolving Loan Fund (DWRLF) on May 13, 2013 for the completion of phase II of the surface water transmission line. The original amount of the note was \$2,059,390, of which \$514,848 may be forgiven. The maximum aggregate repayable principal is \$1,544,542. The note bears interest of 2%, which includes the administrative fee. Principal payments on the note are due yearly on May 1st. The note matures on May 1, 2035. The Association has pledged net revenues from the water utility system to the payment of the loan.

WTB-271-The Association entered into an agreement with NMFA on March 14, 2014 for the construction of improvements to the transmission mains and distribution lines through the collective water delivery area. The original amount of the note was \$1,600,000 and is noninterest bearing. Principal payments on the note are due yearly on June 1st. The note matures on June 1, 2032. The Association has pledged net revenues from the water utility system to the payment of the loan.

CI-2972-The Association entered into an agreement with NMFA on April 4, 2014 for the construction of water transmission lines from the main water lines to Doña Ana and San Ysidro Colonias. The original amount of the note was \$153,360 and is noninterest bearing. Principal payments on the note are due yearly on June 1st. The note matures on June 1, 2034. The Association has pledged net revenues from the water utility system to the payment of the loan.

CI-3177-The Association entered into an agreement with NMFA on July 17, 2015 for the construction of water transmission lines from the main water lines to Doña Ana and San Ysidro Colonias. The original amount of the note was \$18,800 and is noninterest bearing. Principal payments on the note are due yearly on June 1st. The note matures on June 1, 2034. The Association has pledged net revenues from the water utility system to the payment of the loan.

CI-3184-The Association entered into an agreement with NMFA on July 17, 2015 for the construction of water transmission lines from the main water lines to Doña Ana and San Ysidro Colonias. The original amount of the note was \$10,020 and is noninterest bearing. Principal payments on the note are due yearly on June 1st. The note matures on June 1, 2035. The Association has pledged net revenues from the water utility system to the payment of the loan.

CI-3349-The Association entered into an agreement with NMFA on February 9, 2016 for the construction of water transmission lines from the main water lines to Doña Ana and San Ysidro Colonias. The original amount of the note was \$67,764 and is noninterest bearing. Principal payments on the note are due yearly on June 1st. The note matures on June 1, 2035. The Association has pledged net revenues from the water utility system to the payment of the loan.

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Notes to the Financial Statements

June 30, 2016

DW-3227-The Association entered into an agreement with NMFA on November 20, 2015 for the construction of water transmission lines from the main water lines. The original amount of the note was \$2,083,125. The interest rate is 2%. Principal payments on the note are due monthly when construction is complete. The note matures on October 20, 2036. The Association has pledged net revenues from the water utility system to the payment of the loan.

DW-3382-The Association entered into an agreement with NMFA on November 10, 2015 for the construction of water transmission lines from the main water lines. The original amount of the note was \$2,272,500. The interest rate is 2%. Principal payments are paid monthly when construction is complete on the note are due yearly on June 1st. The note matures on October 10, 2036. The Association has pledged net revenues from the water utility system to the payment of the loan.

The annual requirements to amortize the general obligation bonds as of June 30, 2015, including interest payments are as follows:

| | Principal | Interest | Total |
|-----------|----------------------|---------------------|----------------------|
| 2017 | \$ 567,606 | \$ 302,431 | \$ 870,037 |
| 2018 | 675,762 | 292,947 | 968,709 |
| 2019 | 687,482 | 281,281 | 968,763 |
| 2020 | 699,474 | 269,349 | 968,823 |
| 2021 | 711,727 | 257,147 | 968,874 |
| 2022-2026 | 3,752,446 | 1,081,845 | 4,834,291 |
| 2027-2031 | 4,103,770 | 742,775 | 4,846,545 |
| 2032-2036 | 4,474,656 | 354,967 | 4,829,623 |
| 2037 | 710,447 | 14,209 | 724,656 |
| | <u>\$ 16,383,370</u> | <u>\$ 3,596,951</u> | <u>\$ 19,980,321</u> |

