State of New Mexico

Doña Ana Mutual Domestic Water Consumers Association

Annual Financial Report

June 30, 2019

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

State of New Mexico
Doña Ana Mutual Domestic Water Consumers Association
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For the Year Ended June 30, 2019

State of New Mexico
Doña Ana Mutual Domestic Water Consumers Association
Official Roster
June 30, 2019

Board of Directors

James Melton	President
Jamie Stull	Vice President
Kurt Anderson	Secretary/Treasurer
Paul Maxwell	Member
Vacant	Member

Administrative Official

Jennifer Horton	Executive Director

De'Aun Willoughby CPA, PC
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Independent Auditor's Report

Mr. Brian S. Colón
State Auditor of the State of New Mexico
Board Members of the Doña Ana Mutual Domestic Water Consumers Association

Mr. Colón 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, 2019, 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, 2019, 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, 2019, 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

Accounting principles generally accepted in the United States of America require that the Schedules of Required Supplementary Information for Pension Plan and related notes on page 31 be presented to supplement the basic financial statements. Such information although not a part of the basic financial statements , is required by the Governmental Accounting Standards Board who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during my audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the Association's financial statements that collectively comprise the Association's basic financial statements. The Schedule of Expenditures of Federal Awards as required by Office of Management and Budget Title 2 U.S. CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* , we have also issued our report dated December 9, 2019 on our consideration of the Association's internal control over financial reporting and on our tests of it's 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 9, 2019

Financial Section

State of New Mexico
Doña Ana Mutual Domestic Water Consumers Association
Statement of Net Position
June 30, 2019

Assets		
Current Assets		
Cash and Cash Equivalents	$	743,022
Accounts Receivables (Net of Allowance for Uncollectibles)		407,779
Unbilled Revenues		227,985
Inventory		294,345
Prepaid Expenses		7,984
Restricted Cash		7,370,781
Investments		1,679,375
Total Current Assets		10,731,271
Noncurrent Assets		
Capital Assets		58,314,280
Accumulated Depreciation		(10,866,766)
Total Noncurrent Assets		47,447,514
Total Assets		58,178,785
Deferred Outflows of Resources		
Deferred Outflows Related to Pensions		
Actuarial Experience		36,727
Investment Experience		94,242
Changes of Assumptions		115,208
Changes in Proportion		124,347
Contributions Subsequent to Measurement Date		69,094
Total Deferred Outflows of Resources		439,618
Liabilities		
Current Liabilities		
Accounts Payable		45,315
Accrued Salaries and Benefits		21,110
Accrued Interest		35,346
Compensated Absences		21,671
Current Maturities of Long-Term Debt		716,715
Total Current Liabilities		840,157
Noncurrent Liabilities		
Customer Deposits		67,275
Pension Liability		1,270,713
Long-Term Debt		18,036,057
Total Noncurrent Liabilities		19,374,045
Total Liabilities		20,214,202
Deferred Inflows of Resources		
Deferred Inflows Related to Pensions		
Actuarial Experience		33,362
Changes of Assumptions		7,306
Changes in Proportion		39,871
Total Deferred Inflows of Resources		80,539
Net Position		
Invested in Capital Assets		28,694,742
Restricted for Construction		7,214,616
Restricted for Debt Service		156,166
Unrestricted		2,258,138
Total Net Position	$	38,323,662

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, 2019

Operating Revenues	
Water	
Sales and Services	$ 3,245,888
Fees	686,242
Fines and Penalties	94,105
Miscellaneous	29,168
Waste Water	
Sales and Services	711,500
Fees	72,395
Fines and Penalties	7,046
Total Operating Revenues	4,846,344
Operating Expenses	
Water	
Salaries and Benefits	1,241,300
Operating Expenses	1,277,003
Depreciation	1,404,358
Waste Water	
Salaries and Benefits	38,181
Operating Expenses	424,347
Depreciation	79,392
Total Operating Expenses	4,464,581
Operating Income (Loss)	381,763
Nonoperating Revenue (Expenses)	
Investment Income	22,444
Increase in Fair Value of Investments	29,360
Interest Expense	(206,541)
Total Nonoperating Revenue (Expense)	(154,737)
Income Before Capital Grants	227,026
Capital Grants	3,394,399
Change in Net Position	3,621,425
Total Net Position - Beginning	23,132,683
Restatement-Note J	11,569,554
Restated Beginning Net Position	34,702,237
Total Net Position - Ending	$ 38,323,662

