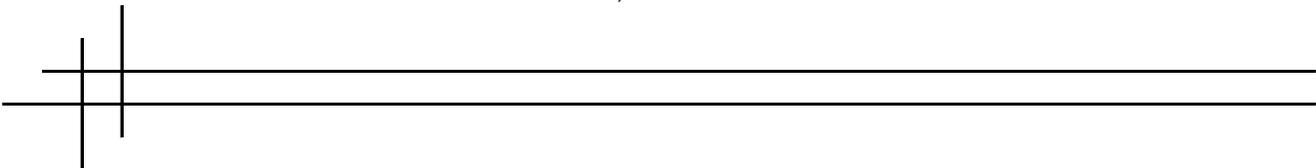


State of New Mexico  
**Doña Ana Mutual Domestic  
Water Consumers Association**

**Annual Financial Report**  
June 30, 2018

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



|   | <u>Page</u> |
|---|-------------|
| Official Roster.....  | 3           |
| Independent Auditor's Report.....   | 4-5         |
| <b>Financial Section</b>  |             |
| Basic Financial Statements  |             |
| Statement of Net Position.....  | 7           |
| Statement of Revenues, Expenses, and Changes in Net Position.....   | 8           |
| Statement of Cash Flows.....  | 9           |
| Notes to Financial Statements.....  | 10-26       |
| <b>Required Supplemental Information</b>  |             |
| Schedules of Required Supplementary Information and Notes for Pension Plan.....   | 28          |
| <b>Other Supplemental Information</b>   |             |
| Statement of Revenues, Expenses and Changes in Cash Balance-<br>Budget (Budgetary Basis) and Actual.....  | 30-31       |
| <b>Government Auditing Standards Report</b>   |             |
| Report on Internal Control Over Financial Reporting and on Compliance<br>and Other Matters Based on an Audit of Financial Statements Performed<br>In Accordance with <i>Government Auditing Standards</i> ..... | 32-33       |
| Schedule of Findings and Responses.....   | 34          |

State of New Mexico  
**Doña Ana Mutual Domestic Water Consumers Association**  
Official Roster  
June 30, 2018

---

**Board of Directors**

|               |                     |
|---------------|---------------------|
| James Melton  | President           |
| Jamie Stull   | Vice President      |
| Kurt Anderson | Secretary/Treasurer |
| Dan Hortert   | Member              |
| Tod Roberts   | 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. Wayne Johnson  
State Auditor of the State of New Mexico  
Board Members of the Doña Ana Mutual Domestic Water Consumers Association

Mr. Johnson 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, 2018, 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, 2018, 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, 2018, 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 the Pension Plan 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 considers 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 inquiries 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 our 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2018, 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 Association's internal control over financial reporting and compliance.

*De'Aun Willoughby, CPA, PC*

Clovis, New Mexico  
December 11, 2018

## **Financial Section**

State of New Mexico  
**Doña Ana Mutual Domestic Water Consumers Association**  
Statement of Net Position  
June 30, 2018

---

|  |                      |
|--|----------------------|
| Assets   |                      |
| Current Assets                                       |                      |
| Cash and Cash Equivalents                            | \$ 957,144           |
| Receivables (Net of Allowance<br>for Uncollectibles) |                      |
| Accounts   | 505,447              |
| Inventory  | 60,101               |
| Prepaid Expenses                                     | 7,189                |
| Restricted Cash                                      | 5,310,096            |
| Investments  | 1,638,919            |
| Total Current Assets                                 | <u>8,478,896</u>     |
| Noncurrent Assets                                    |                      |
| Capital Assets                                       | 40,850,389           |
| Accumulated Depreciation                             | (9,542,171)          |
| Total Noncurrent Assets                              | <u>31,308,218</u>    |
| Total Assets   | <u>39,787,114</u>    |
| Deferred Outflows of Resources                       |                      |
| Deferred Outflows Related to Pensions                |                      |
| Actuarial Experience                                 | 36,606               |
| Investment Experience                                | 76,435               |
| Changes of Assumptions                               | 42,962               |
| Changes in Proportion                                | 48,458               |
| Contributions Subsequent to Measurement Date         | 64,170               |
| Total Deferred Outflows of Resources                 | <u>268,631</u>       |
| Liabilities  |                      |
| Current Liabilities                                  |                      |
| Accounts Payable                                     | 75,377               |
| Accrued Salaries and Benefits                        | 17,540               |
| Accrued Interest                                     | 42,053               |
| Compensated Absences                                 | 19,472               |
| Current Maturities of Long-Term Debt                 | 689,512              |
| Total Current Liabilities                            | <u>843,954</u>       |
| Noncurrent Liabilities                               |                      |
| Customer Deposits                                    | 72,385               |
| Pension Liability                                    | 931,629              |
| Long-Term Debt                                       | 14,956,559           |
| Total Noncurrent Liabilities                         | <u>15,960,573</u>    |
| Total Liabilities                                    | <u>16,804,527</u>    |
| Deferred Inflows of Resources                        |                      |
| Deferred Inflows Related to Pensions                 |                      |
| Actuarial Experience                                 | 47,715               |
| Changes of Assumptions                               | 9,627                |
| Changes in Proportion                                | 61,193               |
| Total Deferred Inflows of Resources                  | <u>118,535</u>       |
| Net Position   |                      |
| Invested in Capital Assets                           | 15,662,147           |
| Restricted for Construction                          | 5,243,604            |
| Restricted for Debt Service                          | 66,511               |
| Unrestricted   | 2,160,421            |
| Total Net Position                                   | <u>\$ 23,132,683</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, 2018

