

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

*Basic Financial Statements and  
Required Supplementary Information  
For the Year Ended June 30, 2023  
and Independent Auditor's Report*

**STATE OF NEW MEXICO  
DOÑA ANA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

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JUNE 30, 2023**

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**STATE OF NEW MEXICO  
DOÑA ANA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**OFFICIAL ROSTER**

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**BOARD OF DIRECTORS**

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

**ADMINISTRATIVE OFFICIALS**

Jennifer Horton	Executive Director
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# WATTS CPA, P.C.

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## **INDEPENDENT AUDITOR'S REPORT**

State Auditor Joseph M. Maestas, P.E.  
Members of the Board of Directors  
Doña Ana Mutual Domestic Water Consumers Association  
Las Cruces, New Mexico

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the business-type activities of Doña Ana Mutual Domestic Water Consumers Association (the "Association"), as of and for the year ended June 30, 2023, 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 comparisons and the schedule of pledged collateral presented as supplementary information for the year ended June 30, 2023, 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 the business-type activities of Doña Ana Mutual Domestic Water Consumers Association, as of June 30, 2023, and the respective changes in financial position and cash flows thereof, 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, budgetary comparisons of Doña Ana Mutual Domestic Water Consumers Association for the year ended June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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 Association's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Doña Ana Mutual Domestic Water Consumers 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 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.

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 Doña Ana Mutual Domestic Water Consumers 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.

### ***Auditors' 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 fraud 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 procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Doña Ana Mutual Domestic Water Consumers Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant 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, that raise substantial doubt about the Doña Ana Mutual Domestic Water Consumers 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 that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023, on our consideration of the Doña Ana Mutual Domestic Water Consumers Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Doña Ana Mutual Domestic Water Consumers 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 Doña Ana Mutual Domestic Water Consumers Association's internal control over financial reporting and compliance.

Watts CPA, P.C.

El Paso, Texas  
December 12, 2023

## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
DOÑA ANA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**PROPRIETARY FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2023**

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**ASSETS:**

Current Assets

Cash and cash equivalents	\$ 2,435,684
Receivables from customers (net of allowance of \$66,780)	860,542
Grants receivable	620,391
Inventory of system parts and supplies	595,750
Investments	<u>935,878</u>

Total current assets 5,448,245

Noncurrent assets

Restricted cash	280,949
Capital assets, net of accumulated depreciation	<u>59,116,407</u>

Total noncurrent assets 59,397,356

Total assets 64,845,601

**DEFERRED OUTFLOWS OF RESOURCES**

Related to pension plan 653,264

Total assets and deferred outflows of resources \$ 65,498,865

**LIABILITIES:**

Current Liabilities:

Accounts payable construction	\$ 592,696
Accrued interest	49,146
Accrued payroll, taxes and benefits	51,415
Accrued compensated absences	42,468
Customer meter deposits	73,930
Current maturities of notes payable	<u>934,303</u>

Total current liabilities 1,743,958

Noncurrent Liabilities:

Notes payable	15,647,063
Net pension liability	<u>2,092,621</u>

Total liabilities 19,483,642

**DEFERRED INFLOWS OF RESOURCES**

Related to pension 50,892

Total deferred inflows of resources 50,892

**NET POSITION:**

Net investment in capital assets	42,535,041
Restricted for debt service	280,949
Unrestricted	<u>3,148,341</u>

Total net position 45,964,331

Total liabilities, deferred inflows of resources and net position \$ 65,498,865

See accompanying notes to financial statements and independent auditor's report.



**STATE OF NEW MEXICO  
DOÑA ANA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**PROPRIETARY FUND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2023**

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Operating Revenues:	
Water	
Sales and services	\$ 4,440,266
Fees	781,208
Fines and penalties	117,434
Miscellaneous	10,185
Waste Water	
Sales and services	885,093
Fees	152,868
Fines and penalties	<u>7,260</u>
Total operating revenues	<u>6,394,314</u>
Operating Expenses:	
Water	
Personnel services and benefits	1,882,979
Operating expenses	1,829,015
Depreciation	1,534,571
Waste Water	
Personnel services and benefits	111,644
Operating expenses	425,510
Depreciation	<u>344,272</u>
Total operating expenses	<u>6,127,991</u>
Operating income	<u>266,323</u>
Non-Operating Revenues (Expenses):	
Interest income	26,905
Decrease in fair value of investments	(3,116)
Gain on sale of assets	8,200
Interest expense	<u>(267,516)</u>
Total non-operating expenses	<u>(235,527)</u>
Income before capital contributions	<u>30,796</u>
Capital Contributions:	
Grant revenues - State	<u>1,804,520</u>
Total capital contributions	<u>1,804,520</u>
Change in net position	1,835,316
Net position - beginning of year, as previously reported	44,189,493
Restatement	<u>(60,478)</u>
Net position - beginning of year, as restated	<u>44,129,015</u>
Net position - end of year	<u>\$ 45,964,331</u>

See accompanying notes to financial statements and independent auditor's report.