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, 2019

Cash Flows from Operating Activities	
Receipts from Customers and Users	$ 4,908,703
Payments to Suppliers and Employees	(3,116,767)
Net Cash Provided (Used) by Operating Activities	1,791,936
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Assets	(6,572,769)
Capital Grants	3,394,399
Proceeds from Long-Term Debt	3,677,784
Principal Paid on Long-Term Debt	(571,082)
Interest Expense	(206,541)
Net Cash Provided (Used) by Capital and Related Financing Activities	(278,209)
Cash Flows from Investing Activities	
Investment Income	22,444
Increase in Fair Value of Investments	29,360
Net Cash Provided by Investing Activities	51,804
Net Increase (Decrease) in Cash	1,565,531
Cash, Beginning of the Year	8,227,647
Cash, End of the Year	$ 9,793,178
Cash and Cash Equivalents	$ 743,022
Restricted Cash	7,370,781
Restricted Investments	1,679,375
Total Cash	$ 9,793,178
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	$ 381,763
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	1,483,750
(Increase) Decrease in Accounts Receivable	67,473
(Increase) Decrease in Inventory	(234,244)
(Increase) Decrease in Prepaid Expenses	(794)
(Increase) Decrease in Deferred Outflow	(170,987)
Increase (Decrease) in Accounts Payable	(30,062)
Increase (Decrease) in Accrued Salaries	3,570
Increase (Decrease) in Accrued Interest	(6,707)
Increase (Decrease) in Compensated Absences	2,198
Increase (Decrease) in Customer Deposits	(5,110)
Increase (Decrease) in Pension Liability	339,082
Increase (Decrease) in Deferred Inflow	(37,996)
Net Cash Provided (Used) by Operating Activities	$ 1,791,936

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.

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 compensated an employee for unused accrued vacation leave up to a maximum of 80 hours. Accrued sick leave may be accrued and carried over, however upon termination sick leave is not paid out.

Medical Benefits
The Association pay's 100% of the employee's medical insurance premiums. The Employee is responsible for any dependent on the plan. Total paid on behalf of the Association employees for the fiscal year ended June 30, 2019 totaled $135,443.54.

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.

<u>Pensions</u>
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.

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.

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, 2019 of the cash and cash equivalents.

Wells Fargo Bank	Balance Per Bank 6/30/19	Reconciled Balance	
Operating	$ 50,000	$ (246,146)	Checking - Interest Bearing
Grants	68,501	(446,615)	Checking - Non-Interest Bearing
DAMDWCA	1,415,917	1,415,917	Checking - Interest Bearing
DAMDWCA-Water Rights	0	0	Checking - Non-Interest Bearing
USDA RD-Restricted Cash	28,755	28,755	Checking - Non-Interest Bearing
USDA Fort Sheldon-Restricted Cash	87,619	87,619	Savings - Interest Bearing
Citizens Bank of Las Cruces			
Checking Accounts			
Operating	19,066	19,066	
Total Cash in Banks	$ 1,669,858	$ 858,596	

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	$ 1,650,792
Less FDIC Coverage	(347,256)
Uninsured Amount	1,303,536
50% collateral requirement	651,768
Pledged securities	836,281
Over (Under) requirement	$ 184,513

The following securities are pledged at Wells Fargo Bank

Description	CUSIP #	Market Value	Maturity Date	Location
FNMA FNMS	3138WFWD4	$ 176,715	10/01/35	Mellon, NY
FNMA FNMS	3140GPUW6	375,979	07/01/47	Mellon, NY
FNMA FNMS	31418B3V6	283,587	05/01/31	Mellon, NY
		$ 836,281		

Total Deposited at Citizens Bank of Las Cruces	$ 19,066
Less FDIC Coverage	(19,066)
Uninsured Amount	$ 0

Custodial Credit Risk-Deposits

Depository Account		Bank Balance
Insured	$	366,322
Collateralized:		
Collateral held by the pledging bank in Association's name		836,281
Uninsured and uncollateralized		467,255
Total Deposits	$	1,669,858

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, 2019 $467,255 of the Association's bank balance of $1,669,858 was exposed to custodial credit risk.

The two bank accounts listed as restricted cash are reserves for two USDA loans. They total $116,374. The balance of the restricted cash, $7,254,407, is held at NMFA, USDA and NMED reserved for construction projects.

B. <u>Investments</u>

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:

Water-New Connections

Meter Size	Service Line Up To 25'	Water Rights	Total Charges
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

Wastewater-New Connections

Line Size	Service Line Up To 25'		
4"	1,560		
6"	1,585		
	Pavement Cut (up to 3 sq. ft.)		400

The reserve fund consists of the following investments:

		Investment Maturities		
Ameritrade	Fair Value	Current	1 to 5 years	6 to 10 years
Cash	$ 303,860	$ 303,860	$ 0	$ 0
FNMA	205,861	0	205,861	0
FFCB	362,040	0	362,040	0
FHLM	549,243	0	549,243	0
FHLB	258,371	0	258,371	0
Total Investments	$ 1,679,375	$ 303,860	$ 1,375,515	$ 0

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

Investments	Weighted Average Days to Maturity	Standard & Poor's Ratings	Moody's Ratings
Fannie Mae	436	AA+	Aaa
FHLM	730	AA+	Aaa
Federal Home Loan Bank (FHLB)	776	AA+	Aaa
Federal Farm Credit Bank (FFCB)	788	AA+	Aaa
Federal National Mortgage Association (FNMA)	914	AA+	Aaa

Custodial Credit Risk
All of the Association's investments are purchased through an Ameritrade managed account. Ameritrade provides each client $1,495,000 worth of protection for securities and 2,000,000 of protection for cash through supplemental coverage. 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 it's 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 39.93% of the Association's investments are invested in FHLM, 26.32% in FFCB, 18.78% in FHLB, 7.78% in Fannie Mae, and 7.19% in FNMA.