---

|                                       |                             |
|---------------------------------------|-----------------------------|
| Operating Revenues                    |                             |
| Sales and Services                    | \$ 3,953,488                |
| Fees                                  | 458,933                     |
| Fines and Penalties                   | 135,522                     |
| Miscellaneous                         | 66,085                      |
| Total Operating Revenues              | <u>4,614,028</u>            |
| Operating Expenses                    |                             |
| Salaries and Benefits                 | 1,114,595                   |
| Supplies                              | 309,327                     |
| Utilities                             | 287,706                     |
| Taxes                                 | 243,668                     |
| System Maintenance                    | 201,389                     |
| Professional Services                 | 199,968                     |
| Fees                                  | 99,379                      |
| Insurance                             | 87,280                      |
| Repairs                               | 40,080                      |
| Office Expenses                       | 37,376                      |
| Travel and Training                   | 34,627                      |
| Vehicle Expense                       | 27,749                      |
| Other                                 | 12,006                      |
| Depreciation                          | 1,226,197                   |
| Total Operating Expenses              | <u>3,921,347</u>            |
| Operating Income (Loss)               | <u>692,681</u>              |
| Nonoperating Revenue (Expenses)       |                             |
| Investment Income                     | 15,759                      |
| Decrease in Fair Value of Investments | (17,890)                    |
| Interest Expense                      | (167,772)                   |
| Total Nonoperating Revenue (Expense)  | <u>(169,903)</u>            |
| Income Before Capital Grants          | 522,778                     |
| Capital Grants                        | <u>702,000</u>              |
| Change in Net Position                | <u>1,224,778</u>            |
| Total Net Position - Beginning        | 21,928,637                  |
| Restatement-Note J                    | (20,732)                    |
| Restated Beginning Net Position       | <u>21,907,905</u>           |
| Total Net Position - Ending           | <u><u>\$ 23,132,683</u></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, 2018

---

|  |                     |
|--|---------------------|
| Cash Flows from Operating Activities   |                     |
| Receipts from Customers and Users  | \$ 4,437,364        |
| Payments to Suppliers and Employees  | (2,601,274)         |
| Net Cash Provided (Used) by Operating Activities   | <u>1,836,090</u>    |
| Cash Flows from Capital & Related Financing Activities   |                     |
| Acquisition of Capital Assets  | (2,090,346)         |
| Capital Grants   | 702,000             |
| Proceeds from Long-Term Debt   | 78,000              |
| Principal Paid on Long-Term Debt   | (503,512)           |
| Interest Expense   | (167,772)           |
| Net Cash Provided (Used) by Capital & Related Financing Activities                                   | <u>(1,981,630)</u>  |
| Cash Flows from Investing Activities   |                     |
| Investment Income  | 15,759              |
| Decrease in Fair Value of Investments  | (17,890)            |
| Net Cash Provided by Investing Activities  | <u>(2,131)</u>      |
| Net Increase (Decrease) in Cash  | (147,671)           |
| Cash, Beginning of the Year  | <u>8,053,830</u>    |
| Cash, End of the Year  | <u>\$ 7,906,159</u> |
| Cash and Cash Equivalents  |                     |
| Restricted Cash  | \$ 957,144          |
| Restricted Investments   | 5,310,096           |
| Total Cash   | <u>\$ 1,638,919</u> |
| Total Cash   | <u>\$ 7,906,159</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities        |                     |
| Operating Income (Loss)  | \$ 692,681          |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities |                     |
| Depreciation   | 1,226,197           |
| (Increase) Decrease in Accounts Receivable   | (188,747)           |
| (Increase) Decrease in Inventory   | 21,064              |
| (Increase) Decrease in Prepaid Expenses  | (1,081)             |
| (Increase) Decrease in Deferred Outflow  | 221,121             |
| Increase (Decrease) in Accounts Payable  | 15,463              |
| Increase (Decrease) in Accrued Salaries  | 2,450               |
| Increase (Decrease) in Accrued Interest  | (1,441)             |
| Increase (Decrease) in Compensated Absences  | 3,224               |
| Increase (Decrease) in Customer Deposits   | 12,085              |
| Increase (Decrease) in Pension Liability   | (266,618)           |
| Increase (Decrease) in Deferred Inflow   | 99,692              |
| Net Cash Provided (Used) by Operating Activities   | <u>\$ 1,836,090</u> |

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

**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 director 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, a 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).

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.

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 compensate 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, 2018 totaled \$114,512.90.

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.

