LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY

Minutes—REGULAR BOARD OF DIRECTORS MEETING

9:00 a.m. Wednesday, February 20, 2013 at the Vado Office, 325 Holguin Rd

NOTE: Minutes are in DRAFT form until approved by the Board

I. Sign in, Roll Call to Establish Quorum, Call to Order Sign-in sheet and agenda are attached. Directors present were Secretary Santos Ruiz, Director Blanca Martinez, Director Rosaura Pargas, Director Mary Berry, Director Furman Smith and Director Mike McMullen. Absent were Chairman Robert "Marty" Nieto and Vice-Chairman John Holguin. Staff members present were General Manager Martin Lopez, Finance Manager Kathi Jackson, Operations Manager, Mike Lopez, Projects Manager, Karen Nichols and Adm Asst Joan Ferguson. With a quorum established, the meeting was called to order by Ms. Berry at 9:06 am. {0:20}

II. Approval of Agenda Mr. Ruiz moved to approve the agenda. Ms. Martinez seconded the motion. The motion carried 5-0. {:48} Mr. Martin Lopez noticed at {22:09} that Item VI.B.2. was incorrect. It should read LRGMDWA.

III. Approval of Minutes of 1/16/13 Ms. Pargas noticed an error in item I. Instead of "with Mr. Nieto's arrival pending," it should read "with Mr. Holguin's arrival pending." Mr. Santos made a motion to approve the minutes of 1/16/13 with the above correction. Ms. Martinez seconded the motion and it carried 5-0. {2:15}

IV. Guest Presentations: Souder Miller Associates Souder, Miller & Associates' presentation is attached. Mr. Karl Tonander (Senior Vice President) introduced his staff and their credentials and gave his presentation. Ms. Berry reiterated how easy she found it to work with Souder, Miller when she was with Butterfield Park. {21:07}

V. Public Input—15 minutes total allotted for this item, 3 minute time limit per person none

VI. Managers' Reports

A. Management Report Mr. Martin Lopez's written report is attached and he discussed it with the Board.

- The East Mesa office will be open 10am–5pm, Monday–Friday.
- There was a question about whether the legislative funding request for the groundwater study had been submitted. It was unclear.
- RE elections, there is one candidate for each district except for District 1 which is the former Desert Sands district. There is the possibility for write-in candidates and if that doesn't happen, the Board has 45 day to appoint someone. Candidates were reminded to vote for themselves! The election is April 2, 2013 at the Del Cerro Community Center and the old Butterfield Park Community Center.

B. Finance Report Ms. Kathi Jackson's written report is attached and she discussed it with the Board.

- Two new employees: an accountant, Shane Greeder and Mary Berry who will be at the Butterfield Park office.
- In the next couple of weeks the online system should be up and running. Customers will be able to access their accounts and for a fee of $2.50 pay their bills online. {32:47}

2. FY2012 Audit—for acceptance

- *Capital Asset Finding* Because of no inventory system. With the new employee, an inventory system should be set up within the year.
- *Under Collateralized Finding*. Because of time constraints, LRG was not able to dispute this finding but are still contesting it. According to the Federal Reserve, LRG was fully collateralized.
- *Per diem finding.* The auditor mistook an expense for a per diem payment by thinking that the credit card issued to the General Manager was a personal credit card that was being reimbursed.
- *Overstatement of Revenue Finding.* A check was inadvertently entered in a previous month. Because it came at year-end it effected revenue.
- *Compensated Absences Finding*. LRG bought out vacation and sick time of previous MD employees. The auditor believed that LRG paid too much.
- *Over Budget Finding.* Because of the mergers with Organ and Butterfield Park, LRG was taking in more revenue and the budget wasn't amended.

A motion was made by Mr. Smith to accept the FY2012 Audit. The motion was seconded by Ms. Martinez and the motion carried 6–0.

3. **LRGMDWA Agreed-Upon Procedures, June 30, 2012—for acceptance** The funding for this entity was simply grant funding and there were no findings. Mr. McMullen made a motion to accept the LRGMDWA Agreed-Upon Procedures, June 30, 2012. Mr. Smith seconded and it passed 6–0.
4. **Organ Water and Sewer Association Agreed-Upon Procedures, December 31, 2011—for acceptance** Findings: fixed asset inventory; no budget amendments; lack of review of documentation; late reporting. Ms. Pargas made a motion to approve the Organ Water and Sewer Association Agreed-Upon Procedures, June 30, 2012. Mr. Smith seconded and the motion carried, 6–0.
5. **Brazito MDWCA Agreed-Upon Procedures, December 31, 2011—for acceptance** Findings: fixed asset inventory; budget adjustments; late report; lack of review documentation. Mr. Smith moved to accept the Brazito MDWCA Agreed-Upon Procedures, December 31, 2011. Mr. McMullen seconded and the motion carried 6–0. {45:56}

This month's P/L shows a loss. This is because of decreased revenue during the winter months and because the Authority ended up paying Brazito's loans a month earlier than anticipated. Ms. Berry asked about the Government Penalties and Interest line item. Ms. Jackson said it was a portion of what was owned on the payroll tax issue. First and second quarter amended budgets (not on agenda) were passed around for review. They will be signed by the chair and secretary. {1:00:58}

C. Projects Report Ms. Karen Nichols' written report is attached and she discussed it with the Board.

- Re La Mesa Water, the new gate will cost $1,700–1,800.
- Re Surface Water Treatment Plant, the transcript has been received since the report was written and Design will begin immediately.
- Re Authority PER, the third draw has been approved and Ms. Nichols is looking at 65% submittal by the end of the month.
- RE Radio Read Meters, one bid was received and was sent to the project engineer Feb 20 and his recommendation is expected shortly.

2. **Signature Authority for Alto de Las Flores Interconnect Project—for approval** Ms. Pargas made a motion to approve the Signature Authority for Alto de Las Flores Interconnect Project. The motion was seconded by Mr. Smith and passed 6–0.

D. Operations Report Mr. Mike Lopez's written report is attached and he discussed it with the Board.

- The new on-call system has halved overtime expenses. Recording fails at this point
- The pump control panels for the new sewer project will need to be reinforced somehow because they are located on DOT right-of-way and DOT will not allow fencing so they are susceptible to tampering.
- Wetlands were burned to clean out the brush. Recording starts at this point {1:03}

VII. Unfinished Business

A. Draft Documents Retention Schedule, Operations—for approval Ms. Ferguson explained that this schedule is different than the other and has been taken from Federal codes concerning the EPA. Mr. Smith moved to approved the Documents Retention Schedule, Operations. Ms. Pargas seconded the motion: it passed 6–0. {3:00}

B. Director nominations for GM Review Committee Two more nominees are needed for the Review Committee. {4:01}

C. Resolution FY2013-10 re: Colonias Infrastructure Trust Fund Loan & Grant—for adoption For a grant of $1,503,232 and a loan of $167,025. A motion to adopt Resolution FY2013-10 re: Colonias Infrastructure Trust Fund Loan & Grant was made by Mr. Smith and seconded by Mr. McMullen. The motion carried 6–0. {6:00}

D. Motion to convene in closed session pursuant to NMSA 1978 Section 10-15-1 (H)(8) and (H)(7) for discussion of the acquisition of real property or water rights and threatened or pending litigation. A motion to postpone items VII.D–F was made by Mr. McMullen. It was seconded by Mr. Smith and carried 6–0. {7:15}

E. Motion to resume in open session postponed

F. Action (if any) related to items discussed in closed session postponed

VIII. New Business

A. Pledge of CITF matching funds for water rights acquisition for approval. Because the Authority lost 300 acre feet because of the Combine and Comingle, it needs to buy water rights because without the extra water rights there would be a moratorium on new water hookups. Ms. Nichols explained that having matching funds in place, ie., the reserve funds that she is requesting, garners more points in the application process with the CITF. Ms. Pargas moved that the pledge be amended to read "A pledge of $150,000 matching funds for the potential purchase of water rights contingent upon the award of CITF funding and they are pledged until another source of matching funds is secured." The amendment passed 6–0. Mr. McMullen moved that a pledge of $150,000 matching funds for the potential purchase of water rights contingent upon the award of CITF funding and they are pledged until another source of matching funds is secured. Mr. Smith seconded the motion and it passed, 6–0. {20:07:}

B. Amendment to Resolution FY 2013-09, CITF Applications. Ms. Pargas move approve the Amendment to Resolution FY 2013-09, CITF Applications changing the title. Mr. Ruiz seconded it and it passed 6–0. {21:41}