C. Accounts Receivable
The accounts receivable are shown net of an allowance for uncollectable accounts. Total customer accounts receivables were $460,456 and the allowance for uncollectable accounts was $52,677 for a net amount of receivables of $407,779.

D. Capital Assets

Capital assets balances and activity for the year ended June 30, 2019 are as follows:

	Balance 6/30/18	Restatement	Restated Beginning Balance
Capital Assets not being Depreciated			
Land	$ 1,211,928	$ 0	$ 1,211,928
Water Rights	1,821,179	8,302,112	10,123,291
Construction in Progress	1,196,715	0	1,196,715
Total Capital Assets not being Depreciated	4,229,822	8,302,112	12,531,934
Capital Assets being Depreciated			
Buildings and Improvements	1,243,568	0	1,243,568
Distributions Systems	34,418,473	2,748,164	37,166,637
Equipment and Vehicles	958,527	0	958,527
Total Capital Assets being Depreciated	36,620,568	2,748,164	39,368,732
Less Accumulated Depreciation			
Buildings and Improvements	340,138	0	340,138
Distributions Systems	8,567,756	0	8,567,756
Equipment and Vehicles	634,277	0	634,277
Total Accumulated Depreciation	9,542,171	0	9,542,171
Capital Assets, net	$ 31,308,219	$ 11,050,276	$ 42,358,495

	Increases	Deletions	Balance 6/30/19
Capital Assets not being Depreciated			
Land	$ 0	$ 0	$ 1,211,928
Water Rights	299,445	0	10,422,736
Construction in Progress	6,465,600	(457,439)	7,204,876
Total Capital Assets not being Depreciated	6,765,045	(457,439)	18,839,540
Capital Assets being Depreciated			
Buildings and Improvements	8,845	0	1,252,413
Distributions Systems	209,056	(64,612)	37,311,081
Equipment and Vehicles	47,262	(94,542)	911,247
Total Capital Assets being Depreciated	265,163	(159,154)	39,474,741
Less Accumulated Depreciation			
Buildings and Improvements	39,187	0	379,325
Distributions Systems	1,353,244	(64,612)	9,856,388
Equipment and Vehicles	91,319	(94,542)	631,054
Total Accumulated Depreciation	1,483,750	(159,154)	10,866,767
Capital Assets, net	$ 5,546,458	$ (457,439)	$ 47,447,514

E. Long-Term Debt and Other Liabilities
A summary of activity in the Long-Term Debt is as follows:

Loans		Balance 6/30/18		Additions		Reductions		Balance 6/30/19		Amounts Due Within One Year
USDA/RUS-1	$	350,924	$	0	$	19,274	$	331,650	$	19,801
USDA/RUS-2		981,285		0		61,758		919,527		63,449
USDA/RUS-3		0		655,000		4,676		650,324		7,244
USDA/RUS-4		0		808,000		6,893		801,107		10,613
NMED-2013		1,671,385		0		87,089		1,584,296		89,157
NMED-2014		2,000,000		98,801		0		2,098,801		83,201
NMED-00002		2,000,000		5,983		0		2,005,983		79,521
NMED-00023		0		2,000,000		0		2,000,000		0
NMFA WTB-55		21,502		0		1,930		19,572		1,935
NMFA WTB-105		7,902		0		709		7,193		711
NMFA WTB-83		215,026		0		19,304		195,722		19,353
NMFA WTB-243		1,017,712		0		71,520		946,192		71,699
NMFA WTB-271		1,287,045		0		78,943		1,208,102		79,153
NMFA CI-2770		25,932		0		1,853		24,079		1,853
NMFA CI-2972		122,688		0		7,668		115,020		7,668
NMFA CI-3177		16,082		0		946		15,136		964
NMFA CI-3184		8,570		0		505		8,065		504
NMFA CI-3349		59,991		0		3,529		56,462		3,529
NMFA CI-3507		120,000		0		51,922		68,078		3,404
NMFA Cl-4121		78,000		0		0		78,000		3,900
NMFA CI-4634		0		110,000		0		110,000		0
NMFA DW 2868		1,425,754		0		66,586		1,359,168		67,459
NMFA DW 3227		1,963,772		0		85,977		1,877,795		89,198
NMFA DW 3382		2,272,500		0		0		2,272,500		12,399
	$	15,646,070	$	3,677,784	$	571,082	$	18,752,772	$	716,715
Compensated Absences	$	19,472	$	43,235	$	41,036	$	21,671	$	21,671
	$	19,472	$	43,235	$	41,036	$	21,671	$	21,671

Loans consist of the following:

USDA/RUS-1-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-2-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.

USDA/RUS-3 The Association entered into an agreement with the U.S. Department of Agriculture's Rural Utilities Services on November 19, 2018, for the rehabilitation of the Radium Springs Water System to include water lines, booster station, and new water wells. The original amount of the note was $655,000, bearing 3.875% interest. Principal and interest payments are due monthly, with the note maturing on November 19, 2058. 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.