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, 2018

---

**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, 2018 of the cash and cash equivalents.

| <b>Wells Fargo Bank</b>            | Balance<br>Per Bank<br>6/30/18 | Reconciled<br>Balance |                                 |
|------------------------------------|--------------------------------|-----------------------|---------------------------------|
| Operating                          | \$ 50,000                      | \$ (66,862)           | Checking - Interest Bearing     |
| Grants                             | 1,004,140                      | 1,004,140             | Checking - Non-Interest Bearing |
| DAMDWCA                            | 0                              | 0                     | Checking - Interest Bearing     |
| DAMDWCA-Water Rights               | 0                              | 0                     | Checking - Non-Interest Bearing |
| USDA RD-Restricted Cash            | 28,747                         | 28,747                | Checking - Non-Interest Bearing |
| USDA Fort Sheldon-Restricted Cash  | 37,764                         | 37,764                | Savings - Interest Bearing      |
| <br>                               |                                |                       |                                 |
| <b>Citizens Bank of Las Cruces</b> |                                |                       |                                 |
| <u>Checking Accounts</u>           |                                |                       |                                 |
| Operating                          | <u>19,066</u>                  | <u>19,066</u>         |                                 |
| Total Cash in Banks                | <u>\$ 1,139,717</u>            | <u>1,022,855</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 | \$ 1,120,651     |
| Less FDIC Coverage                  | <u>(287,764)</u> |
| Uninsured Amount                    | 832,887          |
| 50% collateral requirement          | 416,444          |
| Pledged securities                  | <u>493,801</u>   |
| Over (Under) requirement            | <u>\$ 77,358</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          | 3138W3QC0      | \$ 454,923          | 02/01/34             | Mellon, NY      |
| FNMA FNMS          | 3138WG3V4      | 38,879              | 05/01/31             | Mellon, NY      |
|                    |                | <u>\$ 493,801</u>   |                      |                 |

|  |                 |
|--|-----------------|
| Total Deposited at Citizens Bank of Las Cruces | \$ 19,066       |
| Less FDIC Coverage                             | <u>(19,066)</u> |
| Uninsured Amount                               | <u>0</u>        |

**Custodial Credit Risk-Deposits**

| <u>Depository Account</u>                                     | <u>Bank<br/>Balance</u> |
|---|-------------------------|
| Insured   | \$ 306,830              |
| Collateralized:   |                         |
| Collateral held by the pledging bank in<br>Association's name | 493,801                 |
| Uninsured and uncollateralized                                | 339,086                 |
| Total Deposits  | <u>\$ 1,139,717</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, 2018 \$339,086 of the Association's bank balance of \$1,139,717 was exposed to custodial credit risk.

The two bank accounts listed above as restricted cash are reserves for two USDA loans. They total \$66,511. The balance of the restricted cash, \$5,243,604, is held at NMFA reserved for construction projects.

**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 as stated below:

| <u>Water-New Connections</u> |                                |                     |                      |
|------------------------------|--------------------------------|---------------------|----------------------|
| <u>Meter Size</u>            | <u>Service Line Up To 25'</u>  | <u>Water Rights</u> | <u>Total Charges</u> |
| 3/4"                         | 1,255                          | 1,750               | 3,005                |
| 1"                           | 1,795                          | 2,188               | 3,983                |
| 1.5"                         | 2,660                          | 2,625               | 5,285                |
| 2"                           | 4,125                          | 3,500               | 7,625                |
| 3"                           | 8,580                          | 5,250               | 13,830               |
| 4"                           | 8,890                          | 7,000               | 15,890               |
| 6"                           | 11,340                         | 10,500              | 21,840               |
|                              | Pavement Cut (up to 3 sq. ft.) |                     | 400                  |

| <u>Wastewater-New Connections</u> |                                |  |     |
|-----------------------------------|--------------------------------|--|-----|
| <u>Line Size</u>                  | <u>Service Line Up To 25'</u>  |  |     |
| 4"                                | 1,560                          |  |     |
| 6"                                | 1,585                          |  |     |
|                                   | Pavement Cut (up to 3 sq. ft.) |  | 400 |

The reserve fund consists of the following investments:

|                   | Fair<br>Value       | <u>Investment Maturities</u> |                         |                          |
|-------------------|---------------------|------------------------------|-------------------------|--------------------------|
|                   |                     | <u>Current</u>               | <u>1 to 5<br/>years</u> | <u>6 to 10<br/>years</u> |
| Scottrade         |                     |                              |                         |                          |
| Cash              | \$ 302,651          | \$ 302,651                   | \$ -                    | \$ -                     |
| FHLB              | 888,947             | -                            | 888,947                 | -                        |
| FNMA              | 95,556              | -                            | 95,556                  | -                        |
| FFCB              | 351,765             | -                            | 351,765                 | -                        |
| Total Investments | <u>\$ 1,638,919</u> | <u>\$ 302,651</u>            | <u>\$ 1,336,268</u>     | <u>\$ 0</u>              |

Credit Risk Investments

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

| Investments                                  | Weighted<br>Average Days<br>to Maturity | Standard &<br>Poor's<br>Ratings | Moody's<br>Ratings |
|--|---|---------------------------------|--------------------|
| Federal Home Loan Bank (FHLB)                | 780                                     | AA+                             | Aaa                |
| Federal National Mortgage Association (FNMA) | 1278                                    | AA+                             | Aaa                |
| Federal Farm Credit Bank (FFCB)              | 1151                                    | AA+                             | Aaa                |

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.