C. **Customer policy on connection fee.** Mr. McMullen moved to amend the customer policy to require new members to have a shut-off valve on the customer side of the meter prior to the service being activated. The motion was seconded by Mr. Smith and carried 6–0. {30:00}

D. **Customer policy on tampering fees.** Mr. Martin Lopez suggested changing the wording to "Unauthorized opening/closing of service…" The proposed amendment was to recognize that unauthorized opening and/or closing of the service was not always malicious and did not warrant a $500 fine. Mr. McMullen moved that the amendment with the changed language be approved. Ms. Pargas seconded it and it passed 6–0. {33:50}

E. **HR policies on part-time employees and holiday pay.** When the policy was originally written, there were no part-time employees. This amendment closes a gap. Mr. McMullen moved to accept the amendment as written and Ms. Pargas seconded it. The motion carried 6–0. {35:37}

F. **Employee bonuses for calendar year 2012** Bonuses have usually been awarded during the Christmas get together and they were overlooked this year. Last year, a lump sum of $5,500 was allocated to the GM to distribute according to a formula. The Board directed Ms. Kathi Jackson to determine a dollar amount that would be appropriate and Mr. McMullen moved to postpone the decision. Mr. Smith seconded and the motion carried 6–0. {41:40}

IX. Other discussion and agenda items for next meeting, 3/20/13, 10am at the Organ Community Center

Ms. Mary Berry tendered her resignation as she has been employed by the Authority. {42:45}

X. Adjourn Mr. McMullen moved to adjourn the meeting. Mr. Smith seconded. The vote to adjourn was unanimous. The meeting adjourned at 11:26 am.

Date Minutes approved: March 20, 2013

Directors Present

Absent

Chairman Robert M. Nieto

Absent

Vice-Chairman John Holguin

Secretary Santos Ruiz

Director Rosaura Pargas

Director Blanca Martinez

Director Mary Berry

Director Furman Smith

Director Mike McMullen

1/2

Lower Rio Grande Public Waterworks Authority

Sign In Sheet

Date: FEB 20, 2013 Time: 9AM Place: VADO Meeting Type: REGULAR MEETING

Name, Title – Print Sign	Company or Agency Represented	Mailing Address	Telephone	Email
Robert Apodaca	Souder Miller + Assoc		505-412-1057	RAPODACA@motiva corp.com
Karl Tonander	"		575 647 0799	karl.tonander@sondermiller.com
Lilla J. Reid	"	401 17th St, Suite 4 Las Cruces, NM 88005	5756470799	lilla.reid@souder miller.com
Adrian Renteria	"	" "	575-647-0799	adrian.renteria@souder miller.com
Kristin F. Montoya	"	" "	(575) 647-0799	kristin.montoya@sondermiller.com
FURMAN SMITH ~~MIKE MCMULLEN~~	LRG/OUSA	PO BOX 172 ORGAN 88052	382 5982	SMITHF@ZIANET.COM
MIKE MCMULLEN	" "	201 STONE AR MESSILA PARK NM 88047	575-647-3909	MEMLMCMULLEN@YAHOO.COM
Mary Berry	LRG (BPMDWA)	9170 Berry Park LN. Las Cruces, NM	382-5874	mdberry@NMSU.edu
Blanca Martinez	La Mesa	Hilego San Jose La Mesa NM	575-642-3551	MARTINS16@MSN.com
MARTIN G LOPEZ	LRGPWWA	325 Holguin Rd VANA, NM 88072	575-571-3628	martin.lopez@lrgauthority.org
Karen Nichols PM	LRGPWWA	325 Holguin Rd Vado NM 88072	915 203 2057	karen.nichols@LRGauthority.org

Lower Rio Grande Public Waterworks Authority

Sign In Sheet

2/2

Date: FEB 20, 2013 Time: 9AM Place: VADO Meeting Type: REGULAR MEETING

Name, Title – Print Sign	Company or Agency Represented	Mailing Address	Telephone	Email
JOAN FERGUSON	LRGPWA		575-405-7772	Joan.Ferguson@lrgpwthority.org
Rosaura Pargas	Desert Sands			
mike lopez	LRGPWA		(575) 635-3921	
Kathi Jackson Finance Manager	LRGPWA		(575) 640-4330	
Santo Rijo	LDGPM NA		575 882-5937	
FURMAN SMITH	LRG/ORGAN	PO BOX 172 ORGAN 88052	382-5982	SMITHFE@ZIMNET.COM

LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY

MEETING NOTICE & AGENDA—REGULAR BOARD OF DIRECTORS MEETING

9:00 a.m. Wednesday, February 20, 2013 at the Vado Office, 325 Holguin Rd

Agendas are final 24 hours prior to the meeting and may be obtained at any LRGPWWA Office—call 575-233-5742 for information

I. Sign in, Roll Call to Establish Quorum, Call to Order
II. Approval of Agenda
III. Approval of Minutes of 1/16/13
IV. Guest Presentations: Souder Miller Associates
V. Public Input—15 minutes total allotted for this item, 3 minute time limit per person
VI. Managers' Reports
   A. Management Report
   B. Finance Report
      1. FY2012 Audit—for acceptance
      2. LRGPWWA Agreed-Upon Procedures, June 30, 2012—for acceptance
      3. Organ Water and Sewer Association Agreed-Upon Procedures, December 31, 2011—for acceptance
      4. Brazito MDWCA Agreed-Upon-Procedures December 31, 2011—for acceptance
   C. Projects Report
      1. Signature authority for Alto de Las Flores Interconnect Project—for approval
   D. Operations Report
VII. Unfinished Business
   A. Draft Documents Retention Schedule, Operations—for approval
   B. Director nominations for GM Review Committee
   C. Resolution FY2013-10 re: Colonias Infrastructure Trust Fund Loan & Grant—for adoption
   D. Motion to convene in closed session pursuant to NMSA 1978 Section 10-15-1 (H)(8) and (H)(7) for discussion of the acquisition of real property or water rights and threatened or pending litigation
   E. Motion to resume in open session
   F. Action (if any) related to items discussed in closed session
VIII. New Business
   A. Pledge of CITF matching funds for water rights acquisition for approval.
   B. Amendment to Resolution FY 2013-09, CITF Applications.
   C. Customer policy on connection fee.
   D. Customer policy on tampering fees.
   E. HR policies on part-time employees and holiday pay.
   F. Employee bonuses for calendar year 2012
IX. Other discussion and agenda items for next meeting, 3/20/13 at the Organ Community Center
X. Adjourn

If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aide or service to attend or participate in the hearing or meeting, please contact the LRG PWWA office at 575-233-5742, 325 Holguin Rd, Vado NM 88072 at least one week prior to the meeting or as soon as possible. Public documents, including the agenda and minutes, can be provided in various accessible formats. Please contact the LRGPWWA office if a summary or other type of accessible format is needed.

Si es un individuo con una incapacidad esta en necesidad de un lector, amplificador, lenguaje por senas, o cualquier otra forma de asistencia o servicio para atender o participar en las juntas, por favor llame ha la oficina LRG PWWA office at 575-233-5742, 325 Holguin Rd, Vado NM 88072 *una semana antes de la junta o en cuanto posible. Documentos públicos, incluyendo la agenda y minutos, están disponibles en varios formatos. Por favor opóngase en contacto con la oficina LRGPWWA si un resumen o otro tipo de forma accesible es necesario.*

LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY

Minutes—REGULAR BOARD OF DIRECTORS MEETING

9:00 a.m. Wednesday, January 16, 2013 at the La Mesa Office, 521 St. Valentine

Note: Minutes are in DRAFT form until approved by the Board

I. Sign in, Roll Call to Establish Quorum, Call to Order Sign-in sheet and agenda are attached. Directors present were Chairman Robert "Marty" Nieto (left at 10:19), Vice-Chairman John Holguin (arrived at 9:35), Secretary Santos Ruiz, Director Blanca Martinez, Director Mary Berry and Director Furman Smith. Directors Rosaura Pargas and Mike McMullen were not present. Staff members present were General Manager Martin Lopez, Finance Manager Kathi Jackson, Operations Manager, Mike Lopez, Projects Manager Karen Nichols and Adm Asst. Joan Ferguson. Also present was Matt Dyer with PSC. With a quorum established the meeting was called to order by Mr. Nieto at 9:12 with Mr. Holguin's arrival pending. {:22}

II. Approval of Agenda Mr. Smith moved to approve the agenda with the following corrections: "2012" in the title changed to "2013" and item VIIC (the resolution on the Colonias Infrastructure Trust Fund) be postponed. Ms. Berry seconded the motion which carried 5-0. {1:15}