USDA/RUS-4 USDA/RUS-4-The Association entered into an agreement with the U.S. Department of Agriculture's Rural Utilities Services on November 19, 2018, for the rehabilitation of the Radium Springs Water System to include water lines, booster station, and new water wells. The original amount of the note was $808,000, bearing 3.125% interest. Principal and interest payments are due monthly, with the note maturing on November 19, 2058. 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. Accrued interest of $98,801 was added to the principal loan amount when the project was completed and the loan amortized.

NMED/RIP-00002 (Formally-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. Accrued interest of $5,983 was added to the principal loan amount when the project was completed and the loan amortized.

NMED/RIP-00023 The Association entered into an agreement with the New Mexico Environmental Department on August 14, 2018, for the rehabilitation of the District 5 Wastewater Plant. The original amount of the note was $2,000,000, bearing 2.375% interest. Principal and interest payments are due monthly, with the note maturing on August 14, 2038. The Association has pledged as collateral all gross receipts, income accounts, deposit accounts, goods, supplies, inventory, equipment, the water works and distribution system.

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.

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.

CI-4634 CI 4634-The Association entered into an agreement with the New Mexico Finance Authority on October 12, 2018, for the construction of the Southeast Collection System Phase 3. The original amount of the note was $110,000 bearing 0% interest. Principal and interest payments are due monthly, with the note maturing on October 12, 2038. The Association has pledged as collateral all gross receipts, income accounts, deposit accounts, goods, supplies, inventory, equipment, the water works and distribution system.

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, 2019, including interest payments are as follows:

	Principal	Interest	Total
2020	$ 716,715	$ 333,833	$ 1,050,548
2021	814,191	368,725	1,182,916
2022	829,066	342,989	1,172,055
2023	844,282	338,746	1,183,028
2024	859,856	323,228	1,183,084
2025-2029	4,545,941	1,370,318	5,916,259
2030-2034	4,530,018	931,097	5,461,115
2035-2039	4,536,548	488,024	5,024,572
2040-2044	319,840	151,504	471,344
2045-2049	226,452	112,608	339,060
2050-2054	269,287	69,773	339,060
2055-2058	260,576	19,544	280,120
	$ 18,752,772	$ 4,850,389	$ 23,603,161

F. Retirement Plan

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 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.

PERA Contribution Rates and Pension Factors in effect during Fiscal Year 2018

mployee Contribution Percentag		Employer Contribution Percentage	Pension Factor per year of Service		Pension Maximum as a Percentage of the Final Average Salary
Annual Salary less than $20,000	Annual Salary greater than $20,000		Tier 1	Tier 2	
State Plan 3					
7.42%	8.92%	16.99%	3.00%	2.50%	90%
Municipal Plan 1 (plan open to new employers)					
7.00%	8.50%	7.40%	2.00%	2.00%	90%
Municipal Plan 2 (plan open to new employers)					
9.15%	10.65%	9.55%	2.50%	2.00%	90%
Municipal Plan 3 (plan closed to new employers 6/00)					
13.15%	14.65%	9.55%	3.00%	2.50%	90%
Municipal Plan 4 (plan closed to new employers 6/95)					
15.65%	17.15%	12.05%	3.00%	2.50%	90%
Municipal Police Plan 1					
7.00%	8.50%	10.40%	2.00%	2.00%	90%
Municipal Police Plan 2					
7.00%	8.50%	15.40%	2.50%	2.00%	90%
Municipal Police Plan 3					
7.00%	8.50%	18.90%	2.50%	2.00%	90%
Municipal Police Plan 4					
12.35%	13.85%	18.90%	3.00%	2.50%	90%
Municipal Police Plan 5					
16.30%	17.80%	18.90%	3.50%	3.00%	90%
Municipal Fire Plan 1					
8.00%	9.50%	11.40%	2.00%	2.00%	90%
Municipal Fire Plan 2					
8.00%	9.50%	17.90%	2.50%	2.00%	90%
Municipal Fire Plan 3					
8.00%	9.50%	21.65%	2.50%	2.00%	90%
Municipal Fire Plan 4					
12.80%	14.30%	21.65%	3.00%	2.50%	90%
Municipal Fire Plan 5					
16.20%	17.70%	21.65%	3.50%	3.00%	90%
Municipal Detention Officer Plan 1					
16.65%	18.15%	17.05%	3.00%	3.00%	90%
State Police and Adult Correctional Officer Plan 1					
7.60%	9.10%	25.50%	3.00%	3.00%	90%
State Plan 3 Peace Officer					
7.42%	8.20%	16.99%	3.00%	3.00%	90%
Juvenile Correctional Officer Plan 2					
4.78%	6.28%	26.12%	3.00%	3.00%	90%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions –
At June 30, 2019, the Association reported a liability of $1,270,713 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. The Association's proportion of the net pension liability was based on a projection of the Association's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the Association's proportion was 0.0797%, which was an increase of 0.0119% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Association recognized pension expense of $199,212. At June 30, 2019, the Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience.	$ 36,727	$ 33,362
Net difference between projected and actual earnings on pension plan investments.	94,242	0
Changes of assumptions.	115,208	7,306
Changes in proportion and differences between the Association's contributions and proportionate share of contributions.	124,347	39,871
Association's contributions subsequent to the measurement date.	69,094	0
Total	$ 439,618	$ 80,539