**STATE OF NEW MEXICO  
DOÑA ANA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**PROPRIETARY FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2023**

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Cash Flows From Operating Activities:	
Cash received from customers	\$ 6,213,980
Cash payments to employees for services	(1,775,944)
Cash payments to vendors for goods and services	<u>(2,501,077)</u>
<b>Net cash provided by operating activities</b>	<u>1,936,959</u>
Cash Flows From Capital and Related Financing Activities:	
Purchase and construction of capital assets	(4,538,127)
Payments on notes payable	(947,408)
Payments for interest on notes payable	(267,516)
Proceeds from capital grants	1,998,733
Proceeds from capital loans	<u>634,282</u>
<b>Net cash provided by capital and related financing activities</b>	<u>(3,120,036)</u>
Cash Flows From Investing Activities	
Interest received	<u>23,789</u>
<b>Net cash provided by investing activities</b>	<u>23,789</u>
<b>Net decrease in cash and cash equivalents</b>	(1,159,288)
Cash and cash equivalents, beginning of year	<u>3,875,921</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 2,716,633</u>
CASH ENDING:	
Cash	\$ 2,435,684
Restricted cash	<u>280,949</u>
Total cash reported in statement of net position	<u>\$ 2,716,633</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating income	\$ 266,323
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,878,843
Realized and unrealized gains on investments, net	(92,968)
Net pension expense	219,541
Change in:	
Accounts receivable	(10,718)
Inventory	(182,246)
Accounts payable and accrued liabilities	(154,446)
Meter deposits	<u>12,630</u>
Total adjustments	<u>1,670,636</u>
Net cash provided by operating activities	<u>\$ 1,936,959</u>

See accompanying notes to financial statements and independent auditor's report.

**STATE OF NEW MEXICO  
DOÑA ANA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Overview**

The Doña Ana Mutual Domestic Water Consumers Association (Association) is a not-for-profit Mutual Domestic Association, incorporated under the provision of the Sanitary Projects Act (SPA) of the State of New Mexico on May 3, 1974. It was established for the purpose of constructing, maintaining and operating a water and wastewater system for the members of the Association in Doña Ana community in Doña Ana County, New Mexico. The business and affairs of the Association are conducted and managed by a Board of Directors consisting of five directors selected by the membership. Bona fide occupants and residents within and in the vicinity of the community of Doña Ana, New Mexico, may apply to become members by payment of a \$75, non-refundable membership fee, and must be approved by the Board of Directors. The rights, privileges, and obligations of the members are equal.

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.

**A. Reporting Entity**

Criterion for determining the entity for financial reporting purposes is whether the governing body (Board of Directors) exercises oversight responsibility. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operation, and accountability for fiscal matters. Based on the application of these criteria, the Association has no component units, and is not a component unit of another governmental agency.

**B. Basic Financial Statements**

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.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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.

**D. 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 nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Association's policy to use restricted resources first, then unrestricted resources as they are needed.

**E. 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.

**F. 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.

**G. Restricted Cash**

Restricted cash consists of the following: 1) funds set aside in a separate bank account and restricted through a Board of Directors resolution as required by the New Mexico Environment Department, New Mexico Finance Authority, and the Rural Utilities Service debt agreements. See Note 6 2) loan and grant proceeds held by the New Mexico Finance Authority to be used for specific construction projects and debt service; and 3) funds restricted for debt service and held by the New Mexico Finance Authority.

**H. 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.

**I. Accounts Receivable**

Accounts receivable represents the amounts due from customers' water accounts. The allowance for doubtful accounts was \$66,780 at June 30, 2023. There was no change in the allowance for doubtful accounts during the year ended June 30, 2023. The allowance consists primarily of amounts owed by renters who have moved from the serviced property.

**J. Inventory**

Inventory consists of system parts and supplies valued at cost using the first in first out method of accounting. An actual inventory is taken on an annual basis.