F. Retirement Plan

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Doña Ana Mutual Domestic Water Consumers Association

Notes to the Financial Statements

June 30, 2016

General Information about the Pension Plan

Plan description. The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C- 1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Contributions. The contribution requirements of defined benefit plan members and the Association are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures of the PERA FY15 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf. The PERA coverage options that apply to Association are Municipal Plan 2. Statutorily required contributions to the pension plan from the Association were \$59,010 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

Doña Ana Mutual Domestic Water Consumers Association

Notes to the Financial Statements

June 30, 2016

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were preformed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Association's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal Plan 2, at June 30, 2016, the Association reported a liability of \$733,083 for its proportionate share of the net pension liability. At June 30, 2015, the Association's proportion was 0.0719%, which is an increase of 0.01% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Association recognized PERA Fund Division Municipal Plan 2 pension expense of \$46,680. At June 30, 2016, the Association reported PERA Fund Division Municipal Plan 2 deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 0 | \$ (16,238) |
| Changes of assumptions | 0 | (286) |
| Net difference between projected and actual earnings on pension plan investments | 0 | (2,319) |
| Changes in proportion and differences between the Association's contributions and proportionate share of contributions | 60,164 | 0 |
| Association's contributions subsequent to the measurement date | 59,010 | 0 |
| Total | <u>\$ 119,174</u> | <u>\$ (18,843)</u> |

\$59,010 reported as deferred outflows of resources related to pensions resulting from the Association's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Doña Ana Mutual Domestic Water Consumers Association

Notes to the Financial Statements

June 30, 2016

| Year ended June 30: | |
|---------------------|--------------------|
| 2017 | \$ (19,416) |
| 2018 | (19,416) |
| 2019 | (19,416) |
| 2020 | 39,405 |
| Total | <u>\$ (18,843)</u> |

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

| | |
|--------------------------------|--|
| Actuarial valuation date | June 30, 2014 |
| Actuarial cost method | Entry age normal |
| Amortization method | Level percentage of pay, Open |
| Amortization period | Solved for based on statutory rates |
| Asset valuation method | Fair value |
| Actuarial assumptions: | |
| (1) Investment rate of return | 7.75% annual rate, net of investment expense |
| (2) Projected benefit payment | 100 years |
| (3) Payroll growth | 3.50% annual rate |
| (4) Projected salary increases | 3.50 to 14.25% annual rate |
| (5) Includes inflation at | 3.00% annual rate |
| (6) Mortality Assumption | RP-2000Mortality Tables (combined table for healthy post-retirements, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA. |
| (7) Experience Study Dates | July 1, 2008 to June 30, 2013 |

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Doña Ana Mutual Domestic Water Consumers Association

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June 30, 2016

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------------|-------------------|--|
| US Equity | 21.10% | 5.00% |
| International Equity | 24.80% | 5.20% |
| Private Equity | 7.00% | 8.20% |
| Core and Global Fixed Income | 26.10% | 1.85% |
| Fixed Income Plus Sectors | 5.00% | 4.80% |
| Real Estate | 5.00% | 5.30% |
| Real Assets | 7.00% | 5.70% |
| Absolute Return | 4.00% | 4.15% |

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Association's proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the Association's net pension liability in the Municipal Plan 2 PERA Fund Division that the Association participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| The Association's proportionate share of the net pension liability | \$ 1,248,149 | \$ 733,083 | \$ 304,840 |

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

G. Risk Management

The Association is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, natural disasters, and worker's compensation. Commercial insurance covers all losses. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the prior three years. There were no claim liabilities at year end.