$69,094 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, 2019. 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:	
2019	$ 164,054
2020	71,982
2021	48,857
2022	5,092
Total	$ 289,985

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date		June 30, 2017
Actuarial cost method		Entry age normal
Amortization method		Level percentage of pay
Amortization period		Solved for based on statutory rates
Asset valuation method		
Actuarial assumptions:		
(1) Investment rate of return		7.25% annual rate, net of investment expense
(2) Projected benefit payment		100 years
(3) Payroll growth		3.00%
(4) Projected salary increases		3.25% to 13.50% annual rate
(5) Includes inflation at		2.5%, 2.75% all other years
(6) Mortality Assumption		The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-
(7) Experience Study Dates		July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2018

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 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 to include Real	20.00%	7.35%
Total	100.00%	

Discount rate. A single discount rate of 7.25% 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 7.25%, 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 Association'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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
The Association's proportionate share of the net pension liability	$ 1,958,083	$ 1,270,713	$ 702,491

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. <u>Risk Management</u>

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. <u>Commitments, Contingencies and Subsequent Events</u>

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. <u>Related Party</u>

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 2019 totaled $20,240.

J. Restatement

Net Position was restated $11,569,554. Water rights were increased $8,302,112 after extensive research of the State Engineer's records. The distribution system was restated $2,748,164 for the District 5 Project that was completed the prior year. Unbilled revenue or $197,790 was included for the prior year. The change in unbilled revenue from year to year was insignificant until this year causing a restatement. Restricted cash was restated for $321,488 for the NMED/RIP-2014 construction project.

K. Tax Abatement Disclosures

The Association has not been affected by a tax abatement.

Required Supplemental Information

Schedule of the District's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019
Measurement Date	2014	2015	2016	2017	2018
Association’s proportionate share of the net pension liability.	0.0618%	0.0719%	0.0750%	0.0678%	0.0797%
Association’s proportionate share of the net pension liability.	$ 482,106	$ 733,083	$ 1,270,713	$ 931,629	$ 1,270,713
Association’s covered-employee payroll.	$ 572,660	$ 617,907	$ 595,123	$ 671,933	$ 723,497
Association’s proportionate share of the net pension liability as a percentage of its covered-employee payroll.	84.19%	118.64%	213.52%	138.65%	175.63%
Plan fiduciary net position as a percentage of the total pension liability.	81.29%	76.99%	69.18%	73.74%	71.13%

Schedule of Association's
Last 10 Fiscal Years*

	June 30,				
	2015	2016	2017	2018	2019
Contractually required contribution.	$ 54,689	$ 59,010	$ 56,834	$ 64,170	$ 69,094
Contributions in relation to the contractually required contribution.	54,689	59,010	56,834	64,170	69,094
Contribution deficiency (excess).	$ 0	$ 0	$ 0	$ 0	$ 0
Association’s covered-employee payroll.	$ 572,660	$ 617,907	$ 595,123	$ 671,933	$ 723,497
Contributions as a percentage of covered-employee payroll.	9.55%	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

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 2018 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, 2019

	Budgeted Amounts Original	Budgeted Amounts Final	Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
Revenues				
Sales and Services	$ 4,015,000	$ 4,015,000	$ 4,024,861	$ 9,861
Installation Charges	225,668	225,668	72,395	(153,273)
Fees	682,600	682,600	686,357	3,757
Fines and Penalties	84,500	84,500	101,151	16,651
Miscellaneous	40,000	40,000	23,939	(16,061)
Investment Income	20,000	20,000	22,444	2,444
Grants	5,000,000	6,000,000	3,394,399	(2,605,601)
Loan Proceeds	0	0	3,677,784	3,677,784
Increase in Fair Value of Investment	0	0	29,360	29,360
Total Revenues	10,067,768	11,067,768	12,032,690	964,922
Expenses				
Water				
Salaries and Benefits	1,267,600	1,267,600	1,121,058	146,542
Operating Expenses	1,958,670	1,958,670	1,537,779	420,891
Capital Outlay	2,151,000	4,901,000	4,977,165	(76,165)
Debt Service				
Principal	475,000	475,000	530,831	(55,831)
Interest	185,000	185,000	204,771	(19,771)
Wastewater				
Salaries and Benefits	57,500	57,500	19,469	38,031
Operating Expenses	555,820	555,820	326,970	228,850
Capital Outlay	3,250,000	1,850,000	1,595,604	254,396
Debt Service				
Principal	109,000	109,000	40,251	68,749
Interest	55,000	55,000	113,261	(58,261)
Total Expenses	10,064,590	11,414,590	10,467,159	947,431
Net Change in Cash Balance	3,178	(346,822)	1,565,531	1,912,353
Cash Balance Beginning of Year	8,227,647	8,227,647	8,227,647	0
Cash Balance End of Year	$ 8,230,825	$ 7,880,825	$ 9,793,178	$ 1,912,353

