State of New Mexico

Doña Ana Mutual Domestic Water Consumers Association

Annual Financial Report

June 30, 2022

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, 2022

State of New Mexico
Doña Ana Mutual Domestic Water Consumers Association
Official Roster
June 30, 2022

Board of Directors

James Melton	President
Jamie Stull	Vice President
Kurt Anderson	Secretary/Treasurer
Brian Clouse	Member
Clayton Berryman	Member

Administrative Official

Jennifer Horton	Executive Director

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

Independent Auditor's Report

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

Mr. Colón and Members of the Board

Report on Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activity of Doña Ana Mutual Domestic Water Consumers Association (Association), as of and for the year ended June 30, 2022, and the related notes to the financial statements which collectively comprise the Association's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity of the Association, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to frau or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedure that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association’s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significar accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, tha raise substantial doubt about the Association’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

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

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Association's basic financial statements. The accompanying Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis) is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 auditing standards generally accepted in the United States of America. In our opinion, the Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis) 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 5, 2022, 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 of the Association's 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 5, 2022

Financial Section

State of New Mexico
Doña Ana Mutual Domestic Water Consumers Association
Statement of Net Position
June 30, 2022

Assets	
Current Assets	
Cash and Cash Equivalents	$ 2,851,479
Accounts Receivables (Net of Allowance for Uncollectibles)	610,207
Unbilled Revenues	239,617
Due from Grantors	806,404
Inventory	413,504
Prepaid Expenses	0
Restricted Cash	223,477
Investments	1,643,875
Total Current Assets	6,788,563
Noncurrent Assets	
Capital Assets	72,380,097
Accumulated Depreciation	(15,922,974)
Total Noncurrent Assets	56,457,123
Total Assets	63,245,686
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Actuarial Experience	28,736
Changes of Assumptions	380
Changes in Proportion	222,050
Contributions Subsequent to Measurement Date	112,697
Total Deferred Outflows of Resources	363,863
Liabilities	
Current Liabilities	
Accounts Payable	698,148
Accrued Salaries and Benefits	55,279
Accrued Interest	97,278
Compensated Absences	39,466
Current Maturities of Long-Term Debt	862,859
Total Current Liabilities	1,753,030
Noncurrent Liabilities	
Customer Deposits	61,300
Pension Liability	1,154,372
Long-Term Debt	15,971,155
Total Noncurrent Liabilities	17,186,827
Total Liabilities	18,939,857
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	
Actuarial Experience	3,952
Investment Experience	474,380
Changes in Proportion	1,867
Total Deferred Inflows of Resources	480,199
Net Position	
Invested in Capital Assets	39,623,109
Restricted for Construction	4,727
Restricted for Debt Service	218,750
Unrestricted	4,342,907
Total Net Position	$ 44,189,493

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, 2022

Operating Revenues	
Water	
Sales and Services	$ 4,741,103
Fees	827,051
Fines and Penalties	133,355
Miscellaneous	93,886
Waste Water	
Sales and Services	875,539
Fees	388,891
Fines and Penalties	7,195
Total Operating Revenues	7,067,020
Operating Expenses	
Water	
Salaries and Benefits	1,014,256
Operating Expenses	2,560,119
Depreciation	1,478,920
Waste Water	
Salaries and Benefits	135,340
Operating Expenses	468,507
Depreciation	344,272
Total Operating Expenses	6,001,414
Operating Income (Loss)	1,065,606
Nonoperating Revenue (Expenses)	
Investment Income	11,769
Decrease in Fair Value of Investments	(54,397)
Interest Expense	(410,817)
Total Nonoperating Revenue (Expense)	(453,445)
Income Before Capital Grants and Contributions	612,161
Capital Grants and Contributions	153,544
Reverting Grants Previously Recognized	(237,677)
Net Capital Grants and Contributions	(84,133)
Change in Net Position	528,028
Total Net Position - Beginning	43,567,932
Restatement-Note J	93,533
Restated Beginning Net Position	43,661,465
Total Net Position - Ending	$ 44,189,493