III. Approval of Minutes of 12/12/12 Ms. Berry requested that "solar power" in item IX (Other discussion) be changed to "solar power generation." Ms. Berry moved to approve the minutes of 12/12/12 as amended. Mr. Ruiz seconded the motion. The motion carried 5-0. {6:10}

IV. Guest Presentations None {6:15}

V. Public Input—15 minutes total allotted for this item, 3 minute time limit per person None {6:26}

VI. Managers' Reports

A. Management Report Mr. Martin Lopez's written report is attached and he discussed it with the Board.

- ◊ Mr. Martin Lopez discussed the situation with the Arsenic Administrative Compliance Order extension. Mr. Nieto asked if the two year extension was necessary. Mr. Lopez explained that because of a resignation at USDA, all approvals will be made in Washington D.C. which would put LRG on a two year timeline.
- ◊ The meeting with the County Clerk will be January 22, not the 18th.
- ◊ O/M request from Alto de Las Flores is discussed during the Projects report.
- ◊ Mr. Nieto asked if Brazito's customers would be notified of billing changes. Mr. Lopez said that Mesilla Valley Accounting would be sending out the notification—in the form of a newsletter composed by LRGPWWA—would be sent out this week. {16:08}

B. Finance Report Ms. Kathi Jackson's written reports are attached and she discussed it with the Board. The June balance sheet was included as a way to compare before and after merger financials.

- ◊ A new accountant was hired and will begin next week.
- ◊ **Resolution FY2013-07 Amended Budget – for adoption** Mr. Nieto asked Mr. Martin Lopez's opinion. Mr. Lopez said he thought it was fine but a rate study in would be necessary. Ms. Nichols also noted that a rate study was a condition of the NMFA Consolidation Loan. A motion to adopt FY2013-07 Amended Budget was made by Ms. Berry and seconded by Ms. Martinez. The vote passed 6-0 in favor. Mr. Holguin had arrived in time for the vote.

◊ A staff member (Angie Meza) was moved to the La Mesa office this week. She will be working on the upcoming elections as well as customer service on Tuesdays an Thursdays. {27:16}

C. Operations Report Mr. Mike Lopez's written report is attached and he discussed it with the Board.

◊ Because of outages in Organ, Operations has posted notices in public locations.

◊ Residents on Furnace St. in Organ have had an especially difficult time with the work and Operations has been aiding them.

◊ The arsenic vessel and additional media at the#1 O'Hara well will cost around $10,000.

◊ Mr. Nieto asked about an asbestos pipe installed in the past by Helena. Mr. Martin Lopez said that LRG will be laying sewer pipe beneath the existing asbestos pipe in order not to disturb it.

◊ Mr. Smith asked about compiling a water loss report. Mr. Mike Lopez said that he was working on coordinating with Finance for that report. {43:10}

D. Projects Report Ms. Karen Nichol's written report is attached and she discussed it with the Board.

◊ Since the report was written, the La Mesa Water System Improvements has developed complications. It has been discovered that the well hole is not plumb. The column is being re-milled after two unsuccessful attempts to install it. Ms. Berry and Matt Dyer (PSC) strongly recommended making absolutely certain that the hole is straight.

◊ During the discussion of the overbilling in the Mesquite Wastewater Project, Mr. Martin Lopez mentioned that LRG had also overbilled USDA in the Mesquite Wastewater Project and is rectifying the situation.

◊ During the Alto de Las Flores Interloop discussion, Mr. Martin Lopez brought up the Operations and Maintenance issue that he overlooked during his report. Alto de Las Flores has had an O/M contract with the County which is not adequate and so they may approach LRGA about a new O/M contract.

◊ Requests for bids on the radio read meters will be advertised this weekend. (Mr. Nieto leaves at this point because of an emergency.) {1:12:23}

VII. Unfinished Business

A. Draft Documents Retention Schedule, Personnel—for approval Ms. Berry moved to approve the Documents Retention Schedule, Personnel. Mr. Ruiz seconded the motion and after a brief discussion, it carried 5–0. {1:16:32}

B. Director nominations for GM Review Committee There were no new nominations for the GM Review Committee. {1:16:52}

C. Resolution re: Colonias Infrastructure Trust Fund Loan—for adoption Postponed.

VIII. New Business

A. Establish new voting districts – for adoption Seven voting districts were proposed. No boundaries were changed with the existing five districts however they were re-numbered. Districts 1-5 have around 460 members per district. Districts 6 and 7 have 480-490 members per district. Mr. Holguin asked if it made more sense to split District 6 between Organ and Brazito or just combine Organ and Butterfield Park. Mr. Martin Lopez explained that Organ and Butterfield Park as one district would be around 900 members. He also clarified that the districts are not permanent, i.e. it would be possible and probable that they will have to be rearranged in the future to accommodate growth. The election is scheduled for April 9, 2013. Mr. Smith moved to adopt the new voting districts. Mr. Ruiz seconded it. The motion carried 5–0. {1:29:10}

B. Proposed amendment to Election Policy Ms. Nichols explained that having the county clerk run the entire election, including the absentee and early voting would be more consistent (rather than having the clerk run the election and LRG run the absentee voting) and would preclude possible complaints and/or challenges. Mr. Smith asked about qualifications to run for the Board. It was explained that the qualifications are membership in good standing in the Authority. Ms. Berry made a motion to amend the Election Policy to have the county clerk run the early and absentee voting. The motion was seconded by Ms. Ruiz and the vote carried 5-0. {1:32:55}

C. Resolution FY2013-08 to issue Election Proclamation Ms. Berry moved to adopt Resolution FY2013-08 to issue the Election Proclamation as presented. Ms. Martinez seconded the motion. The vote carried 5-0 with no discussion. {1:34:22}

D. Resolution FY2013-09 to Apply to the Colonias Infrastructure Trust Fund Ms. Berry voted to approve Resolution FY2013-09 to Apply to the Colonias Infrastructure Trust Fund. Mr. Smith seconded the motion and the vote carried 5-0. As this subject was discussed in the Projects Report, there was no further discussion. {1:35:50}

E. Motion to convene in closed session pursuant to NMSA 1978 Section 10-15-1 (H)(8) and (H)(7) for discussion of the acquisition of real property or water rights and threatened or pending litigation A motion to convene in closed session pursuant to NMSA 1978 Section 10-15-1 (H)(8) and (H)(7) for discussion of the acquisition of real property or water rights and threatened or pending litigation was made by Ms. Berry and seconded by Mr. Smith. Roll call: Ms Berry, aye; Mr. Smith, aye; Ms. Martinez, aye; Mr. Ruiz, aye; Mr. Holguin, aye. The meeting was closed at 10:48. {1:36:25}

F. Motion to resume in open session Ms. Berry made a motion to resume in open session. The motion was seconded by Ms. Martinez. The vote carried 5-0. Open session was resumed at 11:09.

G. Action (if any) related to items discussed in closed session There was no action related to items discussed in the closed session. {1:36:44}

IX. Other discussion and agenda items for next meeting, 2/20/13 at Vado Office

A. Customer policy on connection fee.
B. Customer policy on tampering fees.
C. HR policies on part-time employees and holiday pay.