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, 2019

Reconciliation of Budgetary Basis to GAAP Basis	
Net Change in Cash Balance-Cash Basis	$ 1,565,531
Capital Outlay	6,572,769
Depreciation	(1,483,750)
Loan Proceeds	(3,677,784)
Principal	571,082
Net Change in Receivables	(67,473)
Net Change in Inventory	234,244
Net Change in Prepaid Expenses	794
Net Change in Deferred Outflows	170,987
Net Change in Payables	30,062
Net Change in Accrued Salaries & Benefits	(3,570)
Net Change in Accrued Interest	6,707
Net Change in Compensated Absences	(2,198)
Net Change in Customer Deposits	5,110
Net Change in Pension Liability	(339,082)
Net Change in Deferred Inflows	37,996
Change in Net Position-GAAP Basis	$ 3,621,425

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

Federal Compliance

State of New Mexico
Doña Ana Mutual Domestic
Schedule of Expenditures of Federal Awards and Related Notes
For the Year Ended June 30, 2019

Federal Agency/Pass Through Grantor/Program Title	Federal CFDA Number		Total Federal Awards Expended
U. S. Department of Agriculture			
Pass-through New Mexico Finance Authority			
Water and Waste Disposal Systems for Rural Communities	10.760	$	3,457,555
Total U. S. Department of Agriculture			3,457,555
Total Federal Assistance		$	3,457,555

(1) Non-cash assistance

Notes to the Schedule of Expenditures of Federal Awards

A. Significant Accounting Policies used in preparing the SEFA
The Schedule of Expenditures of Federal Awards was prepared on the accrual basis of accounting.

B. Loan Subsidy
The Schedule of Expenditures of Federal Awards includes grants and loans subsidies of $6,689,000. The loans and subsidies have a cash balance available to spend at year end of $5,768,184.

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

D. Loan Balances
The balance of all federal loans as of June 30, 2019 was $18,277,932.

See accompanying notes to the Schedule of Expenditures of Federal Awards

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. Brian S. Colón
State Auditor of the State of New Mexico
Board Members of the Doña Ana Mutual Domestic Water Consumers Association

Mr. Colón 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, 2019, 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 9, 2019.

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. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be significant deficiencies. 2019-001, 2019-002, and 2019-003

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 it's 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 Association's responses to the findings identified in our audit as described in the accompanying Schedule of Findings and Questioned Cost. The Association's 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. This report is intended solely for the information and use of the District, the New Mexico State Auditor’s Office and Department of Finance and Administration, Local Government Division and the New Mexico Legislature and is not intended to be and should not be used by anyone other than those specified parties.

De’Aun Willoughby, CPA, PC

Clovis, New Mexico
December 9, 2019

De'Aun Willoughby CPA, PC
Certified Public Accountant
225 Innsdale Terrace Clovis, NM 88101
(855) 253-4313

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

Independent Auditor's Report

Mr. Brian S. Colón
State Auditor of the State of New Mexico
Board Members of the Doña Ana Mutual Domestic Water Consumers Association

Mr. Colón and Members of the Board

Compliance
We have audited Doña Ana Mutual Domestic Water Consumers Association (Association), compliance with the types of compliance requirements described in the Title 2 U.S. CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) that could have a direct and material effect on each of the Association's major federal programs for the year ended June 30, 2019. The Association's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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

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

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

Opinion on Each Major Federal Program
In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

De'Aun Willoughby, CPA, PC

Clovis, New Mexico
December 9, 2019

A. Summary of Audit Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
* Material weaknesses identified?	No
* Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
* Material weaknesses identified?	No
* Significant deficiencies identified?	No
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	No

Identification of major programs:

CFDA Numbers)	Name of Federal Program of Cluster
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
Audited qualified as low risk Auditee	No

Federal Compliance Findings

Current Year Audit Findings
None

Financial Statements Findings

Prior Year Audit Findings

2018-001 Improper Reimbursement of Travel Expense	Resolved

Summary of Audit Results

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	N/A
• Significant deficiency(ies) identified	3
Noncompliance material to financial	N/A

Current Year Audit Findings

2019-001-Design Deficiencies in Internal Control-Compliance and Internal Control-Significant Deficiency

Condition

The Association has design deficiencies in internal controls causing or failing to prevent restatements to the financial statements.

Criteria

PCAOB Auditing Standard No. 5 A3) - A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met.

Cause

Management was not carrying all water rights as fixed assets on the fixed asset ledger and after fiscal year 2018 audit, management included all water rights based on historical data and records from the State Engineer's office.

Effect

Inaccurate financial statements could possibly lead to poor management and oversite decisions about the finances of the Association.

Recommendation

Design deficiencies should be addressed and corrected.

Response

Management has included all water rights currently held by the Association in the financials. A system is now in place to prevent this from happening again.

Responsible Party

Executive Director

Timeline

All fixed assets were accounted for by June 30, 2019.