**K. 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 \$5,000 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. Depreciation is computed using the straight-line method over 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

**L. Deferred Outflows / Inflows of Resources**

In addition to assets, the statement of net position reports deferred outflows of resources. This represents consumption of net position that applies to a future period, and will not be recognized as an outflow or resource (expenditure) until then. The District has deferred outflows related to the PERA pension as discussed in Note 10.

In addition to liabilities, the statement of net position reports deferred inflows of resources. This represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. The District has two types of deferred inflows; advances under expenditure driven grants which amounted to \$0 as of June 30, 2023, and deferred inflows related to the PERA pension as discussed in Note 10.

**M. Budgets and Budgetary Accounting**

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).

**N. 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.

**O. 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.

**P. 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, 2023 totaled \$190,768.

**Q. Contributed Capital**

On July 1, 2000, the District was required to adopt Governmental Accounting Standards Board's (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. This statement required governments to recognize capital contributed to proprietary funds as revenues, instead of contributed capital. Previously, grants, entitlements, shared revenue and the fair market value of donated property received by the District, which restricted for the acquisition or construction of capital assets were recorded as contributed capital.

**R. Net Position**

Net position comprises the various net earnings from operating, non-operating revenues and expenses, and deferred outflows and inflows of resources. Net position is classified in the following three components: net invested in capital assets; restricted; and unrestricted. Net invested in capital assets, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net position consists of net assets for which constraints are placed thereon by external parties such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net position consist of all other net asset not include in the above categories.

**S. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**T. Pensions**

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

**U. 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.



## **V. New Accounting Pronouncements**

During the year ended June 30, 2023, the Association implemented the following new accounting pronouncements which did not have a material effect on the Association's financial statements:

- GASB Statement No. 91, Conduit Debt Obligations
- GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements
- GASB Statement No. 96, Subscription-Based Information Technology Arrangements
- *GASB Statement No.98, The Annual Comprehensive Financial Report*
- *GASB Statement No. 99, Omnibus 2022*
- *GASB Statement No. 100, Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*
- *GASB Statement No. 101, Compensated Absences*

## **W. Tax Abatement Disclosures**

The District does not have any agreements that require disclosure under GASB Statement No. 77, Tax Abatement Disclosures.

## **X. Reclassifications**

Certain amounts in the prior year have been reclassified to conform to the current year presentation.

## **2. CASH**

Deposits of funds may be made in interest or non-interest bearing accounts in one or more banks or savings and loan associations within the geographical boundaries of the Association. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the state board of finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of the deposit.

Excess funds may be temporarily invested in securities which are issued by the State or by the United States Government, or by their departments or agencies, and which are either direct obligations of the state or the United States or are backed by the full faith and credit of those governments. State statutes authorize the investment of the Association's funds in a variety of instruments including certificate of deposits and other similar obligations, state investment pool and money market accounts. The Association must follow the above investment policies.

New Mexico State Statutes require collateral pledged for deposits in excess of federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Association for at least one half of the amount on deposit with the institution. According to the Federal Deposit Insurance Corporation public unit, deposits are funds owned by the Association. Interest bearing accounts of a public unit in an institution in the same state will be insured separate from the public unit's demand deposits at the same institution. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the Authority’s deposits may not be returned to it. The Association does not have a policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63 NMSA 1978). New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Association for at least one half of the amount on deposit with the institution that is in excess of the federal deposit insurance amount.

The following schedule is designed to disclose the level of custodial credit risk assumed by the Association based upon how its deposits were insured or secured with collateral at June 30, 2023:

Total deposits in bank	\$ 2,622,393
Less FDIC coverage	<u>(250,000)</u>
Uninsured public funds	2,372,393
Pledged Collateral held by the pledging bank's trust department or agent in the Association's name	<u>2,336,042</u>
Uninsured and uncollateralized	<u>\$ 36,351</u>

As of June 30, 2023, the Association's bank balances were exposed to custodial credit risk. The amount above identified as uninsured \$2,372,393 is subject to custodial credit risk. This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The Association does not have a deposit policy for custodial credit risk.