X. Adjourn Mr. Smith made a motion to adjourn the meeting. Ms. Martinez seconded it and it carried 5-0. Meeting was adjourned at 1:10 am. {1:38:01}

Date Minutes approved:_____

Directors Present

_____

Chairman Robert M. Nieto

_____

Vice-Chairman John Holguin

Absent

Director Rosaura Pargas

Secretary Santos Ruiz

Director Blanca Martinez

Director Mary Berry

Director Furman Smith

Absent

Director Mike McMullen

SMA
Souder, Miller & Associates
Engineering • Environmental
Surveying

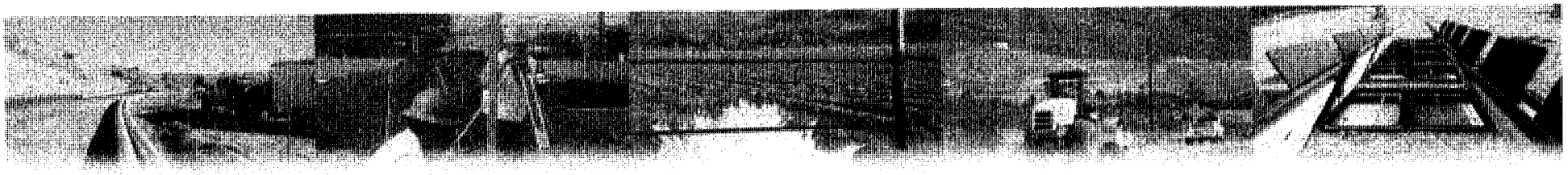
Souder, Miller & Associates

Presented by:

Mr. Karl E. Tonander, P.G., P.E. (Senior Vice President)

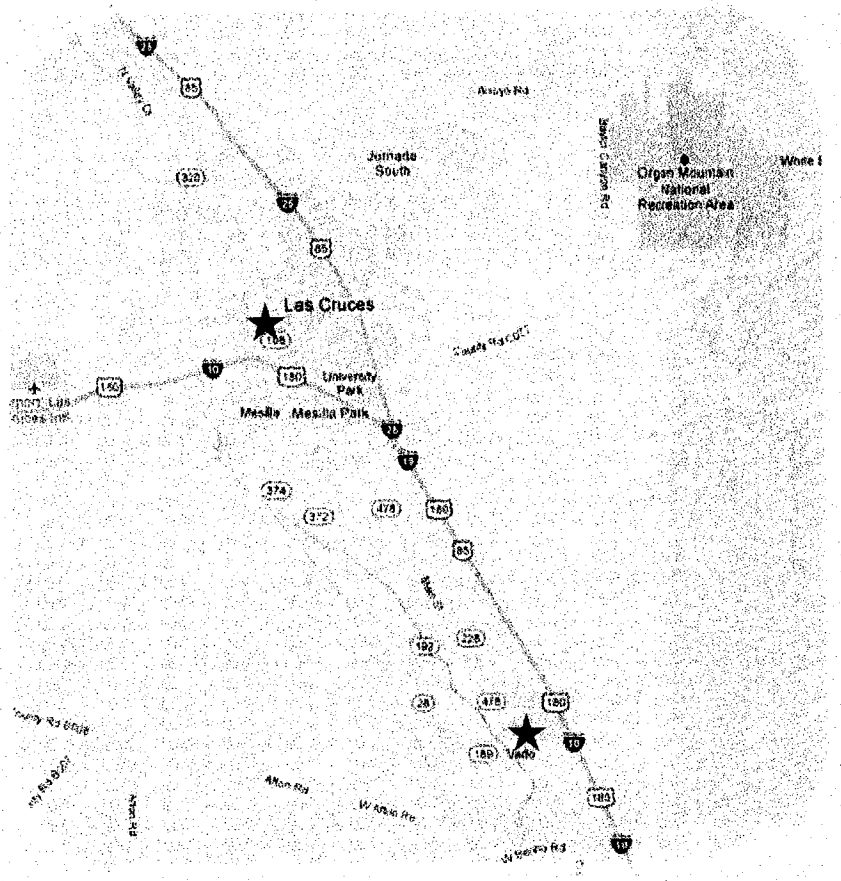
Ms. Lilla J. Reid, P.E. (Senior Engineer II)

Mr. Robert Apodaca (Funding Specialist)



About SMA

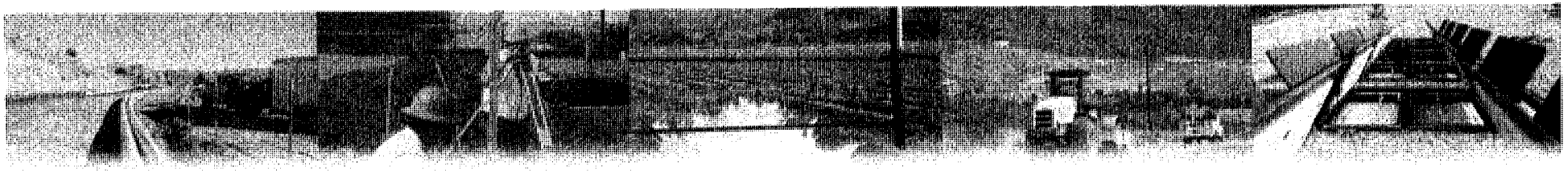
- Over 120 employees
- Over 25 years of Service
- Five New Mexico Offices
  - Las Cruces
    - 18 Years in Las Cruces
    - 25 employees
    - 5 Professional Engineers
    - 3 Professional Geologists
    - 2 Licensed Land Surveyors



Many of our engineers and technical staff are bilingual

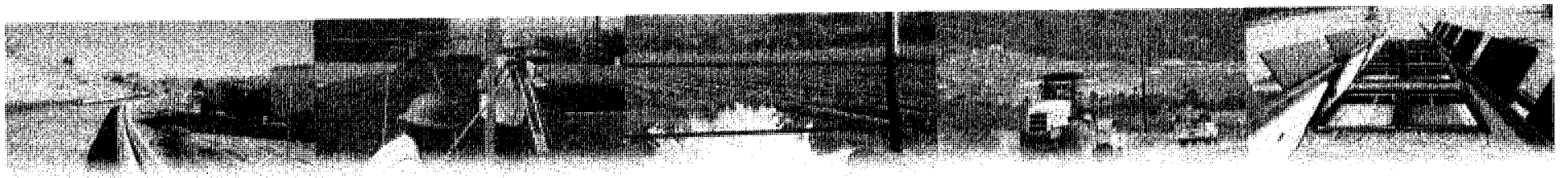
Key Regional Staff

- Karl E. Tonander, P.G., P.E. (Senior Vice President)
  - 20 years of professional experience with water systems, environmental investigation and restoration, NEPA and solid waste
- Lilla J. Reid, P.E. (Senior Engineer II)
  - Nearly 15 years of professional experience with water/wastewater projects and funding
- Eric L. Krch, P.E. (Senior Engineer II)
  - More than 20 years of professional experience with site development, water/wastewater, stormwater management



Key Regional Staff

- Omar Soto, E.I. (Staff Engineer II)
  - Nearly 10 years of experience in design and construction administration on a variety of water, wastewater and other civil improvement projects
- Darryl D. Coster, L.S. (Project Surveyor I)
  - Over 25 years of experience performing topographic, boundary and construction surveys
- Kristin Montoya, E.I. (Staff Engineer II)
  - Over 5 years of experience in design and construction administration on a variety of water, wastewater, other civil improvement and structural engineering projects.
- Adrian Renteria, E.I. (Staff Engineer I)
  - Almost 10 years of experience in preparing site development plans, bid document preparation and construction coordination.



Regional Staff Outline

REGIONAL MANAGER

Karl E. Tonander, P.E., P.G., C.P.G.

ENGINEERING

Lilia J. Reid, Senior Engineer II
Eric L. Krch, P.E. Senior Engineer II
Judith Gallardo, E.I., Staff Engineer II
Omar Soto, E.I., Staff Engineer II
Kristin F. Montoya, E.I., Staff Engineer II
Adrian Renteria, E.I., Staff Engineer I
Jose-Luis Segura, Engineering Tech III
Abenicio A. Fernandez, B.S., Engineering Tech IV
John Della-Ratta, Engineering Tech III

ENVIRONMENTAL

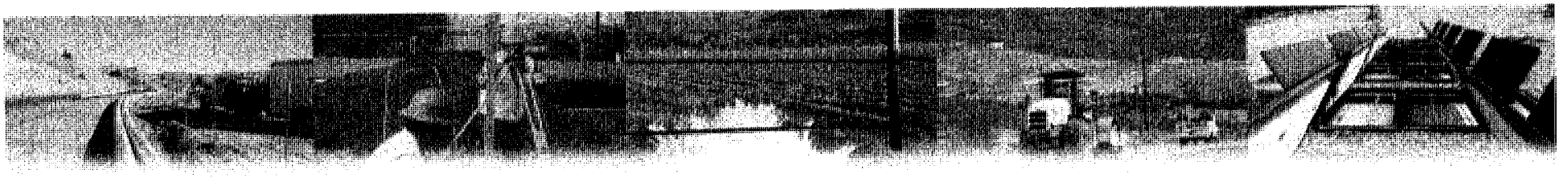
Clay F. Kiesling, P.G. Senior Geoscientist I
Larry N. Kemp, P.G., Project Geoscientist II
Craig C. Chase, P.G., Project Geoscientist I
Nicole M. Harrings, PhD, Project Biologist I