2019-002 -Financial Reports-Compliance and Internal Control-Significant Deficiency

Condition

The expenditures were understated on the financial reports submitted to the Board and DFA. The cash balance reported to DFA was overstated.

Criteria

6-3A-9 (B) NMSA 1978 Quarterly reporting - Quarterly reports shall compare actual performance for the report period with targeted performance and shall be filed with the division and committee within thirty days of the end of a reporting period.

Cause

The inventory software module was added to the accounting software. A setting was incorrect in the installation process causing the issues.

Effect

The information reported to the Board and DFA was inaccurate which could possibly lead to poor management and oversite decisions about the finances of the Association.

Recommendation

The reports sent to DFA should be amended and the correct reports approved by the board.

Response

The software company was notified immediately of the software related issues to resolve the problem.

Responsible Party

Executive Director

Timeline

The software vendor has been contacted and has acknowledged that there is a flaw with the system because the Association is processing all transactions correctly. The software company reviewed all of the process and settings and everything is correct. However, they accounting software is still not posting the expenses associated with inventory items correctly. The issue has been sent to the development team of the software company to resolve. A timeline has not been given by the software company. However, in the meantime the Association will manual account for the expense and ensure that the correct expenses are provided in all DFA quarterly reports and financials statements.

2019-003 - Payroll - Compliance and Internal Control-Significant Deficiency

Condition

(a) Compensated Absences - One employee was overpaid vacation leave upon termination from the Association. The Association paid out the 211.08 accumulated hours instead of the 80 maximum hours allowed in the policy.

(b) Public Employees Retirement Association (PERA) - Seventeen of the 26 payments were not remitted timely.

(c) Federal Withholding - Two of 10 employees had the incorrect amount of federal withholding withheld from their pay. The estimated amount under withheld was $1,964 for the year.

(d) On-Call Regular Rate of Pay - Overtime rate of pay was not be calculated correctly when an employee was paid for on-call time. The Association is not including the on-call rate in calculating the regular rate of pay to determine the overtime rate of pay.

Criteria

(a) Compensated absences - The board policy states that vacation leave may be accumulated up to 80 hours. Upon termination, the Association will compensate an employee for unused vacation leave up to the maximum of 80 hours.

(b) PERA - PERA instructions state the employer has five days from the pay date to pay the benefits to PERA.

(c) Federal Withholding - IRS Tax Withholding for Individuals states employers are required to calculate federal tax withholding based on the most recent submitted Form W-4, unless the employer has received a letter from the IRS indicating the required change of withholding status for a certain employee.

(d) On-Call Regular Rate of Pay - The principles for computing an employee's regular rate of pay for overtime pay requirements are discussed in the FLSA regulations at 29 C.F.R. Part 778. The FLSA requires that overtime compensation be paid at a rate of not less than one and one-half times the regular rate of pay for all hours worked in excess of 40 in a workweek. The regular rate of pay of an employee "is determined by dividing his total remuneration for employment (except statutory exclusions) in any workweek by the total number of hours actually worked by him in that workweek for which such compensation was paid." 29 C.F.R. § 778.108. An employee who "is not required to remain on the employer's premises but is merely required to leave word at his home or with company officials where he can be reached is not working while on call." 29 C.F.R. § 785.17. The payment received by employees for "on call" time, however, is "paid as compensation for performing a duty involved in the employee's job" and is therefore not excludable from the regular rate under section 7(e)(2) of the FLSA. 29 C.F.R. § 778.223. As a result, the payment must be included in the employee's regular rate. See id.; Wage and Hour Opinion Letter April 22, 1969. Moreover, because the specific hours for which on-call pay was earned are identifiable, the payment for on-call time must be attributed to the workweek in which the on-call hours occurred. See 29 C.F.R. §§ 778.209, .233.

Cause

(a) Compensated Absences - The accounting specialist failed to follow current Association policy.

(b) PERA - The accounting specialist failed to follow PERA regulations with regards to filing timely reports.

(c) Federal Withholding - The Association misunderstood the terminology in the payroll software.

(d) On-Call Regular Rate of Pay - The Association was unaware of the this blended rate regulation.

Effect

(a) Compensated Absences - The employee was overpaid $1,258.91.

(b) PERA - There are penalties for failing to pay the benefits timely.

(c) Federal Withholding - Employers may be subject to criminal and civil sanctions for willfully failing to pay employment taxes.

(d) Regular Rate of pay - Employees may be underpaid and penalties can be assessed by DOL for willfully underpaying employees.

2019-003 - Payroll - Compliance and Internal Control-Significant Deficiency (Continued)

Recommendation

(a) Compensated Absences - Final paychecks should be approved by the executive director before they are released to determine they are calculated correctly.
(b) PERA - Payments for benefits should be paid to PERA within five days.

(c) Federal Withholding - The office manager should be mindful of the IRS rules governing the Form W-4 and the allowable methods for computing federal income tax withholding as well as understanding the software and what requirements are needed to ensure the employees' W-4s are entered correctly.
(d) On-Call Regular Rate of Pay - The on-call regular rate of pay should be calculated to determine the over-time rate of pay when over-time is worked.