Concentration of Credit Risk

The Association places no limits on the amount the Association may invest in any one issuer. Approximately 54.24% of the Association's investments are invested in FHLB, 5.83% in FNMA, 21.46% in FFCB.

**C. Accounts Receivable**

The accounts receivable are shown net of an allowance for uncollectable accounts. Total customer accounts receivables were \$584,971 and the allowance for uncollectable accounts was \$79,524 for a net amount of receivables of \$505,447.

**D. Capital Assets**

Capital assets balances and activity for the year ended June 30, 2018 are as follows:

|   | Balance<br>6/30/17 | Increases    | Adjustments<br>Deletions | Balance<br>6/30/18 |
|---|--------------------|--------------|--------------------------|--------------------|
| 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                      | 3,970,210          | 1,977,257    | (4,750,752)              | 1,196,715          |
| Total Capital Assets not<br>being Depreciated | 7,003,317          | 1,977,257    | (4,750,752)              | 4,229,822          |
| Capital Assets being Depreciated              |                    |              |                          |                    |
| Buildings and Improvements                    | 1,243,568          | 0            | 0                        | 1,243,568          |
| Distributions Systems                         | 32,164,730         | 4,841,292    | (2,587,550)              | 34,418,472         |
| Equipment and Vehicles                        | 1,139,438          | 22,548       | (203,459)                | 958,527            |
| Total Capital Assets<br>being Depreciated     | \$ 34,547,736      | \$ 4,863,840 | \$ (2,791,009)           | \$ 36,620,567      |

State of New Mexico  
**Doña Ana Mutual Domestic Water Consumers Association**  
Notes to the Financial Statements  
June 30, 2018

|                                |    |                   |    |                  |    |                    |    |                   |
|--------------------------------|----|-------------------|----|------------------|----|--------------------|----|-------------------|
| Less Accumulated Depreciation  |    |                   |    |                  |    |                    |    |                   |
| Buildings and Improvements     | \$ | 300,948           | \$ | 39,190           | \$ | 0                  | \$ | 340,138           |
| Distributions Systems          |    | 7,386,436         |    | 1,181,320        |    | 0                  |    | 8,567,756         |
| Equipment and Vehicles         |    | 628,589           |    | 5,688            |    | 0                  |    | 634,277           |
| Total Accumulated Depreciation |    | <u>8,315,973</u>  |    | <u>1,226,198</u> |    | <u>0</u>           |    | <u>9,542,171</u>  |
| Capital Assets, net            | \$ | <u>33,235,080</u> | \$ | <u>5,614,899</u> | \$ | <u>(7,541,761)</u> | \$ | <u>31,308,218</u> |

**E. Long-Term Debt and Other Liabilities**

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

| Loans         | Balance<br>6/30/17   | Additions        | Reductions        | Balance<br>6/30/18   | Amounts<br>Due Within<br>One Year |
|---------------|----------------------|------------------|-------------------|----------------------|-----------------------------------|
| USDA/RUS      | \$ 369,686           | \$ 0             | \$ 18,762         | \$ 350,924           | \$ 19,274                         |
| USDA/RUS      | 1,041,400            | 0                | 60,115            | 981,285              | 61,758                            |
| NMED/RIP-2013 | 1,756,454            | 0                | 85,069            | 1,671,385            | 87,089                            |
| 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   | 23,428               | 0                | 1,926             | 21,502               | 1,930                             |
| NMFA WTB-83   | 234,282              | 0                | 19,256            | 215,026              | 19,304                            |
| NMFA WTB-105  | 8,611                | 0                | 708               | 7,903                | 709                               |
| NMFA WTB-243  | 1,089,053            | 0                | 71,341            | 1,017,712            | 71,520                            |
| NMFA WTB-271  | 1,365,791            | 0                | 78,746            | 1,287,045            | 78,955                            |
| NMFA CI-2770  | 27,785               | 0                | 1,853             | 25,932               | 1,853                             |
| NMFA CI-2972  | 130,356              | 0                | 7,668             | 122,688              | 7,668                             |
| NMFA CI-3177  | 17,028               | 0                | 946               | 16,082               | 964                               |
| NMFA CI-3184  | 9,075                | 0                | 505               | 8,570                | 505                               |
| NMFA CI-3349  | 67,049               | 0                | 7,058             | 59,991               | 3,529                             |
| NMFA CI-3507  | 120,000              | 0                | 0                 | 120,000              | 6,000                             |
| NMFA CI-4121  | 0                    | 78,000           | 0                 | 78,000               | 12,399                            |
| NMFA DW 2868  | 1,491,034            | 0                | 65,280            | 1,425,754            | 66,137                            |
| NMFA DW 3227  | 2,048,064            | 0                | 84,292            | 1,963,772            | 87,449                            |
| NMFA DW 3382  | 2,272,500            | 0                | 0                 | 2,272,500            | 12,399                            |
|               | <u>\$ 16,071,596</u> | <u>\$ 78,000</u> | <u>\$ 503,525</u> | <u>\$ 15,646,071</u> | <u>\$ 698,010</u>                 |
| Compensated   |                      |                  |                   |                      |                                   |
| Absences      | \$ 16,248            | \$ 25,184        | \$ 21,960         | \$ 19,472            | \$ 19,472                         |
|               | <u>\$ 16,248</u>     | <u>\$ 25,184</u> | <u>\$ 21,960</u>  | <u>\$ 19,472</u>     | <u>\$ 19,472</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.