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Doña Ana Mutual Domestic Water Consumers Association

Notes to the Financial Statements

June 30, 2016

H. Commitments, Contingencies and Subsequent Events

Westmoreland Water Rights-The Association has filed a lawsuit for breach of contract, fraud and unfair trade practices against Forrest and Joyce Westmoreland regarding the contract for and purchase of 82 acre feet of water rights. The Association request the return from the Westmoreland's of the \$147,600 paid, plus interest, punitive damages, treble damages, costs and attorney fees. As of the date of this audit report,

The agreement began on May 24, 2004 and will continue until terminated by both parties, upon giving sixty (60) days advance notice to the other party.

The Association is involved in several improvement projects throughout the system.

Required Supplemental Information

Doña Ana Mutual Domestic Water Consumers Association
 Schedules of Required Supplementary Information for Pension Plan

Schedule of the Association's Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

| | 2015 | 2016 |
|--|------------|------------|
| Association's proportion of the net pension liability | 0.06180% | 0.07190% |
| Association's proportionate share of the net pension liability | \$ 482,106 | \$ 733,083 |
| Association's covered-employee payroll | \$ 572,660 | \$ 617,907 |
| Association's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 84.19% | 118.64% |
| Plan fiduciary net position as a percentage of the total pension liability | 81.29% | 76.99% |

Schedule of Association's Contributions

Last 10 Fiscal Years*

| | 2015 | 2016 |
|--|------------|------------|
| Contractually required contribution | \$ 54,689 | \$ 59,010 |
| Contributions in relation to the contractually required contribution | 54,689 | 59,010 |
| Contribution deficiency (excess) | \$ 0 | \$ 0 |
| Association's covered-employee payroll | \$ 572,660 | \$ 617,907 |
| Contributions as a percentage of covered-employee payroll | 9.55% | 9.55% |

* These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Association will present information for those years for which information is available.

Notes to Required Supplementary Information for Pension Plan

Changes in Benefit Terms – The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA June 30, 2015 audit available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Changes of Assumptions – The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at:

http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-302015%20PERA%20Valuation%20Report_FINAL.pdf.

The notes to the financial statements are an integral part of this statement.

Supplemental Information

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Doña Ana Mutual Domestic Water Consumers Association

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance with Final Budget- Favorable (Unfavorable) |
|-----------------------------------|------------------|-------------------|--------------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Sales and Service | \$ 3,531,300 | \$ 3,569,300 | \$ 3,593,952 | \$ 24,652 |
| Miscellaneous | 84,325 | 86,200 | 55,765 | (30,435) |
| Investment Income | 28,000 | 32,000 | 32,099 | 99 |
| Grants and Loan Proceeds | 5,414,421 | 6,500,000 | 5,196,286 | (1,303,714) |
| Total Revenues | 9,058,046 | 10,187,500 | 8,878,102 | (1,309,398) |
| Expenses | | | | |
| Salaries and Benefits | 1,168,700 | 1,169,200 | 1,008,617 | 160,583 |
| Mileage and Per Diem | 13,500 | 18,500 | 17,377 | 1,123 |
| Vehicle Expense | 50,000 | 46,500 | 42,921 | 3,579 |
| Building Expense | 2,700 | 2,700 | 1,931 | 769 |
| Utilities | 285,620 | 285,620 | 254,720 | 30,900 |
| Telephone | 18,500 | 18,500 | 17,223 | 1,277 |
| Postage | 69,620 | 69,620 | 65,296 | 4,324 |
| Office Expenses | 230,650 | 250,650 | 178,959 | 71,691 |
| Advertising and Public Relations | 3,000 | 5,000 | 8,813 | (3,813) |
| Training | 13,500 | 14,000 | 12,503 | 1,497 |
| Annual Audit | 19,000 | 19,000 | 18,911 | 89 |
| Dues and Fees | 11,400 | 11,400 | 7,600 | 3,800 |
| System Repairs | 142,200 | 224,000 | 273,247 | (49,247) |
| Professional Services | 460,000 | 460,000 | 344,036 | 115,964 |
| Contractual Fees | 133,000 | 133,000 | 70,381 | 62,619 |
| Miscellaneous | 160,200 | 161,200 | 163,687 | (2,487) |
| Capital Outlay | 6,184,421 | 7,493,745 | 4,340,448 | 3,153,297 |
| Debt Service | 610,000 | 610,000 | 453,875 | 156,125 |
| Total Expenses | 9,576,011 | 10,992,635 | 7,280,545 | 3,712,090 |
| Net Change in Cash Balance | (517,965) | (805,135) | 1,597,557 | 2,402,692 |
| Cash Balance Beginning of Year | 7,925,712 | 7,925,712 | 7,925,712 | 0 |
| Cash Balance End of Year | \$ 7,407,747 | \$ 7,120,577 | \$ 9,523,269 | \$ 2,402,692 |