Response

(a) Compensated Absences - All final paychecks will be reviewed and approved by the office manager prior to being paid to ensure that all policies are being followed.
(b) PERA - All PERA reports will be reviewed and approved by the Office Manager to ensure all PERA deadlines are met.
(c) Federal Withholding - All W-4s will be reviewed and updated in the system by the office manager and the changes will be verified by the executive director.
(d) On-Call Regular Rate of Pay - A new calculation sheet was created to ensure that all overtime rates are correct each pay period and will be reviewed and approved by the office manager prior to payroll being submitted to the bank.

Responsible Party

Executive Director

Timeline

(a) Compensated absences - Correct as of 11/22/2019
(b) PERA - Corrected as of 11/22/2019
(c) Federal Withholding - Corrected as of 11/22/19
(d) On-Call Regular Rate of Pay - Correct as of 11/22/2019

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 9, 2019. Those present were James Melton - President, Margo Lopez-Office Manager, Jennifer Horton - Executive Director, Starla Sharp - Auditor, and De'Aun Willoughby, CPA.

Doña Ana Mutual Domestic Water Consumers Association
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CORRECTIVE ACTION PLAN

December 9, 2019

Department of Finance and Administration

Doña Ana Mutual Domestic Water Consumers Association respectfully submits the following corrective action plan for the year ended June 30, 2019.

Name and address of the independent public accounting firm:

DeAun Willoughby CPA, PC
225 Innsdale Terrace
Clovis, NM 88101

Audit period:

June 30, 2019

The findings from the June 30, 2019 Schedule of Findings and Questioned Cost are discussed below. The

FINDINGS - FINANCIAL STATEMENT AUDIT

<u>SIGNIFICANT DEFICIENCY</u>

<u>2019-001-Design Deficiencies in Internal Control</u>

Recommendation
Design deficiencies should be addressed and corrected.

Management Response
Management has included all water rights currently held by the Association in the financials. A system is now in place to prevent this from happening again.

Corrective Action
Once the transfer of the water rights have been paid for and approved by the Office of the State Engineer the Association will at the water right asset to its books at cost to properly account for them.

Responsible Party: Executive Director
Timeline: All fixed assets were accounted for by June 30, 2019.

2019-002 -Financial Reports

Recommendation

The reports sent to DFA should be amended and the correct reports approved by the board.

Response

The software company was notified immediately of the software related issues to resolve the problem.

Corrective Action

Once the software company is able to correct the software flaw the system will automatically post the inventory expense. However, until this software flaw is corrected the association will manual make adjustments to the financial statements to ensure they are fairly presented to DFA along with the governing board.

Responsible Party: Executive Director

Timeline: The software vendor has been contacted and has acknowledged that there is a flaw with the system because the Association is processing all transactions correctly. The software company reviewed all of the process and settings and everything is correct. However, they accounting software is still not posting the expenses associated with inventory items correctly. The issue has been sent to the development team of the software company to resolve. A timeline has not been given by the software company. However, in the meantime the Association will manual account for the expense and ensure that the correct expenses are provided in all DFA quarterly reports and financials statements.

2019-003 - Payroll

Recommendation

(a) Compensated Absences - Final paychecks should be approved by the executive director before they are released to determine they are calculated correctly.
(b) PERA - Payments for benefits should be paid to PERA within five days.
(c) Federal Withholding - The office manager should be mindful of the IRS rules governing the Form W-4 and the allowable methods for computing federal income tax withholding as well as understanding the software and what requirements are needed to ensure the employees' W-4s are entered correctly.
(d) On-Call Regular Rate of Pay - The on-call regular rate of pay should be calculated to determine the over-time rate of pay when over-time is worked.

Response

(a) Compensated Absences - All final paychecks will be reviewed and approved by the office manager prior to being paid to ensure that all policies are being followed.
(b) PERA - All PERA reports will be reviewed and approved by the Office Manager to ensure all PERA deadlines are met.
(c) Federal Withholding - All W-4s will be reviewed and updated in the system by the office manager and the changes will be verified by the executive director.
(d) On-Call Regular Rate of Pay - A new calculation sheet was created to ensure that all overtime rates are correct each pay period and will be reviewed and approved by the office manager prior to payroll being submitted to the bank.

Corrective Action

The accounting clerk will be responsible for making sure that policies are being followed and that employee withholdings and overtime pay. The Office manager will be verifying each of the items to ensure that the Association remains in compliance regarding payroll related items. The Association will be looking for payroll trainings to send the Office Manager too so that the Association can remain updated on changes affecting payroll regulations.

Responsible Party: Executive Director
Timeline

(a) Compensated absences - Correct as of 11/22/2019
(b) PERA - Corrected as of 11/22/2019
(c) Federal Withholding - Corrected as of 11/22/19
(d) On-Call Regular Rate of Pay - Correct as of 11/22/2019

If there are any questions regarding this plan, please call me at 575-526-3491.

Sincerely,
Dona Ana Mutual Domestic Water Consumers Association

Jennifer J. Horton

Jennifer Horton
Executive Director