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 improvements of the water system in 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%. 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 in 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-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-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-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.

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-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.

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.

CI-3507-The Association entered into an agreement with NMFA on January 6, 2017 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 \$120,000 and is noninterest bearing. Principal payments on the note are due yearly on June 1st. The note matures on June 1, 2038. The Association has pledged net revenues from the water utility system to the payment of the loan.

State of New Mexico  
**Doña Ana Mutual Domestic Water Consumers Association**  
Notes to the Financial Statements  
June 30, 2018

---

CI-4121-The Association entered into an agreement with NMFA on March 31, 2018 for the construction of wastewater improvements. The original amount of the note was \$78,000 and is noninterest bearing. Principal payments on the note are due yearly on June 1st. The note matures on June 1, 2038. The Association has pledged net revenues from the wastewater 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.

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, 2018, including interest payments are as follows:

|           | <u>Principal</u>     | <u>Interest</u>     | <u>Total</u>         |
|-----------|----------------------|---------------------|----------------------|
| 2019      | \$ 689,512           | \$ 289,150          | \$ 978,662           |
| 2020      | 701,316              | 277,405             | 978,721              |
| 2021      | 713,382              | 265,393             | 978,775              |
| 2022      | 725,723              | 242,188             | 967,911              |
| 2023      | 738,342              | 240,544             | 978,886              |
| 2024-2028 | 3,891,243            | 1,004,024           | 4,895,267            |
| 2029-2033 | 4,009,299            | 645,719             | 4,655,018            |
| 2034-2038 | 4,177,254            | 268,833             | 4,446,087            |
|           | <u>\$ 15,646,071</u> | <u>\$ 3,233,256</u> | <u>\$ 18,879,327</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 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's. 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.

### **General Information about the Pension Plan**

*Public Employees Retirement 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 Officers, 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 Public Employees Retirement 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), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

*Benefits Provided* – Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

*Tier II*-The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

*Contributions* – The following tables illustrate the various coverage options under the PERA plan and the contribution rates effective during the year.

| <b>PERA Contribution Rates and Pension Factors as of July 1, 2017</b> |   |  |   |   |               |  |
|---|---|--|---|---|---------------|--|
| <b>Coverage Plan</b>  | <b>Employee Contribution Percentage</b> |  | <b>Employer Contribution Percentage</b> | <b>Pension Factor per year of Service</b> |               | <b>Pension Maximum as a Percentage of the Final Average Salary</b> |
|   | <b>Annual Salary less than \$20,000</b> | <b>Annual Salary greater than \$20,000</b> |   | <b>TIER 1</b>                             | <b>TIER 2</b> |  |
| <b>STATE PLAN</b>   |   |  |   |   |               |  |
| State Plan 3  | 7.42%                                   | 8.92%                                      | 16.99%                                  | 3.0%                                      | 2.5%          | 90%  |
| <b>MUNICIPAL PLANS 1 - 4</b>  |   |  |   |   |               |  |
| Municipal Plan 1<br>(plan open to new employers)                      | 7.0%                                    | 8.5%                                       | 7.4%                                    | 2.0%                                      | 2.0%          | 90%  |
| Municipal Plan 2<br>(plan open to new employers)                      | 9.15%                                   | 10.65%                                     | 9.55%                                   | 2.5%                                      | 2.0%          | 90%  |
| Municipal Plan 3<br>(plan closed to new employers 6/95)               | 13.15%                                  | 14.65%                                     | 9.55%                                   | 3.0%                                      | 2.5%          | 90%  |
| Municipal Plan 4<br>(plan closed to new employers 6/00)               | 15.65%                                  | 17.15%                                     | 12.05%                                  | 3.0%                                      | 2.5%          | 90%  |
| <b>MUNICIPAL POLICE PLANS 1 - 5</b>                                   |   |  |   |   |               |  |
| Municipal Police Plan 1   | 7.0%                                    | 8.5%                                       | 10.40%                                  | 2.0%                                      | 2.0%          | 90%  |
| Municipal Police Plan 2   | 7.0%                                    | 8.5%                                       | 15.40%                                  | 2.5%                                      | 2.0%          | 90%  |
| Municipal Police Plan 3   | 7.0%                                    | 8.5%                                       | 18.90%                                  | 2.5%                                      | 2.0%          | 90%  |
| Municipal Police Plan 4   | 12.35%                                  | 13.85%                                     | 18.90%                                  | 3.0%                                      | 2.5%          | 90%  |
| Municipal Police Plan 5   | 16.3%                                   | 17.8%                                      | 18.90%                                  | 3.5%                                      | 3.0%          | 90%  |
| <b>MUNICIPAL FIRE PLANS 1 - 5</b>                                     |   |  |   |   |               |  |
| Municipal Fire Plan 1   | 8.0%                                    | 9.5%                                       | 11.40%                                  | 2.0%                                      | 2.0%          | 90%  |
| Municipal Fire Plan 2   | 8.0%                                    | 9.5%                                       | 17.9%                                   | 2.5%                                      | 2.0%          | 90%  |
| Municipal Fire Plan 3   | 8.0%                                    | 9.5%                                       | 21.65%                                  | 2.5%                                      | 2.0%          | 90%  |
| Municipal Fire Plan 4   | 12.8%                                   | 14.3%                                      | 21.65%                                  | 3.0%                                      | 2.5%          | 90%  |
| Municipal Fire Plan 5   | 16.2%                                   | 17.7%                                      | 21.65%                                  | 3.5%                                      | 3.0%          | 90%  |
| <b>MUNICIPAL DETENTION OFFICER PLAN 1</b>                             |   |  |   |   |               |  |
| Municipal Detention Officer Plan 1                                    | 16.65%                                  | 18.15%                                     | 17.05%                                  | 3.0%                                      | 3.0%          | 90%  |
| <b>STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.</b>        |   |  |   |   |               |  |
| State Police and Adult Correctional Officer Plan 1                    | 7.6%                                    | 9.1%                                       | 25.50%                                  | 3.0%                                      | 3.0%          | 90%  |
| State Plan 3 - Peace Officer  | 7.42%                                   | 8.92%                                      | 16.99%                                  | 3.0%                                      | 3.0%          | 90%  |
| Juvenile Correctional Officer Plan 2                                  | 4.78%                                   | 6.28%                                      | 26.12%                                  | 3.0%                                      | 3.0%          | 90%  |