State of New Mexico

Doña Ana Mutual Domestic Water Consumers Association

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

Reconciliation of Budgetary Basis to GAAP Basis

| | | |
|---|----|----------------|
| Net Change in Cash Balance-Cash Basis | \$ | 1,597,557 |
| Capital Outlay | | 4,340,448 |
| Depreciation | | (831,187) |
| Loan Proceeds | | (4,452,209) |
| Principal Paid | | 337,710 |
| Net Change in Receivables | | 11,900 |
| Net Change in Inventory | | (39,806) |
| Net Change in Prepaid Expenses | | (1,688) |
| Net Change in Deferred Outflows | | 64,485 |
| Net Change in Payables | | 62,152 |
| Net Change in Accrued Salaries & Benefits | | (5,657) |
| Net Change in Accrued Interest | | (13,343) |
| Net Change in Compensated Absences | | (784) |
| Net Change in Customer Deposits | | 7,330 |
| Net Change in Pension Liability | | (250,977) |
| Net Change in Deferred Inflows | | 170,095 |
| Change in Net Position-GAAP Basis | \$ | <u>996,026</u> |

The notes to the financial statements are an integral part of this statement.

Other Information (Unaudited)

| STATE OF NEW MEXICO | | | | | | | | | | |
|--|----------------------------|-----------------------------------|---------------------------------|--------------------------------------|--------------------------------------|---|---|--|---|---|
| Doña Ana Mutual Domestic Water Consumers Association | | | | | | | | | | |
| Vendor Schedule | | | | | | | | | | |
| For the Year Ended June 30, 2016 | | | | | | | | | | |
| <i>RFBR/RFPP# (if applicable)</i> | <i>Type of Procurement</i> | <i>Vendor Name</i> | <i>Did Vendor Win Contract?</i> | <i>\$ Amount of Awarded Contract</i> | <i>\$ Amount of Amended Contract</i> | <i>Physical address of vendor (City, State)</i> | <i>Did the Vendor provide documentation of eligibility for in-state preference?</i> | <i>Did the Vendor provide documentation of eligibility for veterans' preference?</i> | <i>Brief Description of the Scope of Work</i> | <i>If the procurement is attributable to a Component Unit, Name of Component Unit</i> |
| Fairview Water Improvements | Competitive (RFP or RFB) | Morrow Enterprise, Inc. | Winner | \$1,101,890.00 | \$1,101,890.00 | Las Cruces, NM | No | No | Construction of New Water Lines | N/A |
| Fairview Water Improvements | Competitive (RFP or RFB) | Burn Construction Co., Inc. | Loser | | | Las Cruces, NM | No | No | Construction of New Water Lines | N/A |
| Fairview Water Improvements | Competitive (RFP or RFB) | Spartan Construction of NM, LLC | Loser | | | El Paso, TX | No | No | Construction of New Water Lines | N/A |
| Fairview Water Improvements | Competitive (RFP or RFB) | SmithCo Construction, Inc. | Loser | | | Caballo, NM | No | No | Construction of New Water Lines | N/A |
| Fairview Water Improvements | Competitive (RFP or RFB) | AUI, Inc. | Loser | | | Albuquerque, NM | No | No | Construction of New Water Lines | N/A |
| Fairview Water Improvements | Competitive (RFP or RFB) | Highland Enterprises, Inc. | Loser | | | Las Cruces, NM | No | No | Construction of New Water Lines | N/A |
| SCADA Implementation | Competitive (RFP or RFB) | DJM Construction | Winner | \$1,169,264.00 | \$1,169,264.00 | Las Cruces, NM | No | No | Construction of SCADA Equipment | N/A |