SURVEYING

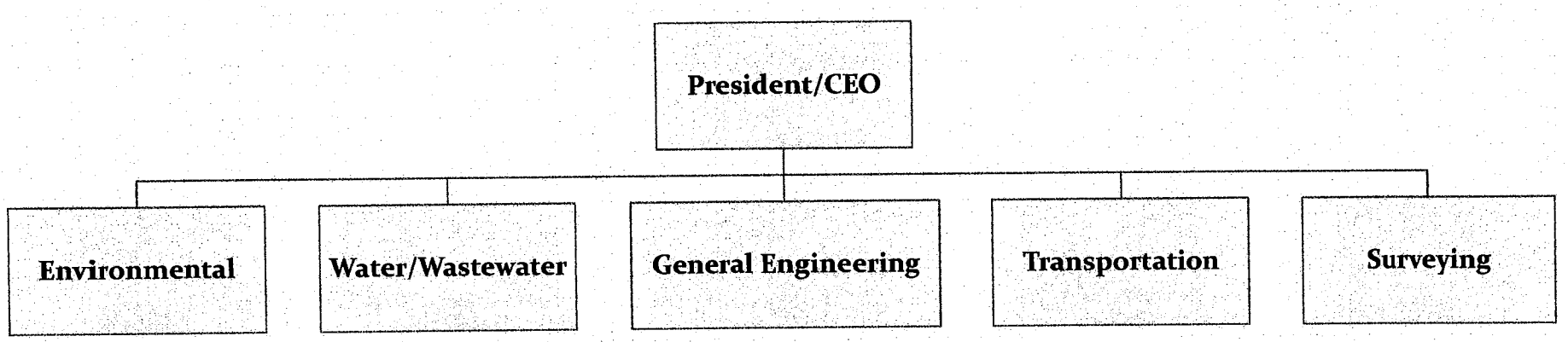
Darryl D. Coster, P.S., Project Surveyor I
Kyle L. Josefy, Survey Technician IV
Jon-Eric Richards, Survey Technician I

Geographic Information Systems

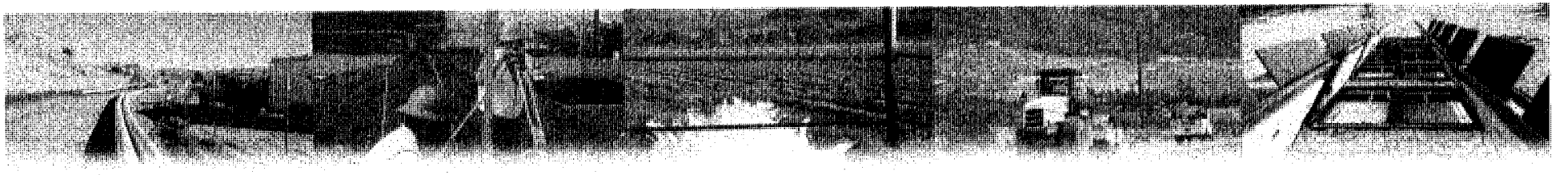
Sonja V. Jamilla, GIS Specialist
Elizabeth A. Samson, Staff Biologist I\GIS specialist



Corporate Strength

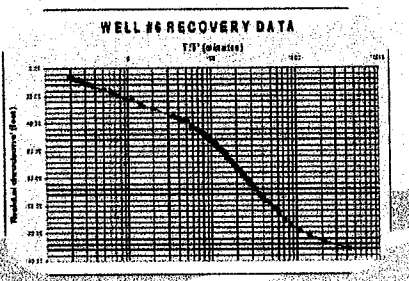


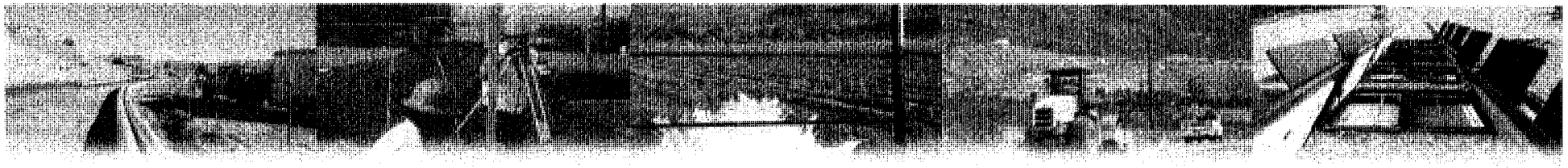
- Company organized into "Business Lines" to facilitate technical specialization and depth of resource for fast turn around projects



Environmental Services

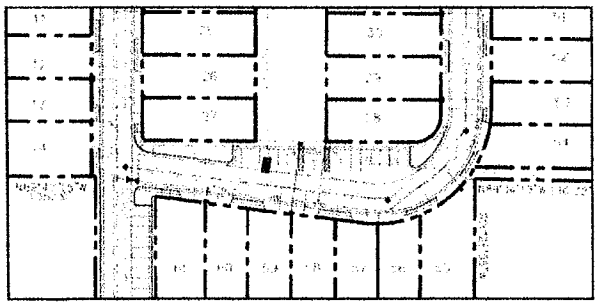
- Solid Waste Management
- Hydrologic Modeling
- Water Rights Management
- Soil and Groundwater Investigation and Remediation
- Monitoring Well Installation and Sampling
- Environmental Site Assessments
- Air Quality Management
- Spill Prevention Control and Counter Measure Plans
- NEPA support
- Stormwater Pollution Prevention Plans





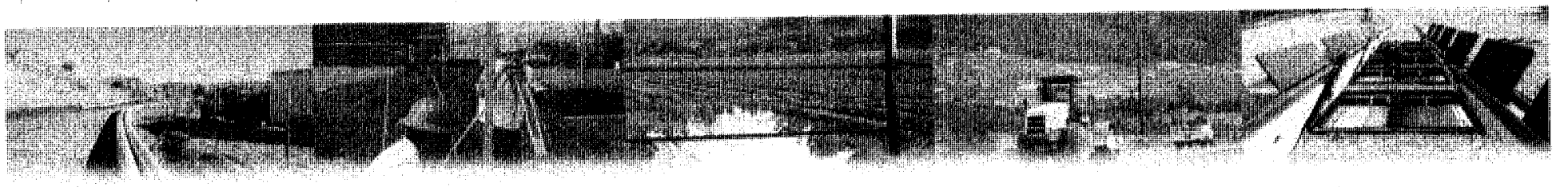
Surveying

- Boundary
- Right-of way
- Topographic
- Construction
- Aerial control



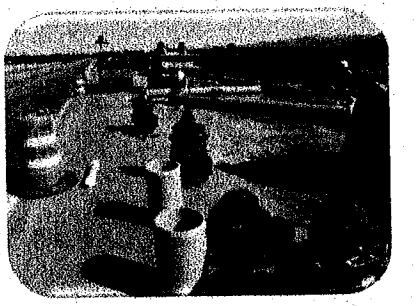
Ancillary Services

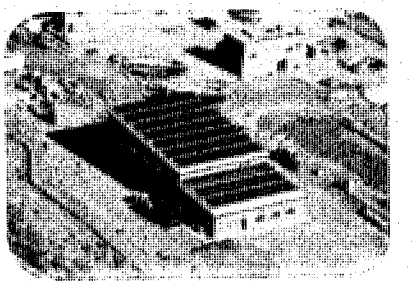
- Contract Administration/Bid Advertisement
- Construction Observation/management
- Development of Plans and Specifications
- Professional Witness Services

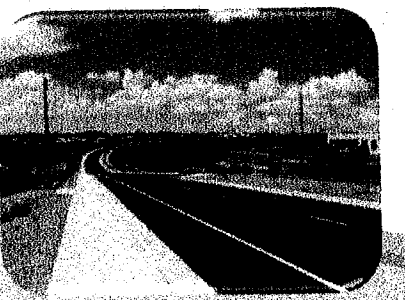


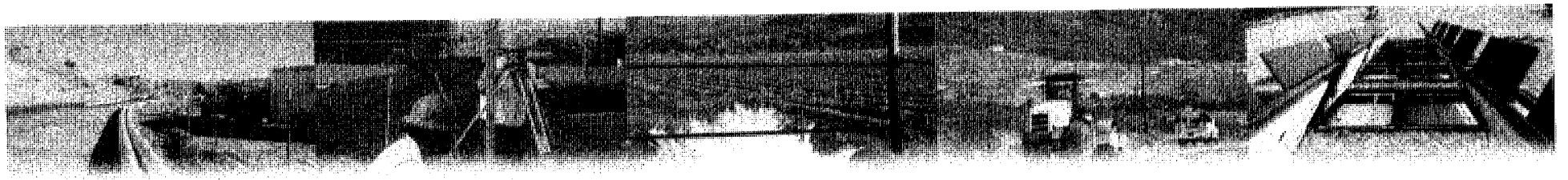
Civil Engineering Services

- Water and Wastewater Design
- Water Rights and Water Resources Management
- Roadway Design
- Stormwater Drainage Design
- Recreational Paths, Parks, and Related Infrastructure