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions –**

At June 30, 2017, the District reported a liability of \$931,629 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the District's proportion was 0.0678%, which was a decrease of 0.0072% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$125,349. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience  | \$ 36,606                            | \$ 47,715                           |
| Net difference between projected and actual earnings on pension plan investments                                    | 76,435                               | 0                                   |
| Changes of assumptions  | 42,962                               | 9,627                               |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 48,458                               | 61,193                              |
| District's contributions subsequent to the measurement date   | 64,170                               | 0                                   |
| Total   | <u>\$ 268,631</u>                    | <u>\$ 118,535</u>                   |

\$64,170 reported as deferred outflows of resources related to pensions resulting from Association's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: |                  |
|---------------------|------------------|
| 2017                | \$ 39,042        |
| 2018                | 74,550           |
| 2019                | (5,328)          |
| 2020                | (22,338)         |
| Total               | <u>\$ 85,926</u> |

*Actuarial assumptions.* The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

|                                |   |
|--------------------------------|---|
| Actuarial valuation date       | June 30, 2016   |
| Actuarial cost method          | Entry age normal  |
| Amortization method            | Level percentage of pay   |
| Amortization period            | Solved for based on statutory rates   |
| Asset valuation method         | 4 Year Smoothed Market Value  |
| Actuarial assumptions:         |   |
| (1) Investment rate of return  | 7.51% annual rate, net of investment expense  |
| (2) Projected benefit payment  | 100 years   |
| (3) Payroll growth             | 2.75% for first 9 years, then 3.5% annual rate  |
| (4) Projected salary increases | 2.75% to 14.00% annual rate   |
| (5) Includes inflation at      | 2.75% annual rate for the first 9 years and 2.75% all other years   |
| (6) Mortality Assumption       | RP-2000 Mortality 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 (demographic) and July 1, 2010 through June 20, 2016 (economic)   |

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board use in the June 30, 2016 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class                  | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------------|-------------------|--|
| Global Equity                | 43.50%            | 7.39%                                  |
| Risk Reduction & Mitigation  | 21.50%            | 1.79%                                  |
| Credit Oriented Fixed Income | 15.00%            | 5.77%                                  |
| Real Assets                  | 20.00%            | 7.35%                                  |
| Total                        | 100.00%           |  |

*Discount rate.* A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following presents the employer name’s proportionate share of the net pension liability calculated using the discount rate of 7.51 percent, as well as what the employer name’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.51 percent) or 1-percentage-point higher (8.51 percent) than the current rate:

|   | 1% Decrease<br>(6.51%) | Current<br>Discount Rate<br>(7.51%) | 1% Increase<br>(8.51%) |
|---|------------------------|-------------------------------------|------------------------|
| The District’s proportionate share of the net pension liability | \$ 1,460,171           | \$ 931,629                          | \$ 492,074             |

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in separately issued PERA’S financial reports.

**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.

**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 requested 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 judge has agreed the Association will get the money back, however, the decision has been appealed.

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

**I. Related Party**

One of the vendors for the Association is Johnny’s Septic. The Accounting clerk is married to the son of the owners of Johnny’s Septic. The husband is an employee of Johnny’s Septic. The total paid to Johnny’s Septic for fiscal year 2018 totaled \$39,360.

State of New Mexico

**Doña Ana Mutual Domestic Water Consumers Association**

Notes to the Financial Statements

June 30, 2018

---

**J. Restatement**

Net Position was restated by a total of \$(20,732). \$2,676,216 of that amount was to record restricted cash for the unfunded portion of NMED/RIP-2014 and NMED/RIP-2015. The loans closed in fiscal years ending 2014 and 2015. The debt was included on the financial statements however the restricted cash was not. \$(2,791,010) of the amount was a restatement to capital assets, construction in progress, for the same reason. The net difference in the restricted cash restatement and the capital asset restatement was \$(114,794). Deferred Inflows related to pensions was restated (6,950). Prior year was \$11,893 and should have been \$18,843. This error was an oversight of the auditor. The beginning accounts receivables was restated \$101,012 for a meter reading timing difference.