| SCADA Implementation | Competitive (RFP or RFB) | Morrow Enterprise, Inc. | Loser | | | Las Cruces, NM | No | No | Construction of SCADA Equipment | N/A |
| SCADA Implementation | Competitive (RFP or RFB) | C&E Industrial Services | Loser | | | Sunland Park, NM | No | No | Construction of SCADA Equipment | N/A |
| SCADA Implementation | Competitive (RFP or RFB) | Burn Construction Co., Inc. | Loser | | | Las Cruces, NM | No | No | Construction of SCADA Equipment | N/A |
| Railroad Crossing Improvements | Competitive (RFP or RFB) | General Hydronics | Winner | \$1,856,306.27 | \$1,856,306.27 | Alamogordo, NM | No | No | Construction of New Water Lines & Water Tanks | N/A |
| Railroad Crossing Improvements | Competitive (RFP or RFB) | Burn Construction Co., Inc. | Winner | \$285,673.85 | \$285,673.85 | Las Cruces, NM | Yes | Yes | Construction of New Water Lines | N/A |
| Railroad Crossing Improvements | Competitive (RFP or RFB) | File Construction, LLC | Loser | | | Albuquerque, NM | Yes | No | Construction of New Water Lines | N/A |
| Railroad Crossing Improvements | Competitive (RFP or RFB) | Morrow Enterprise, Inc. | Loser | | | Las Cruces, NM | Yes | No | Construction of New Water Lines | N/A |
| Railroad Crossing Improvements | Competitive (RFP or RFB) | DuCross Construction | Loser | | | Las Cruces, NM | Yes | No | Construction of New Water Lines | N/A |
| Railroad Crossing Improvements | Competitive (RFP or RFB) | Spartan Construction of NM, LLC | Loser | | | El Paso, TX | No | No | Construction of New Water Lines | N/A |
| Railroad Crossing Improvements | Competitive (RFP or RFB) | SmithCo Construction, Inc. | Loser | | | Caballo, NM | Yes | No | Construction of New Water Lines | N/A |
| Railroad Crossing Improvements | Competitive (RFP or RFB) | El Paso ARC Electric, Inc. | Loser | | | El Paso, TX | No | No | Construction of New Water Lines | N/A |
| District 5 Water Improvements | Competitive (RFP or RFB) | File Construction, LLC | Loser | | | Albuquerque, NM | No | No | Construction of New Water Lines & Water Tanks | N/A |
| District 5 Water Improvements | Competitive (RFP or RFB) | Morrow Enterprise, Inc. | Loser | | | Las Cruces, NM | No | No | Construction of New Water Lines & Water Tanks | N/A |
| District 5 Water Improvements | Competitive (RFP or RFB) | Highland Enterprises, Inc. | Loser | | | Las Cruces, NM | No | No | Construction of New Water Lines & Water Tanks | N/A |
| District 5 Water Improvements | Competitive (RFP or RFB) | SmithCo Construction, Inc. | Loser | | | Caballo, NM | No | No | Construction of New Water Lines & Water Tanks | N/A |
| District 5 Water Improvements | Competitive (RFP or RFB) | IDEALS, Inc. | Loser | | | Las Cruces, NM | No | No | Construction of New Water Lines & Water Tanks | N/A |
| District 5 Water Improvements | Competitive (RFP or RFB) | Smith & Aguirre Construction, Co. | Loser | | | Las Cruces, NM | No | No | Construction of New Water Lines & Water Tanks | N/A |

Federal Compliance

State of New Mexico

Doña Ana Mutual Domestic Water Consumers Association

Schedule of Expenditures of Federal Awards (SEFA)