The various bank account balances were collateralized as shown in the following schedule:

<b>Account</b>	<b>Account Type</b>	<b>Interest Bearing</b>	<b>Wells Fargo Bank</b>
Operating	Demand	Yes	\$ 50,041
DAMDWCA	Demand	Yes	2,353,512
USDA RD	Demand	Yes	<u>218,840</u>
Total amounts of deposits			2,622,393
FDIC Coverage			<u>250,000</u>
Total uninsured public funds			2,372,393
Pledged collateral held by the pledging bank's trust department or agent in the District's name			<u>2,336,042</u>
Uninsured and uncollateralized			<u>\$ 36,351</u>
50% pledged collateral requirement			\$ 1,186,197
Total pledged collateral			<u>2,336,042</u>
Pledged collateral exceeding the requirements			<u>\$ 1,149,845</u>

A description of the pledged collateral as of June 30, 2023 is as follows:

<b>Description</b>	<b>CUSIP#</b>	<b>Maturity</b>	<b>Market Value</b>
Wells Fargo Bank:			
FMAC FNMS	3140FCTG3	02/01/2047	\$ 275,670
FMAC FNMS	3140JHYS6	10/01/2048	75,819
FMAC FNMS	3140QBNU8	08/01/2049	274,456
FMAC FNMS	3140QCVV5	02/01/2050	263,798
FMAC FNMS	3140XCTL2	04/01/2047	231,943
FMAC FNMS	31418BUN4	09/01/2035	228,991
GNMA G2SF	36179UGD8	11/20/2048	299,333
GNMA G2SF	3619W5F1	05/20/2052	191,932
GNMA G2SF	3617XQX7	01/20/2053	<u>494,100</u>
Total Wells Fargo Bank			<u>\$ 2,336,042</u>

The various bank account reconciliations as of June 30, 2023 are as follows:

Account	Account Type	Balance per Bank	Deposits in Transit	Outstanding Checks	Balance per Books
Operating	Demand	\$ 50,041	\$ -	\$ 673,357	\$ (623,316)
DAMDWCA	Demand	2,353,512	-	-	2,353,512
USDA RD	Demand	<u>218,840</u>	<u>-</u>	<u>-</u>	<u>218,840</u>
Total amounts of deposits		<u>\$ 2,622,393</u>	<u>\$ -</u>	<u>\$ 673,357</u>	1,949,036
Cash held by NMFA					62,109
Cash equivalents held in brokerage account					704,688
Petty Cash					<u>800</u>
Total cash and cash equivalents					<u>\$ 2,716,633</u>
Total as Reported in the Financial Statements:					
Statement of Net Position:					
Cash and cash equivalents					\$ 2,435,684
Restricted cash					<u>280,949</u>
Total cash per financial statements					<u>\$ 2,716,633</u>

### 3. INVESTMENTS

Pursuant to a resolution by the Board of Directors, the Association has established a reserve fund for future plant expansion, debt service, emergencies, and water rights acquisition. This reserve is funded by a hook-up charge as stated below:

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 and cash:

Ameritrade	Fair Value	Investment Maturities		
		Current	1 to 5 years	6 to 10 years
Cash equivalents	\$ 704,688	\$ 704,688	\$ -	\$ -
FNMA	183,890	-	183,890	-
FFCB	376,298	-	376,298	-
FHLM	275,717	-	275,717	-
USTB	99,973	99,973	-	-
Total reserve fund	1,640,566	804,661	835,905	-
Less cash equivalents	(704,688)	(704,688)	-	-
Total investments	\$ 935,878	\$ 99,973	\$ 835,905	\$ -

#### Credit Risk Investments

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

Investments	Weighted Average Days to Maturity	Standard & Poor's Ratings	Moody's Ratings
Federal National Mortgage Association (FNMA)	731	AA+	Aaa
Federal Farm Credit Bank (FFCB)	599	AA+	Aaa
Federal Home Loan Mortgage (FHLM)	724	AA+	Aaa
United States Treasury Bills (USTB)	175	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 40% in FFCB, 29% in FHLM, 20% in FNMA and 11% in USTB.

#### 4. ACCOUNTS RECEIVABLE

The accounts receivable are shown net of an allowance for uncollectible accounts. Total customer accounts receivables were \$927,322 and the allowance for uncollectible accounts was \$66,780 for a net amount of receivables of \$860,542.