## **Required Supplemental Information**

State of New Mexico  
**Doña Ana Mutual Domestic Water Consumers Association**  
Schedules of Required Supplementary Information and Notes for Pension Plan

---

**Schedule of the District's Proportionate Share of the Net Pension Liability**

Last 10 Fiscal Years\*

|   | Fiscal<br>Year<br>Measurement Date | 2015<br>2014 | 2016<br>2015 | 2017<br>2016 | 2018<br>2017 |
|---|------------------------------------|--------------|--------------|--------------|--------------|
| Association's proportionate share of the net pension liability.   |                                    | 0.0618%      | 0.0719%      | 0.0750%      | 0.0678%      |
| Association's proportionate share of the net pension liability.   | \$                                 | 482,106 \$   | 733,083 \$   | 931,629 \$   | 931,629      |
| Association's covered-employee payroll.   | \$                                 | 572,660 \$   | 617,907 \$   | 595,123 \$   | 671,933      |
| Association's proportionate share of the net pension liability as a percentage of its covered-employee payroll. |                                    | 84.19%       | 118.64%      | 156.54%      | 138.65%      |
| Plan fiduciary net position as a percentage of the total pension liability.                                     |                                    | 81.29%       | 76.99%       | 69.18%       | 73.74%       |

**Schedule of Association's Contributions**

Last 10 Fiscal Years\*

|   | June 30,      |            |            |         |
|---|---------------|------------|------------|---------|
|   | 2015          | 2016       | 2017       | 2018    |
| Contractually required contribution.                                  | \$ 54,689 \$  | 59,010 \$  | 56,834 \$  | 64,170  |
| Contributions in relation to the contractually required contribution. | 54,689        | 59,010     | 56,834     | 64,170  |
| Contribution deficiency (excess).                                     | \$ 0 \$       | 0 \$       | 0 \$       | 0       |
| Association's covered-employee payroll.                               | \$ 572,660 \$ | 617,907 \$ | 595,123 \$ | 671,933 |
| Contributions as a percentage of covered-employee payroll.            | 9.55%         | 9.55%      | 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 of benefit terms.** The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>

**Assumptions:** The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2016 report is available at <http://www.nmpera.org>

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

## **Other Supplemental Information**

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, 2018

|                                       | Budgeted Amounts     |                      | Actual<br>(Budgetary<br>Basis) | Variance<br>with Final<br>Budget-<br>Favorable<br>(Unfavorable) |
|---------------------------------------|----------------------|----------------------|--------------------------------|---|
|                                       | Original             | Final                |                                |   |
| <b>Revenues</b>                       |                      |                      |                                |   |
| Sales and Services                    | \$ 3,475,000         | \$ 4,032,500         | \$ 3,776,825                   | \$ (255,675)  |
| Installation Charges                  | 173,000              | 290,000              | 270,666                        | (19,334)  |
| Fees                                  | 190,000              | 198,000              | 188,266                        | (9,734)   |
| Fines and Penalties                   | 151,500              | 158,500              | 135,522                        | (22,978)  |
| Miscellaneous                         | 48,700               | 56,700               | 66,085                         | 9,385   |
| Investment Income                     | 33,000               | 22,000               | 15,759                         | (6,241)   |
| Grants                                | 11,221,017           | 6,800,000            | 702,000                        | (6,098,000)   |
| Loan Proceeds                         | 0                    | 0                    | 78,000                         | 78,000  |
| <b>Total Revenues</b>                 | <b>15,292,217</b>    | <b>11,557,700</b>    | <b>5,233,123</b>               | <b>(6,324,577)</b>  |
| <b>Expenses</b>                       |                      |                      |                                |   |
| <b>Water</b>                          |                      |                      |                                |   |
| Salaries and Benefits                 | 1,194,500            | 1,155,700            | 1,010,837                      | 144,863   |
| System Maintenance                    | 160,000              | 160,000              | 148,287                        | 11,713  |
| Utilities                             | 267,100              | 266,700              | 263,443                        | 3,257   |
| Supplies                              | 172,000              | 315,500              | 207,550                        | 107,950   |
| Taxes                                 | 196,000              | 209,000              | 214,154                        | (5,154)   |
| Repairs                               | 82,100               | 92,100               | 47,042                         | 45,058  |
| Professional Services                 | 249,900              | 220,900              | 168,136                        | 52,764  |
| Fees                                  | 94,100               | 110,000              | 96,277                         | 13,723  |
| Insurance                             | 40,000               | 40,000               | 87,782                         | (47,782)  |
| Vehicle Expense                       | 23,500               | 33,500               | 27,749                         | 5,751   |
| Office Expenses                       | 70,120               | 71,120               | 39,395                         | 31,725  |
| Other                                 | 16,650               | 29,900               | 7,556                          | 22,344  |
| Travel and Training                   | 38,900               | 40,900               | 29,349                         | 11,551  |
| Capital Outlay                        | 12,086,266           | 6,341,000            | 2,090,346                      | 4,250,654   |
| <b>Debt Service</b>                   |                      |                      |                                |   |
| Principal                             | 377,500              | 584,000              | 496,454                        | 87,546  |
| Interest                              | 201,300              | 240,000              | 169,214                        | 70,786  |
| <b>Wastewater</b>                     |                      |                      |                                |   |
| Salaries and Benefits                 | 20,000               | 53,000               | 41,366                         | 11,634  |
| System Maintenance                    | 51,500               | 264,000              | 32,038                         | 231,962   |
| Utilities                             | 36,750               | 45,750               | 49,423                         | (3,673)   |
| Supplies                              | 33,000               | 84,500               | 68,827                         | 15,673  |
| Taxes                                 | 30,000               | 28,000               | 10,369                         | 17,631  |
| Other                                 | 13,015               | 13,915               | 7,555                          | 6,360   |
| Professional Services                 | 55,000               | 55,000               | 42,697                         | 12,303  |
| Capital Outlay                        | 0                    | 780,000              | 0                              | 780,000   |
| <b>Debt Service</b>                   |                      |                      |                                |   |
| Principal                             | 0                    | 0                    | 7,058                          | (7,058)   |
| Interest                              | 0                    | 0                    | 0                              | 0   |
| Decrease in Fair Value of Investments | 0                    | 0                    | 17,890                         | (17,890)  |
| <b>Total Expenses</b>                 | <b>\$ 15,509,201</b> | <b>\$ 11,234,485</b> | <b>\$ 5,380,794</b>            | <b>\$ 5,853,691</b>   |