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, 2022

Cash Flows from Operating Activities		
Receipts from Customers and Users	$	7,002,917
Payments to Suppliers and Employees		(3,279,929)
Net Cash Provided (Used) by Operating Activities		3,722,988
Cash Flows from Capital and Related Financing Activities		
Acquisition of Capital Assets		(2,133,066)
Capital Grants		153,544
Reverted Grant Proceeds		(237,677)
Principal Paid on Long-Term Debt		(1,114,732)
Interest Expense		(410,817)
Net Cash Provided (Used) by Capital and Related Financing Activities		(3,742,748)
Cash Flows from Investing Activities		
Investment Income		11,769
Increase in Fair Value of Investments		(54,397)
Net Cash Provided by Investing Activities		(42,628)
Net Increase (Decrease) in Cash		(62,388)
Cash, Beginning of the Year		4,687,686
Restatement		93,533
Restated Beginning Cash Balance		4,781,219
Cash, End of the Year	$	4,718,831
Cash and Cash Equivalents	$	2,851,479
Restricted Cash		223,477
Restricted Investments		1,643,875
Total Cash	$	4,718,831
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	$	1,065,606
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Depreciation		1,823,192
(Increase) Decrease in Accounts Receivable		(66,698)
(Increase) Decrease in Unbilled Revenues		11,192
(Increase) Decrease in Due from Grantors		(14,129)
(Increase) Decrease in Inventory		74,342
(Increase) Decrease in Prepaid Expenses		58,253
(Increase) Decrease in Deferred Outflow		313,358
Increase (Decrease) in Accounts Payable		636,251
Increase (Decrease) in Accrued Salaries		10,848
Increase (Decrease) in Accrued Interest		8,488
Increase (Decrease) in Compensated Absences		4,206
Increase (Decrease) in Customer Deposits		(8,525)
Increase (Decrease) in Pension Liability		(669,678)
Increase (Decrease) in Deferred Inflow		476,282
Net Cash Provided (Used) by Operating Activities	$	3,722,988

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. Accounts 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

Debts

Debt is defined as a liability that arises from a contractual obligation to pay cash or other assets in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

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 the cost of dependents on the plan. Total paid on behalf of the Association employees for the fiscal year ended June 30, 2022 totaled $191,007.

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.

Pensions

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

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, 2022 of the cash and cash equivalents.

Wells Fargo Bank	Balance Per Bank 6/30/22	Reconciled Balance	
Operating	$ 50,009	$ (384,351)	Checking - Interest Bearing
DAMDWCA	3,235,030	3,235,030	Checking - Interest Bearing
USDA RD-Restricted Cash	184,416	184,416	Checking - Interest Bearing
Total Cash in Banks	$ 3,469,455	$ 3,035,095	

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	$ 3,469,455
Less FDIC Coverage	(250,000)
Uninsured Amount	3,219,455
50% collateral requirement	1,609,728
Pledged securities	3,073,082
Over (Under) requirement	$ 1,463,355

The following securities are pledged at Wells Fargo Bank:

Description	CUSIP #	Market Value	Maturity Date	Custodian & Location
FMAC FNMS	3140QBNU8	$ 568,195	08/01/49	Bank of New
FMAC FNMS	3140FCTG3	632,099	02/01/47	York Mellon
FMAC FNMS	3140QCVV5	722,626	02/01/50	Located in
FMAC FNMS	31418BUN4	532,926	09/01/35	New York
GNMA G2SF	36179TV51	87,734	04/20/48	
GNMA G2SF	36179UGD8	529,502	11/20/48	
		$ 3,073,082		

Custodial Credit Risk-Deposits

Depository Account		Bank Balance
Insured	$	250,000
Collateralized:		
Collateral held by the pledging bank in Association's name		3,073,082
Uninsured and uncollateralized		146,373
Total Deposits	$	3,469,455

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, 2022 $146,373 of the Association's bank balance of $3,469,455 was exposed to custodial credit risk.