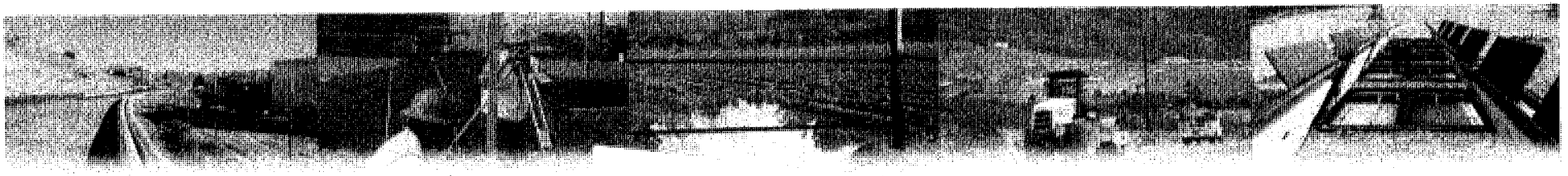






Water Engineering Services

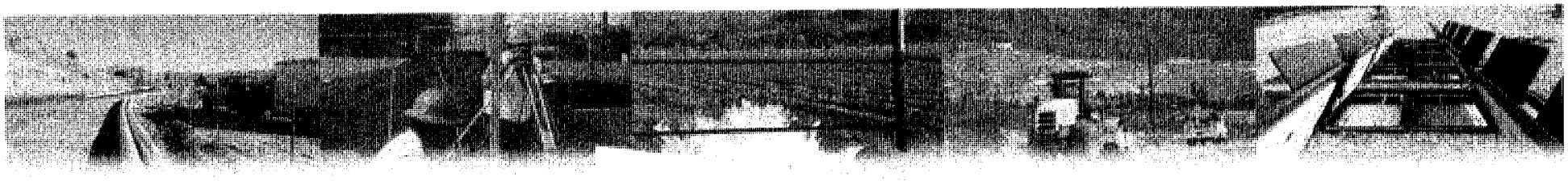
- Conceptual and master planning of utility systems
- Preparation of Preliminary Engineering Reports (PERs)
- Water supply wells and springs
- Water reservoirs and storage tanks
- Distribution and transmission piping using gravity and/or booster stations
- Treatment systems design for manganese, iron, arsenic, fluoride, radionuclides and GWUDI (groundwater under the influence of surface water)
- Water rights, hydrogeologic investigation and well siting
- 40-year water planning and water conservation documents
- Bid administration, construction administration and observation
- Permitting
- Funding assistance
- Design/build



Doña Ana MDWCA

Armstrong/Engler Water System Improvements

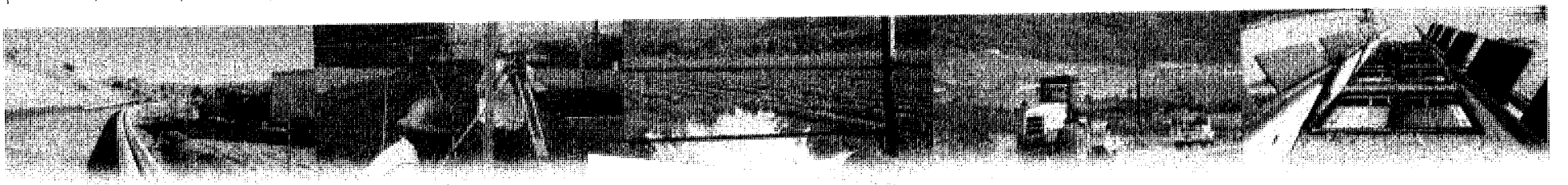
The project includes the installation of approximately one mile of 18-inch waterline, butterfly valves, air/vacuum valves, connecting existing services to new waterline, jack and bores, and removal and replacement of existing pavement. SMA completed the planning and design of the project, and assisted with the funding procurement. The project is funded by a combination of sources including New Mexico Department of Finance and Administration Colonias Initiative, Colonias Infrastructure, State and Tribal Assistance Grant (STAG) and Doña Ana MDWCA.



Doña Ana MDWCA

Surface Water Transmission Line Water System Improvements

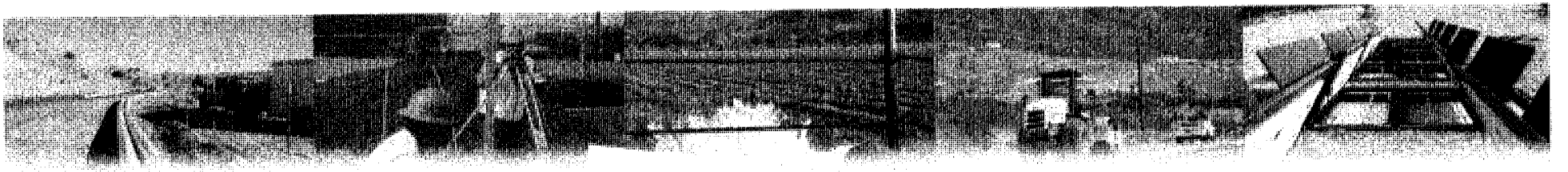
Installation of approximately 35,320 linear feet (7 miles) of 18-inch waterline, 8,140 LF (1.5 miles) of 12-inch waterline, 70 LF of 8-inch waterline, butterfly valves, gate valves, air/vacuum valves, connecting existing services to new waterline, trenchless pipe installation and removal and replacement of existing driveways. The project is funded by a combination of sources including New Mexico Water Trust Board (WTB) and State and Tribal Assistance Grant (STAG).



Hydrologic Evaluation

Electric Utility Well Field

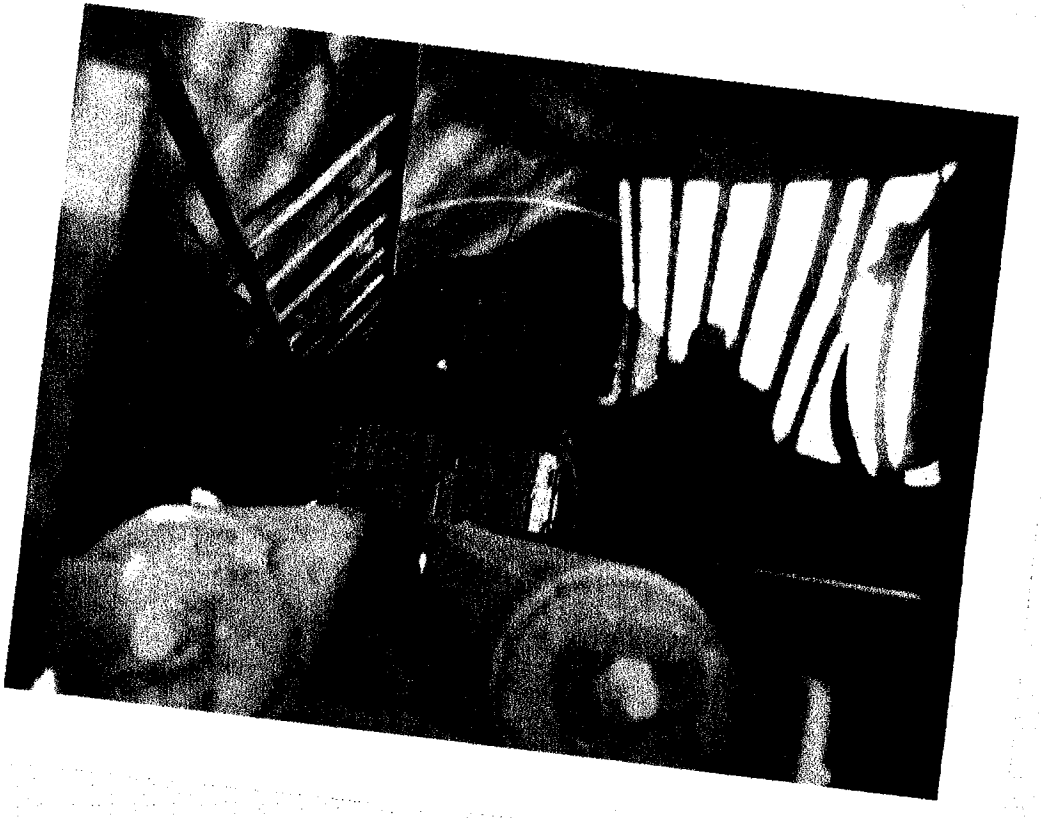
Completed a hydrologic evaluation of nine existing supply wells for a regional power plant. SMA conducted pump (aquifer) testing of multiple wells at the well field and collected static water level information, drawdown data and recovery data from individual wells using pressure transducers and dataloggers. Groundwater quality information was also collected during aquifer testing activities. Final report presented a predictive model of well and pump performance over a future 20 year planning period.