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, 2018

|                                |    |                         |    |                         |    |                         |    |                         |
|--------------------------------|----|-------------------------|----|-------------------------|----|-------------------------|----|-------------------------|
| Net Change in Cash Balance     | \$ | (216,984)               | \$ | 323,215                 | \$ | (147,671)               | \$ | (470,886)               |
| Cash Balance Beginning of Year |    | <u>8,053,830</u>        |    | <u>8,053,830</u>        |    | <u>8,053,830</u>        |    | <u>0</u>                |
| Cash Balance End of Year       | \$ | <u><u>7,836,846</u></u> | \$ | <u><u>8,377,045</u></u> | \$ | <u><u>7,906,159</u></u> | \$ | <u><u>(470,886)</u></u> |

Reconciliation of Budgetary Basis to GAAP Basis

|   |    |                         |
|---|----|-------------------------|
| Net Change in Cash Balance-Cash Basis     | \$ | (147,671)               |
| Capital Outlay                            |    | 2,090,346               |
| Depreciation                              |    | (1,226,197)             |
| Loan Proceeds                             |    | (78,000)                |
| Principal Paid                            |    | 503,512                 |
| Net Change in Receivables                 |    | 188,747                 |
| Net Change in Inventory                   |    | (21,064)                |
| Net Change in Prepaid Expenses            |    | 1,081                   |
| Net Change in Deferred Outflows           |    | (221,121)               |
| Net Change in Payables                    |    | (15,463)                |
| Net Change in Accrued Salaries & Benefits |    | (2,450)                 |
| Net Change in Accrued Interest            |    | 1,441                   |
| Net Change in Compensated Absences        |    | (3,224)                 |
| Net Change in Customer Deposits           |    | (12,085)                |
| Net Change in Pension Liability           |    | 266,618                 |
| Net Change in Deferred Inflows            |    | (99,692)                |
| Change in Net Position-GAAP Basis         | \$ | <u><u>1,224,778</u></u> |

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. Wayne Johnson  
State Auditor of the State of New Mexico  
Board Members of the Doña Ana Mutual Domestic Water Consumers Association

Mr. Johnson 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 activates of the Doña Ana Mutual Domestic Water Consumers Association (Association) as of and for the year ended June 30, 2018, 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 11, 2018.

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. However, material weaknesses may exist that have not been identified.

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 Association'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 an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Responses as item 2018-001.

The District's responses to the findings identified in our audit as described in the accompanying Schedule of Findings and Responses. Responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

*De'Aun Willoughby, CPA, PC*

Clovis, New Mexico  
December 11, 2018

### Financial Statements Findings

#### Prior Year Audit Findings

None

#### Current Year Audit Findings

##### **2018-001 Improper Reimbursement of Travel Expense - Other Non-Compliance**

###### **Condition**

One of the 104 expenditures sampled was for a travel reimbursement. The reimbursement include both per diem for mileage as well as actual reimbursement for fuel. The resulting overpayment was \$82.30.

###### **Criteria**

2.42.2.9 NMAC 1978: Reimbursement of Actual Expenses in Lieu of Per Diem Rates.

###### **Cause**

The error was an oversight.

###### **Effect**

The Associations is in violation with 2.42.2.9 NMAC.

###### **Recommendation**

We recommend that before reimbursing an employee for business travel, the CPO needs to review travel reimbursement log request for any discrepancies.

###### **Response**

We agree with the recommendation.

###### **Responsible Party and Timeline**

The involved employee has been notified of the mistake and has agreed to pay the Association back for the overpayment of \$82.30. The employee has agreed to pay the full amount back in January 2019.

#### **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 11, 2018. Those present were James Melton - President, Jamie Stull - Vice President, Jennifer Horton - Executive Director and De'Aun Willoughby, CPA.