The bank account listed as restricted cash that totals $184,416 is reserved for two USDA loans. The balance of the restricted cash, $39,062, is held at NMFA, $34,335 for debt service and $4,726 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	2,500	3,755
1"	1,795	3,125	4,920
1.5"	2,660	3,750	6,410
2"	4,125	5,000	9,125
3"	8,580	7,500	16,080
4"	8,890	10,000	18,890
6"	11,340	15,000	26,340
	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	$ 800,965	$ 800,965	$ 0	$ 0
FNMA	186,926	0	186,926	0
FFCB	377,672	0	377,672	0
FHLM	278,310	0	278,310	0
Total Investments	$ 1,643,873	$ 800,965	$ 842,908	$ 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
FHLM	1088	AA+	Aaa
Federal National Mortgage Association (FNMA)	1095	AA+	Aaa
Federal Farm Credit Bank (FFCB)	722	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 the Association's investments are invested 44.81% in FFCB, 33.01% in FHLM, and 22.18% in FNMA.

C. Accounts Receivable
The accounts receivable are shown net of an allowance for uncollectable accounts. Total customer accounts receivables were $676,987 and the allowance for uncollectable accounts was $66,780 for a net amount of receivables of $610,207.

D. <u>Capital Assets</u>

Capital assets balances and activity for the year ended June 30, 2022 are as follows:

	Balance 6/30/21	Increases	Deletions	Balance 6/30/22
Capital Assets not being Depreciated				
Land	$ 699,381	$ 0	$ 0	$ 699,381
Water Rights	11,345,108	258,400	0	11,603,508
Construction in Progress	4,176,827	1,768,767	(290,157)	5,655,437
Total Capital Assets not being Depreciated	16,221,316	2,027,167	(290,157)	17,958,326
Capital Assets being Depreciated				
Buildings and Improvements	1,764,959	0	0	1,764,959
Water Distributions Systems	41,913,651	329,571	0	42,243,222
Waste Water Distribution Systems	9,448,617		0	9,448,617
Equipment and Vehicles	929,688	66,484	(31,199)	964,973
Total Capital Assets being Depreciated	54,056,915	396,055	(31,199)	54,421,771
Less Accumulated Depreciation				
Buildings and Improvements	625,892	59,198	0	685,090
Water Distributions Systems	11,895,619	1,362,074	0	13,257,693
Waste Water Distribution Systems	820,101	344,272	0	1,164,373
Equipment and Vehicles	789,369	57,648	(31,199)	815,818
Total Accumulated Depreciation	14,130,981	1,823,192	(31,199)	15,922,974
Capital Assets, net	$ 56,147,250	$ 600,030	$ (290,157)	$ 56,457,123

E. Long-Term Debt and Other Liabilities

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

	Balance 6/30/21	Additions	Reductions	Balance 6/30/22	Amounts Due Within One Year
Loans					
USDA/RUS-1	$ 292,116	$ 0	$ 11,988	$ 280,128	$ 21,470
USDA/RUS-2	785,287	0	66,415	718,872	68,793
USDA/RUS-3	628,167	0	8,076	620,091	8,135
USDA/RUS-4	776,478	0	11,337	765,141	11,654
NMED-2013	1,407,347	0	93,360	1,313,987	95,662
NMED-2014	1,930,423	0	87,200	1,843,223	89,271
NMED-00002	1,926,462	0	81,410	1,845,052	83,344
NMED-00023	2,000,000	0	79,340	1,920,660	81,167
NMED-00028	399,452	0	15,835	383,617	16,211
NMFA WTB-655	17,681	0	3,929	13,752	1,950
NMFA WTB-683	176,811	0	39,292	137,519	19,498
NMFA WTB-705	6,498	0	1,444	5,054	717
NMFA WTB-843	876,679	0	146,122	730,557	72,238
NMFA WTB-871	1,131,784	0	161,696	970,088	79,748
NMFA CI-2770	20,373	0	1,852	18,521	1,853
NMFA CI-2972	99,684	0	7,668	92,016	7,668
NMFA CI-3177	13,244	0	946	12,298	964
NMFA CI-3184	7,057	0	504	6,553	504
NMFA CI-3349	52,933	0	7,058	45,875	3,529
NMFA CI-3507	64,674	0	10,212	54,462	3,404
NMFA CI-4121	67,634	0	3,758	63,876	3,900
NMFA CI-4634	110,000	0	0	110,000	5,500
NMFA CI-4910	93,587	0	23,639	69,948	4,680
NMFA CI-4911	22,500	0	129	22,371	1,125
NMFA CI-5168	0	9,353	0	9,353	468
NMFA DW 2868	1,221,975	0	70,661	1,151,314	71,588
NMFA DW 3227	1,700,647	0	91,240	1,609,407	94,658
NMFA DW 3382	2,119,253	0	98,974	2,020,279	13,160
	$ 17,948,746	$ 9,353	$ 1,124,085	$ 16,834,014	$ 862,859
Compensated Absences	$ 35,260	$ 57,480	$ 53,274	$ 39,466	$ 39,466
	$ 35,260	$ 57,480	$ 53,274	$ 39,466	$ 39,466