## 5. CAPITAL ASSETS

Capital assets consist of the following as of June 30, 2023:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Business-type capital assets, not being depreciated				
Land	\$ 699,381	\$ -	\$ -	\$ 699,381
Water rights	11,603,508	-	-	11,603,508
Construction in progress	5,655,437	4,034,225	-	9,689,662
<b>Total capital assets, not being depreciated</b>	<u>17,958,326</u>	<u>4,034,225</u>	<u>-</u>	<u>21,992,551</u>
Business-type capital assets, being depreciated				
Buildings and improvements	1,764,959	77,419	-	1,842,378
Water distributions systems	42,243,222	34,072	-	42,277,294
Waste water distribution systems	9,448,617	-	-	9,448,617
Equipment and vehicles	964,973	392,410	19,000	1,376,383
<b>Total business-type capital assets, being depreciated</b>	<u>54,421,771</u>	<u>503,901</u>	<u>19,000</u>	<u>54,944,672</u>
Less accumulated depreciation for:				
Buildings and improvements	685,090	58,904	-	743,994
Water distributions systems	13,257,693	1,370,799	-	14,628,492
Waste water distribution systems	1,164,373	344,272	-	1,508,645
Equipment and vehicles	815,818	104,867	19,000	939,685
<b>Total accumulated depreciation</b>	<u>15,922,974</u>	<u>1,878,842</u>	<u>19,000</u>	<u>17,820,816</u>
<b>Total capital assets being depreciated, net</b>	<u>38,498,797</u>	<u>(1,374,941)</u>	<u>-</u>	<u>37,123,856</u>
<b>Total Capital Assets</b>	<u>\$ 56,457,123</u>	<u>\$ 2,659,284</u>	<u>\$ -</u>	<u>\$ 59,116,407</u>

Depreciation expense for the year ended June 30, 2023 was \$1,878,842.

## 6. LONG TERM OBLIGATIONS

The Association's long-term liabilities 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.	\$ 328,736
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.	661,990
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.	612,719
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.	755,202
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.	1,218,410

<p>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.</p>	1,743,213
<p>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.</p>	1,761,708
<p>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.</p>	1,839,491
<p>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.</p>	367,406
<p>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.</p>	11,802
<p>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.</p>	118,020



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.	4,337
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.	658,319
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.	890,353
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.	16,669
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.	84,348
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.	11,352
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.	6,049

<p>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.</p>	42,346
<p>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.</p>	51,058
<p>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.</p>	60,118
<p>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.</p>	93,891
<p>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.</p>	64,658
<p>CI-4911-The Association entered into an agreement with the New Mexico Finance Authority on November 27, 2019, for the construction of the Doña 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.</p>	20,627
<p>CI-5168-The Association entered into an agreement with the New Mexico Finance Authority on November 6, 2020, for the construction of the Doña 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.</p>	9,353

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.	1,079,240
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.	1,516,342
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.	1,919,326
WPF-5415-The Association entered into an agreement with the New Mexico Finance Authority on December 30, 2021, in the amount of \$2,500,000 comprised of a \$1,000,000 loan (\$505,661 has been drawn through June 30, 2023) and a \$1,500,000 grant. The note bears interest of .25% which includes the administrative fees. Principal payments are due annually. The note matures on June 1, 2043. The Association has pledged as collateral all gross receipts, income accounts, deposit accounts, goods, supplies, inventory, equipment, the water works and distribution system.	505,661
CIF-5523-The Association entered into an agreement with the New Mexico Finance Authority on December 30, 2021, in the amount of \$2,921,557 comprised of a \$292,156 loan (\$128,620 has been drawn through June 30, 2023) and a \$2,629,401 grant. The note bears 0% interest. Principal payments are due annually. The note matures on June 1, 2043. The Association has pledged as collateral all gross receipts, income accounts, deposit accounts, goods, supplies, inventory, equipment, the water works and distribution system.	<u>128,622</u>
Total debt	16,581,366
Less current portion of long-term debt	<u>934,303</u>
Total long-term debt	<u>\$ 15,647,063</u>

Following is a summary of principal and interest maturities of long-term liabilities:

<b>Years Ending</b>	<b>Interest</b>	<b>Principal</b>
June 30, 2024	\$ 346,488	\$ 934,303
June 30, 2025	329,454	951,393
June 30, 2026	312,021	968,884
June 30, 2027	294,182	986,779
June 30, 2028	275,925	1,005,089
June 30, 2029 - 2033	257,241	1,023,827
June 30, 2034 - 2038	997,507	5,011,103
June 30, 2039 - 2043	529,219	4,333,184
June 30, 2044 - 2048	162,017	618,459
June 30, 2049 - 2053	112,608	226,452
June 30, 2054 - 2058	69,773	269,287
June 30, 2059 - 2063	19,544	252,606
<b>Total</b>	<b>\$ 3,705,979</b>	<b>\$ 16,581,366</b>