For the Year Ended June 30, 2016

| Federal Agency/Pass Through Grantor/Program Title | Federal CFDA Number | State ID Number | Total Federal Awards Expended |
|--|---------------------------|--------------------|--|
| <u>U. S. Environmental Protection Agency</u> | | | |
| Pass-through New Mexico Finance Authority | | | |
| | | | |
| Drinking Water State Revolving Loan Fund | | | |
| Loan and Subsidy Agreement | 66.468 | DW 2868 | \$ 1,117,731 |
| Loan and Subsidy Agreement | 66.468 | DW 3227 | 1,309,731 |
| | | | |
| EPA Congressionally Mandated Projects | 66.202 | | <u>120,500</u> |
| | | | |
| Total Federal Assistance | | | <u>\$ 2,547,962</u> |

Notes to the Schedule of Expenditures of Federal Awards

A. Significant Accounting Policies used in preparing the SEFA

The Schedule of Expenditures of Federal Awards was prepared on the accrual basis of accounting.

B. Loan Subsidy

The Schedule of Expenditures of Federal Awards includes a grant and loan subsidy from the Drinking Water State Revolving Fund. The loans and loan subsidies were \$5,083,125. The loans and subsidies have a balance available to send at year end of \$4,440,269.

C. DeMinimus

The Association did not elect the 10% de minimus indirect cost rate. The Association does receive any money for administrative costs.

D. Loan Balances

The balance of all federal loans as of June 30, 2016 was \$7,388,030.

The notes to the financial statements are an integral part of this statement.

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
In Accordance with Government Auditing Standards

Independent Auditor's Report

Mr. Tim Keller
State Auditor of the State of New Mexico
Board Members of the Doña Ana Mutual Domestic Water Consumers Association

Mr. Keller and Members of the Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Doña Ana Mutual Domestic Water Consumers Association (Association) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements and related budgetary comparison of the Association, presented as supplemental information, and have issued our report thereon dated December 1, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that are less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "De'Ann Willoughby, CPA PC". The signature is written in a cursive style.

Clovis, New Mexico
December 1, 2016

Report on Compliance With Requirements
Applicable To Each Major Program and Internal Control
Over Compliance in Accordance With OMB Uniform Guidance

Independent Auditor's Report

Mr. Tim Keller
State Auditor of the State of New Mexico
Board Members of the Doña Ana Mutual Domestic Water Consumers Association

Mr. Keller and Members of the Board

Compliance

We have audited Doña Ana Mutual Domestic Water Consumers Association (Association) compliance with the types of compliance requirements described in the Title 2 U.S. CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) that could have a direct and material effect on each of the Association's major federal programs for the year ended June 30, 2016. The Association's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Association's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Association's compliance.

Opinion on Each Major Federal Program

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Association's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Association's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

De'Ann Willoughby CPA PC

Clovis, New Mexico
December 1, 2016

A. Summary of Audit Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting

* Material weaknesses identified? No

* Significant deficiencies identified? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

* Material weaknesses identified? No

* Significant deficiencies identified? No

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance No

Identification of major programs:

| <u>CFDA Numbers)</u> | <u>Name of Federal Program of Cluster</u> |
|----------------------|---|
| 66.468 | Drinking Water State Revolving Loan Fund |

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Audited qualified as low risk Auditee Yes

State of New Mexico

Doña Ana Mutual Domestic Water Consumers Association

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

| | Federal Compliance Findings | <u>Status</u> |
|---|------------------------------------|---------------|
| Prior Year Audit Findings 2015-001 Data Collection Form | | Resolved |

Current Year Audit Findings
None

| | Financial Statements Findings |
|----------------------------------|--------------------------------------|
| Prior Year Audit Findings | None |

Current Year Audit Findings
None

Financial Statement Preparation

The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

Exit Conference

An exit conference was held on December 1, 2016. Those present were James Melton - President, Kurt Anderson - Secretary/Treasurer, Jennifer Horton - Executive Director and De'Aun Willoughby, CPA.