$23,639 was reverted for the NMFA CI-4910 loan and $129 for the NMFA CI-4911 loan.

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.

NMED/RIP-00028 The Association entered into an agreement with the New Mexico Environmental Department on November 7, 2019, for the rehabilitation of the wastewater treatment plant. The original amount of the note was $750,000, bearing 2.375% interest. Principal and interest payments are due monthly, with the note maturing on October 7, 2039. 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-655-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-683-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-705-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-843-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-871-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-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.

CI-4910-The Association entered into an agreement with the New Mexico Finance Authority on December 13, 2019, for the construction of the Southeast Collection System. The original amount of the note was $93,587 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.

CI-4611-The Association entered into an agreement with the New Mexico Finance Authority on November 27, 2019, for the construction of the Dona Ana Village lift station and the planning and design of the rehabilitation of the force main. The original amount of the note was $22,500 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.

CI-5168-The Association entered into an agreement with the New Mexico Finance Authority on November 6, 2020, for the construction of the Dona Ana Village water distribution system. The original amount of the note was $9,353 bearing 0% interest. Principal payments are due annually, with the note maturing on November 6, 2041. 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, 2022, including interest payments are as follows:

	Principal	Interest	Total
2023	$ 862,859	$ 351,764	$ 1,214,623
2024	878,725	335,954	1,214,679
2025	894,961	319,773	1,214,734
2026	911,581	303,212	1,214,793
2027	928,587	286,262	1,214,849
2028-2032	4,806,313	1,163,164	5,969,477
2033-2037	4,363,143	717,001	5,080,144
2038-2042	2,361,813	257,272	2,619,085
2043-2047	211,312	127,748	339,060
2048-2052	251,247	87,813	339,060
2053-2057	298,834	40,226	339,060
2058	64,639	1,594	66,233
	$ 16,834,014	$ 3,991,783	$ 20,825,797