Changes in long-term debt activity for the ended June 30, 2023, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
USDA Rural Development	\$ 2,444,710	\$ -	\$ 86,063	\$ 2,358,647	\$ 113,210
NM Environmental Department	7,306,538	-	376,310	6,930,228	374,339
NM Finance Authority	<u>7,142,771</u>	<u>634,754</u>	<u>485,034</u>	<u>7,292,491</u>	<u>446,754</u>
<b>Total notes payable</b>	<b>\$16,894,019</b>	<b>\$ 634,754</b>	<b>\$ 947,407</b>	<b>\$ 16,581,366</b>	<b>\$ 934,303</b>

## 7. COMPENSATED ABSENCES

Following is a schedule of changes in compensated absences for the year ended June 30, 2023:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reduction</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Compensated absences	<u>\$ 39,466</u>	<u>\$ 62,228</u>	<u>\$ 59,226</u>	<u>\$ 42,468</u>	<u>\$ 42,468</u>

## 8. RISK MANAGEMENT

The Association covers its insurance needs through various insurance policies. The coverage includes worker's compensation, general liability, buildings and improvements, personal property, automobiles, directors' and officers' liability, and employee bonds. If the Association's losses exceed its premiums, there is no supplemental assessment; on the other hand, if the Association's losses are low, they will not receive a refund. Therefore, except for deductible amounts, risk has been transferred to the insurance carrier.

**9. NET POSITION**

Net Position represents the difference between assets, deferred outflows, liabilities and deferred inflows. The net position amounts at June 30, 2023 were as follows:

Net Investment in capital assets:	
Net Property and equipment in service	\$ 59,116,407
Less: notes payable	<u>(16,581,366)</u>
Net Investment in Capital Asset	<u>42,535,041</u>
Restricted - Debt Service	
Rural Development Debt	218,840
NM Finance Authority Debt	<u>62,109</u>
Total Restricted - Debt Service	<u>280,949</u>
Unrestricted	<u>3,148,341</u>
Total net position	<u>\$ 45,964,331</u>

**10. PERA PENSION PLAN**

**General Information about the Pension Plan**

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

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

**Benefits provided.** For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2022 available at:  
<https://www.osa-app.org/uploads/2023/b986e942-5fef-40f6-bf1e-a97d6bb39815/366-B%20-%20PERA%20Schedule%20of%20Employer%20Allocations%20and%20Pension%20Amounts%20-%20FY2022%20FS%20Final.pdf>

**Contributions.** The contribution requirements of defined benefit plan members and the Association are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee

contribution rates in effect for FY22 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 26 of the PERA FY22 annual audit report at

<https://www.nmpera.org/assets/uploads/general-upload/366-B-PERA-Schedule-of-Employer-Allocations-and-Pension-Amounts-FY2022-FS-Final.pdf>

The PERA coverage options that apply to the Association is the Municipal General Division Statutorily required contributions to the pension plan from the Association were \$138,177 and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2023.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:*** The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2021. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2022, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2022.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Association's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2022. Only employer contributions for the pay period end dates that fell within the period of July 1, 2021 to June 30, 2022 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2022 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

**For PERA Fund Division Municipal General**, at June 30, 2023, the Association reported a liability of \$2,092,621 for its proportionate share of the net pension liability. At June 30, 2023, the Association's proportion was .117980 percent, which was a decrease from its proportion measured as of June 30, 2022, which was .102459 percent.

For the year ended June 30, 2023, the Association recognized PERA Fund Division Municipal General pension expense of \$346,065. At June 30, 2023, the Association reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 8,389	\$ 50,892
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	207,098	-
Changes in proportion and differences between District contributions and proportionate share of contributions	299,600	-
District contributions subsequent to the measurement date	138,177	-
	<hr/>	<hr/>
Total	<u>\$ 653,264</u>	<u>\$ 50,892</u>

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:	
2024	\$ 200,676
2025	132,905
2026	(32,904)
2027	163,518

**Actuarial assumptions.** As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2021 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2022 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2022. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2022 actuarial valuation.

Actual valuation date	June 30, 2021
Actuarial cost method	Entry age normal
Amortization method	Level Percentage of Payroll for all divisions except for the Legislative division which is Level Dollar
Amortization period	25 years
Actuarial assumptions:	
• Investment rate of return	7.25 %
• Salary increases	3.25% to 13.50% per year
• Included inflation at	2.50%

- **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.
- Experience Study Dates** July 1, 2008 to June 30, 2017 (demographic) and July 1, 2013 through June 30, 2017 (economic).