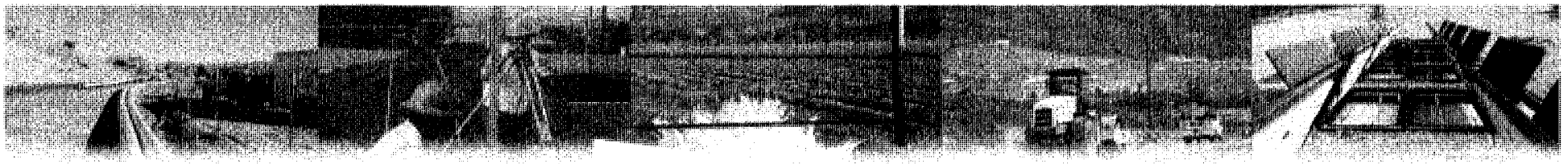


Town of Mesilla

Water and Wastewater System PER Master Plan

SMA held regular meetings with the Town of Mesilla management and the project funding agency (BECC) to ensure that the project outline met the expectations of all parties. Following extensive data gathering and system review, SMA developed an operable water system model and a water and wastewater system master plan that included estimated costs and a phased implementation plan respective of anticipated funding.

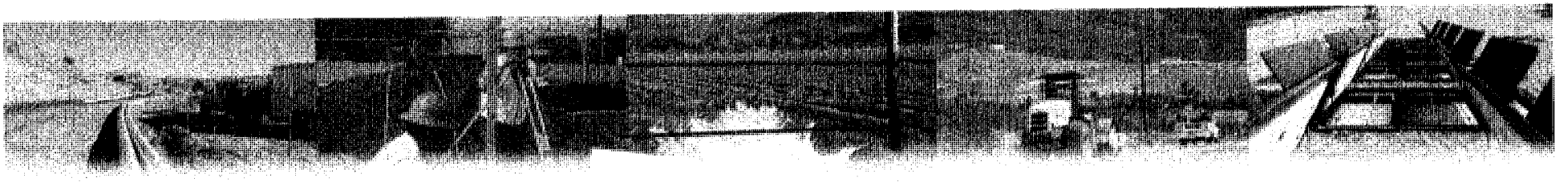




Hachita MDWCA

Water System Improvements

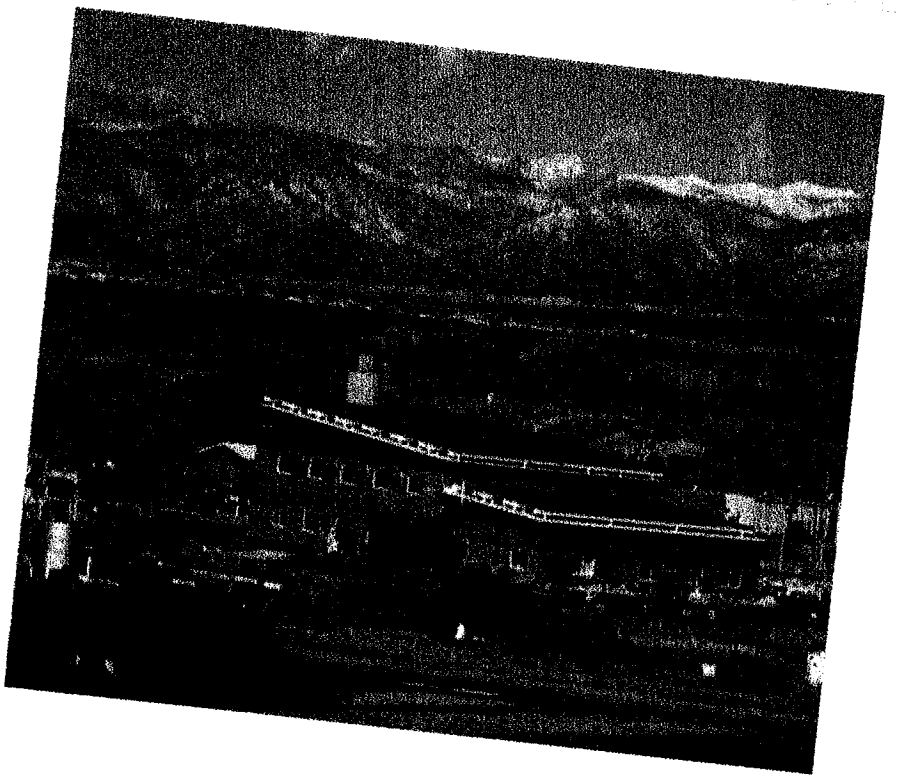
SMA completed the planning and design phase of the project, assisted in the evaluation of existing resources owned by others, and with funding procurement. The project includes the installation of a new well, a new treatment building and treatment equipment, a new water storage tank, and over 15,000 linear feet of new waterline including valves, fire hydrants and new meters. The project is being funded by the United States Department of Agriculture (USDA) Rural Development and the State of New Mexico Special Appropriation Program.

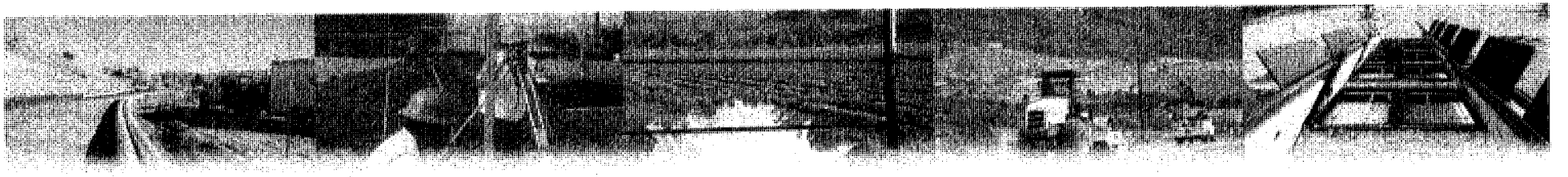


Town of Taos

Energy Conservation in Project Design

SMA designed the 3 MGD Wastewater Treatment Plant. Funding was provided from various sources including ARRA, which allowed the design to include for fixed solar panels to generate partial power for blower operation.



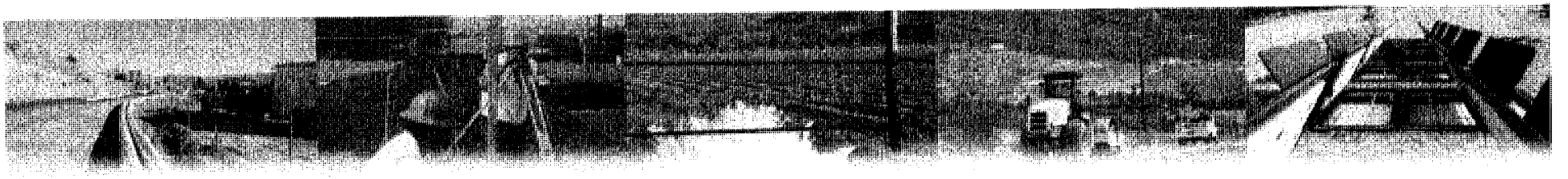


Funding Assistance

Very successful assisting clients with a wide range of funding including:

- **Water Trust Board** - In excess of $5 million each of past several years
- **State Colonias** - In excess of $4 million during first program year
- **USDA** - Over $40 million in water/wastewater projects to date
- **BECC** - Planning, design and construction of water and wastewater projects
- **STAG** - Water and wastewater planning design and construction
- **State Appropriations** - Buildings, water/wastewater, roads and other projects
- **CDBG** - Water, roads, stormwater and other projects
- **DOT**

Ultimately, SMA realizes that, as a professional consulting firm, part of our responsibility to the client is to assist in identifying and procuring appropriate funding to make the project a success.



How to get the most done with limited funding

- ***Value Engineering***- Wherever possible, SMA will work with the LRG PWWA staff to identify areas to use good engineering practice and minimize construction expense.