F. Retirement Plan

General Information about the Pension Plan

Plan Description -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 2021					
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%	9.42%	17.24%	3.00%	2.50%	90%
Municipal Plan 1 (plan open to new employers)					
7.00%	8.50%	7.65%	2.00%	2.00%	90%
Municipal Plan 2 (plan open to new employers)					
9.15%	10.65%	9.80%	2.50%	2.00%	90%
Municipal Plan 3 (plan closed to new employers 6/00)					
13.15%	14.65%	9.80%	3.00%	2.50%	90%
Municipal Plan 4 (plan closed to new employers 6/95)					
15.65%	17.15%	12.30%	3.00%	2.50%	90%
Municipal Police Plan 1					
7.00%	8.50%	10.65%	2.00%	2.00%	90%
Municipal Police Plan 2					
7.00%	8.50%	15.65%	2.50%	2.00%	90%
Municipal Police Plan 3					
7.00%	8.50%	19.15%	2.50%	2.00%	90%
Municipal Police Plan 4					
12.35%	13.85%	19.15%	3.00%	2.50%	90%
Municipal Police Plan 5					
16.30%	17.80%	19.15%	3.50%	3.00%	90%
Municipal Fire Plan 1					
8.00%	9.50%	11.65%	2.00%	2.00%	90%
Municipal Fire Plan 2					
8.00%	9.50%	18.15%	2.50%	2.00%	90%
Municipal Fire Plan 3					
8.00%	9.50%	21.90%	2.50%	2.00%	90%
Municipal Fire Plan 4					
12.80%	14.30%	21.90%	3.00%	2.50%	90%
Municipal Fire Plan 5					
16.20%	17.70%	21.90%	3.50%	3.00%	90%
Municipal Detention Officer Plan 1					
16.65%	18.15%	17.30%	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%	8.92%	17.24%	3.00%	3.00%	90%
Juvenile Correctional Officer Plan 2					
4.78%	6.28%	26.37%	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, 2022, the Association reported a liability of $1,154,372 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020.The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2021 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2020. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2021. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2022.

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, 2021, the Association's proportion was 0.102459%, which was an increase of 1.2259% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Association recognized pension expense of $232,680. At June 30, 2022, 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.	$ 28,736	$ 3,952
Net difference between projected and actual earnings on pension plan investments.	0	474,380
Changes of assumptions.	380	0
Changes in proportion and differences between the Association's contributions and proportionate share of contributions.	222,050	1,867
Association's contributions subsequent to the measurement date.	112,697	0
Total	$ 363,863	$ 480,199

$112,697 reported as deferred outflows of resources related to pensions resulting from the 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, 2022. 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		
2022	$	29,544
2023		787
2024		(64,464)
2025		(194,900)
Total	$	(229,033)

Actuarial assumptions. The total pension liability in the June 30, 2020 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the

Actuarial valuation date		June 30, 2020
Actuarial cost method		Entry age normal.
Amortization method		Level percentage of pay.
Asset valuation method		Solved for based on statutory rates.
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		2.50% annual rate, 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-related for public safety groups.
(7) Experience Study Dates		July 1, 2008 to June 30, 2017 (demographic) and July 1, 2013 through June 30, 2017 (economic).

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2020. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2021. These assumptions were adopted by the Board use in the June 30, 2020 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	35.50%	5.90%
Risk Reduction & Mitigation	19.50%	1.00%
Credit Oriented Fixed Income	15.00%	4.20%
Real Assets to include Real Estate Equity	20.00%	6.00%
Multi-Risk Allocation	10.00%	6.40%
Total	100.00%	

Discount rate. A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2021. 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 Association'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.	$ 2,070,689	$ 1,154,372	$ 394,260

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

G. Risk Management

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

H. Commitments, Contingencies and Subsequent Events

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

The Association is involved in several improvement projects throughout the system. The Association has been awarded grants and loans totaling $21,371,988 for the construction of a new wastewater system and water system improvements.

I. Tax Abatement Disclosures

The Association has not been affected by a tax abatement.

J. Restatement

The Net Position was restated $93,533 for cash held at NMFA for construction.

K. Subsequent Events

Subsequent events were evaluated through December 5, 2022, which is the date the financial statements were available to be issued.

Required Supplemental Information

Schedule of the Association'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	$ 1,154,372	$ 931,629	$ 1,154,372
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%	193.97%	138.65%	159.55%
Plan fiduciary net position as a percentage of the total pension liability.	81.29%	76.99%	69.18%	73.74%	71.13%

	2020	2021	2022
Measurement Date	2019	2020	2021
Association’s proportionate share of the net pension liability.	0.0791%	0.0902%	0.1025%
Association’s proportionate share of the net pension liability.	$ 1,369,300	$ 1,824,050	$ 1,154,372
Association’s covered-employee payroll.	$ 856,618	$ 965,731	$ 1,149,973
Association’s proportionate share of the net pension liability as a percentage of its covered-employee payroll.	159.85%	188.88%	100.38%
Plan fiduciary net position as a percentage of the total pension liability.	70.52%	66.36%	77.25%