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

<b>All Funds - Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equity	35.50%	6.35%
Risk Reduction & Mitigation	19.50%	1.90%
Credit Oriented Fixed Income	15.00%	4.45%
Real Assets	20.00%	5.10%
Multi-Risk Allocation	10.00%	6.65%
<b>Total</b>	<b>100.00%</b>	

**Discount rate for the PERA Funds.** The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB Statement No. 67. Therefore, the 7.25% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Association's proportionate share of the net pension liability to changes in the discount rate.** The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Association's net pension liability in each PERA Fund Division that the Association participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.25%) or one percentage point higher (8.25%) than the single discount rate.



PERA Fund Division Municipal General	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
The Association's proportionate share of the net pension liability	\$ 3,166,584	\$ 2,092,621	\$ 1,200,442

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued FY22 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

**11. SUBSEQUENT REVIEW**

Doña Ana Mutual Domestic Water Consumers Association has evaluated subsequent events through December 12, 2023, which is the date the financial statements were available to be issued.

**12. NEW MEXICO RETIRE HEALTHCARE**

The District does not participate in the NM Retirement Health Care Act.

**13. RESTATEMENT**

During the year ended June 30, 2023, the Association has restated net position in the amount of \$60,478 due to notes payable being understated by \$60,478 in the prior year.

## **SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
DOÑA ANA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**STATEMENT OF RECEIPTS AND DISBURSEMENTS  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2023**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Favorable (Unfavorable)
<b>RECEIPTS:</b>				
Operating revenues:				
Sales and services	\$ 5,446,500	\$ 5,446,500	\$ 5,327,271	\$ (119,229)
Fees	1,780,000	1,780,000	909,453	(870,547)
Fines and penalties	217,000	217,000	159,502	(57,498)
Other	25,000	25,000	8,200	(16,800)
Investments	-	-	23,787	(16,800)
Grants	11,720,557	11,720,557	2,625,287	(9,095,270)
	<u>19,189,057</u>	<u>19,189,057</u>	<u>9,053,500</u>	<u>(10,135,557)</u>
Total receipts	<u>19,189,057</u>	<u>19,189,057</u>	<u>9,053,500</u>	<u>(10,135,557)</u>
<b>DISBURSEMENTS:</b>				
Salaries and benefits	1,924,083	1,924,083	1,775,942	148,141
Operating expenses	2,787,750	2,787,750	3,718,522	(930,772)
Capital outlay	12,834,705	12,834,705	4,329,449	8,505,256
Non-operating disbursements				
Principal	-	-	-	-
Interest	1,216,000	1,216,000	310,754	905,246
	<u>18,762,538</u>	<u>18,762,538</u>	<u>10,134,667</u>	<u>8,627,871</u>
Total disbursements	<u>18,762,538</u>	<u>18,762,538</u>	<u>10,134,667</u>	<u>8,627,871</u>
Excess receipts over (under) disbursements	<u>426,519</u>	<u>426,519</u>	<u>(1,081,167)</u>	<u>(1,081,167)</u>
Beginning unrestricted cash			<u>2,851,479</u>	
<b>Ending unrestricted cash</b>			<u>\$ 1,770,312</u>	
Reconciliation of budgetary basis to GAAP basis:				
Net excess receipts over (under) disbursements budgetary basis			\$ (1,081,167)	
Net revenue accruals			(822,678)	
Net expenditure accruals			1,245,317	
Budgeted capital outlay			4,329,449	
Depreciation and amortization			(1,878,843)	
Debt service			43,238	
Change in net position GAAP basis			<u>\$ 1,835,316</u>	

See accompanying notes to financial statements and independent auditor's report.

**REQUIRED SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
DOÑA ANA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF PERA FUND DIVISION  
MUNICIPAL GENERAL  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN  
LAST 10 FISCAL YEARS\*  
JUNE 30, 2023**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Association's proportion of the net pension liability	0.11798%	0.1025%	0.0902%	0.0791%	0.0797%	0.0678%	0.0750%	0.0719%	0.0618%
Association's proportionate share of the net pension liability	\$ 2,092,621	\$ 1,154,372	\$ 1,824,050	\$ 1,369,300	\$ 1,154,372	\$ 931,629	\$ 1,154,372	\$ 733,083	\$ 482,106
Association's covered employee payroll	\$ 1,239,255	\$ 1,149,973	\$ 965,731	\$ 856,618	\$ 723,497	\$ 671,933	\$ 595,123	\$ 617,907	\$ 572,660
Association's proportionate share of the net pension liability as a percentage of its covered employee payroll	169%	100%	189%	160%	160%	139%	198%	119%	84%
Plan fiduciary net position as a percentage of the total pension liability	69%	77%	66%	71%	71%	74%	69%	77%	81%