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

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

Schedule of Association's Contributions
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%

	June 30,		
	2020	2021	2022
Contractually required contribution.	$ 83,949	$ 94,642	$ 112,697
Contributions in relation to the contractually required contribution.	83,949	94,642	112,697
Contribution deficiency (excess).	$ 0	$ 0	$ 0
Association's covered-employee payroll.	$ 856,618	$ 965,731	$ 1,149,973
Contributions as a percentage of covered-employee payroll.	9.80%	9.80%	9.80%

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

Notes to Required Supplementary Information for Pension Plan
Changes of benefit terms. The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. https://www.saonm.org

Assumptions: The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2020 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, 2022

	Budgeted Amounts Original	Budgeted Amounts Final	Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
Revenues				
Sales and Services	$ 5,620,000	$ 5,620,000	$ 5,552,541	$ (67,459)
Fees	1,450,000	1,450,000	1,215,942	(234,058)
Fines and Penalties	34,075	34,075	93,885	59,810
Other	147,000	147,000	140,549	(6,451)
Investments	29,500	29,500	(42,628)	(72,128)
Grants & Reverted Grants	12,221,000	12,221,000	(237,677)	(12,458,677)
Total Revenues	19,501,575	19,501,575	6,722,612	(12,778,963)
Expenses				
Salaries and Benefits	1,836,800	1,836,800	1,646,351	190,449
Operating Expenses	4,666,300	4,666,300	2,281,649	2,384,651
Capital Outlay	11,610,000	11,610,000	1,354,354	10,255,646
Debt Service				
Principal	856,000	856,000	1,078,563	(222,563)
Interest	460,000	460,000	424,083	35,917
Total Expenses	19,429,100	19,429,100	6,785,000	12,644,100
Net Change in Cash Balance	72,475	72,475	(62,388)	(134,863)
Cash Balance Beginning of Year	4,687,686	4,687,686	4,687,686	0
Restatement-Note J	0	0	93,533	93,533
Restated Beginning Cash Balance	4,687,686	4,687,686	4,781,219	93,533
Cash Balance End of Year	$ 4,760,161	$ 4,760,161	$ 4,718,831	$ (41,330)

Reconciliation of Budgetary Basis to GAAP Basis	
Net Change in Cash Balance-Cash Basis	$ (62,388)
Capital Outlay	2,133,066
Depreciation	(1,823,192)
Principal	1,114,732
Net Change in Receivables	66,698
Net Change in Unbilled Revenues	(11,192)
Net Change in Due from Grantors	14,129
Net Change in Inventory	(74,342)
Net Change in Prepaid Expenses	(58,253)
Net Change in Deferred Outflows	(313,358)
Net Change in Accounts Payable	(636,251)
Net Change in Accrued Salaries & Benefits	(10,848)
Net Change in Accrued Interest	(8,488)
Net Change in Compensated Absences	(4,206)
Net Change in Customer Deposits	8,525
Net Change in Pension Liability	669,678
Net Change in Deferred Inflows	(476,282)
Change in Net Position-GAAP Basis	$ 528,028

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

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

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

Independent Auditor's Report

Mr. Brian S. Colón
State Auditor of the State of New Mexico
Board Members of 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, 2022, 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 5, 2022.

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

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

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

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 results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. This report is intended solely for the information and use of the Association, 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 5, 2022

Financial Statements Findings

Prior Year Audit Findings

None

Current Year Audit Findings

None

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	N/A
Noncompliance material to financial	N/A

Financial Statements Findings

None

Section 12-6-5 NMSA 1978 Findings

None

Financial Statement Preparation

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

Exit Conference

An exit conference was held on December 5, 2022. Those present were James Melton - President, Kurt Anderson - Secretary/Treasurer, Margo Lopez-Office Manager, Jennifer Horton - Executive Director, and De'Aun Willoughby, CPA.