\* The amounts presented were determined as of June 30, using the prior June 30 fiscal year as the measurement date. This schedule is presented to illustrate the requirements to show information for 10 years, however, until a full 10 year trend is completed, the Association will present information for those years for which information is available.

See accompanying notes to financial statements and independent auditor's report.

**STATE OF NEW MEXICO  
DOÑA ANA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**SCHEDULE OF CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN  
PERA FUND DIVISION MUNICIPAL GENERAL  
LAST 10 FISCAL YEARS\*  
JUNE 30, 2023**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 138,177	\$ 112,697	\$ 94,642	\$ 83,949	\$ 69,094	\$ 64,170	\$ 56,834	\$ 59,010	\$ 54,689
Contributions in relation to contractually required contribution	138,177	112,697	94,642	83,949	69,094	64,170	56,834	59,010	54,689
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Association's covered employee payroll	\$ 1,239,255	\$ 1,149,973	\$ 965,731	\$ 856,618	\$ 723,497	\$ 671,933	\$ 595,123	\$ 617,907	\$ 572,660
Contributions as a percentage of covered employee payroll	11.2%	9.8%	9.8%	9.8%	9.55%	9.55%	9.55%	9.55%	9.55%

\* This schedule is presented to illustrate the requirements to show information for 10 years however, until a for 10 year-trend is completed, the Association will present information for those years for which information is available.

See accompanying notes to financial statements and independent auditor's report.

**STATE OF NEW MEXICO  
DOÑA ANA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2023**

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**Changes of benefit terms.** The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY22 audit available at <https://www.osa-app.org/uploads/2023/b986e942-5fef-40f6-bf1e-a97d6bb39815/366-B%20-%20PERA%20Schedule%20of%20Employer%20Allocations%20and%20Pension%20Amounts%20-%20FY2022%20FS%20Final.pdf>

**Changes of assumptions.** The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2022 report is available at <https://s3.amazonaws.com/boardaudio/366%20NM%20PERA%20FY22%20Final.pdf> For details about changes in the actuarial assumptions see the report. For a description of actuarial assumptions, see Appendix B of the report.

**COMPLIANCE SECTION**



# WATTS CPA, P.C.

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## **INDEPENDENT AUDITOR'S 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***

State Auditor Joseph M. Maestas, P.E. and  
Members of the Board of Directors  
Doña Ana Mutual Domestic Water Consumers Association  
Las Cruces, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Doña Ana Mutual Domestic Water Consumers Association as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and the related budget comparison of the Association, presented as supplemental information, and have issued our report thereon dated December 12, 2023.

### **Report on 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 is 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. 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.

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Watts CPA, P.C.

El Paso, Texas  
December 12, 2023

**STATE OF NEW MEXICO  
DOÑA ANA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2023**

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**Section I – Summary of Auditors’ Results**

Financial Statements:

- |  |            |
|--|------------|
| 1. Type of auditors’ report issued   | Unmodified |
| 2. Internal control over financial reporting:  |            |
| a. Material weaknesses identified?   | No         |
| b. Significant deficiencies identified not considered to be material weaknesses?               | No         |
| c. Noncompliance material to the financial statements noted?                                   | None Noted |
| d. Other deficiencies identified that are not significant deficiencies or material weaknesses? | No         |

**Section II – Findings**

**CURRENT YEAR FINDINGS:**

**None**

**STATUS OF PRIOR YEAR FINDINGS**

**None**

**STATE OF NEW MEXICO  
DOÑA ANA MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION**

**EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2023**

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An exit conference was held on December 12, 2023 with the following individuals in attendance:

**Doña Ana Mutual Domestic Water Consumers Association**

James Melton  
Jennifer Horton

President  
Executive Director

**Watts CPA, P.C.**

Brad Watts

Shareholder

**Financial Statement Preparation**

The financial statements were prepared by Watts CPA, P.C. from the books and records of the Doña Ana Mutual Domestic Water Consumers Association. However, the contents of these financial statements remain the responsibility of the Association's management.