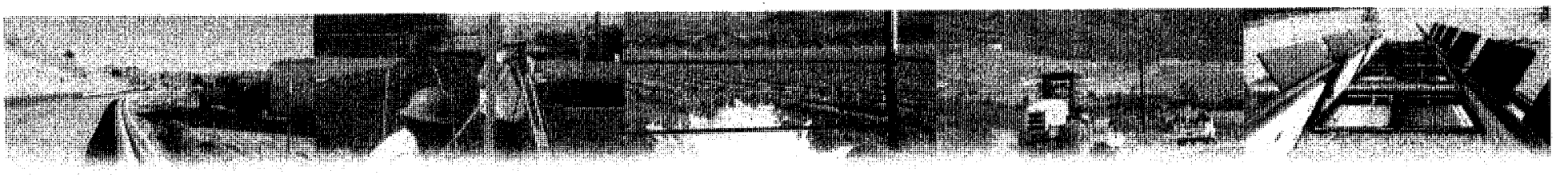
- ***Reverse Engineering***- In cases where value engineering is insufficient to stretch the available funding, SMA will work with the LRG PWWA to develop a project that is appropriately sized to match the existing funding. In some cases this may involve the development of several "Additive Alternatives" to realize the maximum construction from every available dollar.

- ***Aggressive Funding Assistance***- SMA will work with LRG PWWA staff to review the current sources of funding and try to identify additional sources going forward. SMA tries to get the most funding for our clients from a variety of both state and federal sources.

SMA has already developed relationships with a great number of funding agency representatives and would be more than happy to discuss potential projects identified by the LRG PWWA.

ICIP

• **Alto de Las Flores Interconnect**	2014
• **Authority Interconnect Looping Project**	2014 – 2017
• System-Wide Information Technology Standardization	2014 – 2017
• **Distribution System Rehabilitation & Improvements**	2014 – 2015
• **Organ Wastewater Improvements**	2014 – 2015
• **Authority Brazito Water Interconnect**	2014
• **Surface Water Treatment Plant**	2014
• **Authority Brazito Sewer Project Phases I and II**	2014 – 2015/2017
• Light Equipment Purchase	2014 – 2018
• Heavy Equipment Purchase	2014 – 2018
• **40 Year Water Plan Update**	2014
• **Purchase and Upgrade Private Water**	2015
• **Water Rights Purchase**	2015
• **Energy Audit**	2015
• **Sewer Service Extension to Unserved Areas**	2016 – 2018
• **Sewer Line for Dairies**	2016
• **Vado Area Water System Improvements**	2016



Commitment to Client

SMA staff members are committed to the highest possible level of customer service

"Our thanks to all who have worked so hard to get us the grants to accomplish our goal, especially our engineers, Souder, Miller and Associates, who were always willing to answer our questions, and... to explain the plans and calm our fears."
-Mrs. Elizabeth Escobar, President, Rodeo MDWC & MSWA (2010)

"I've enjoyed working with the SMA team. SMA is always working to help the Association and SMA's employees make themselves available to our needs immediately whenever issues arise. They have gone out of their way to present with the Association to funding agencies and provide support for our colonias initiatives and legislative agenda."
-Mr. Mariano G. Martínez, Project Manager of Doña Ana MDWCA (2010)

Commitment to Client

SMA staff members are committed to the highest possible level of customer service

"When [the SMA staff members] left the board meeting many of my board members commented that this was the first time in a long time that, after speaking with engineers, they felt confident in what had been presented."
-Mr. David A. Edington, District Manager, Alto Lakes Water & Sanitation District (2011)

"SMA has always delivered work products in a timely manner, and their assistance in helping the City of Deming obtain project funding has been very helpful."
-Mr. Lawrence Brookey, Public Works Director, City of Deming (2011)

"Desert Aire MDW & SWA is grateful for your support and generosity. It is through the support of SMA that we are able to continue with our project and to develop new and innovative projects to serve our members and our community. Again, thank you for making this mission a reality."
-Evangelina Moreno, President, Desert Aire MDW & SWA, (2012)

LRG PWWA
Manager's Report
February 20, 2013

- Transfer of Assets from Associations
  - Berino: BLM permit pending
  - Berino: Arsenic ACO extension request to NMED DWB (2 years) No word
  - Organ DP 915 Sewer Permit request to NMED for compliance extension (6 months) No work
  - East Mesa Office to expand office hours
  - Brazito items pending
    - Vehicle Transfer
    - Interface radio read system with CUSI
    - transfer of bank account balances and closing of accounts—pending transactions
- Lower Rio Grande Water Users Organization (LRGWUO) Board approved submitting a 2nd legislative request for $350k to study a potential new source of groundwater north of Hatch
- Trash coupons have been exhausted no word from County on re-negotiate contract
- Meetings/Trainings
    - Returning to Legislative Session sometime in early March

LRGPWWA
Profit & Loss
January 2013

		Jan 13
Ordinary Income/Expense		
Income		
Credit Card Fees	117.00	
Interest	45.09	
Non-Operating Revenue		
Copy/Fax	38.80	
Other Income	1,413.35	
Total Non-Operating Revenue		1,452.15
Operating Revenue		
Activation & Connection Fees	3,530.00	
Installation Fees	2,535.91	
Membership Fees	300.00	
Monthly Services	110,558.40	
Monthly Services-Sewer	7,574.87	
Other Income	1,121.20	
Penalties-Sewer	655.02	
Penalties-Water	2,420.86	
Returned Check Fees	70.00	
Total Operating Revenue		128,766.26
Other Types of Income		
Miscellaneous Revenue	2,806.33	
Total Other Types of Income		2,806.33
Total Income		133,186.83
Gross Profit		133,186.83
Expense		
Accounting, Auditing, Legal		
Audit	3,226.88	
Bank Service Charges	322.28	
Cash Short/Over	13.00	
Engineering Fees	3,918.58	
Government Penalties & Interest	1,106.53	
Legal Notices	316.12	
Licenses & Fees	600.00	
Meals	7.18	
Postage-Billing	431.24	
Postage-Other	27.00	
Proff Fees-Interpreter	138.94	
Training	1,352.31	
Total Accounting, Auditing, Legal		11,460.06
Lab, Chemicals		
Laboratory Fees	242.01	
Total Lab, Chemicals		242.01
Salaries		
401K 10% Company Contribution	4,918.13	
Accrued Leave	1,151.86	
Administrative Labor	20,162.34	
Clerical Labor	12,384.65	
Employee Benefits-401K Contrib	1,850.05	
HISC-Blue Medicare Rx.	165.10	
Insurance-Dental	628.32	
Insurance-Health	8,958.47	
Operations Labor	31,150.47	
Payroll Taxes-Federal Unemploym	0.00	
Payroll Taxes-Medicare	1,005.23	
Payroll Taxes-Social Security	4,298.20	
Payroll Taxes-State Unemploymen	0.00	
Payroll Taxes-Worker's Comp Fee	1,293.00	
Total Salaries		87,965.82

LRGPWWA
Profit & Loss
January 2013

	Jan 13	
Supplies		
Computer Maintenance	4,118.76	
Fuel	4,623.42	
Internet	280.00	
Internet Service - Butterfield	132.82	
Maint. & Repairs-Infrastructure	1,138.25	
Materials & Supplies	10,992.41	
Office Supplies	3,646.17	
Tool, Furniture	145.47	
Uniforms-Employee	585.16	
Total Supplies		25,662.46
Taxes, Liability, Insurance		
Cobra Fee	15.30	
Insurance-Vision	0.00	
Water Conservation Fee	981.88	
Total Taxes, Liability, Insurance		997.18
Utilities		
Automobile Repairs & Maint.	3,415.14	
Cell Phone	2,921.63	
Electricity-Office	13,593.36	
Garbage Service	68.00	
Natural Gas	258.23	
Telephone	937.43	
Total Utilities		21,193.79
Total Expense		147,521.32
Net Ordinary Income		-14,334.49
Net Income		**-14,334.49**

Lower Rio Grande Public Water Works Authority

Basic Financial Statements and Supplementary Information for the Year Ended June 30, 2012 and Independent Auditors' Report

STATE OF NEW MEXICO
LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY

TABLE OF CONTENTS

STATE OF NEW MEXICO
LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY

DIRECTORY OF OFFICIALS
JUNE 30, 2012

Board of Directors

Robert M. Nieto	President
John Holguin	Vice President
Santos Ruiz	Secretary
Rosaura Pargas	Director
Blanca Martinez	Director
Furman Smith	Director

Officials

Martin Lopez	General Manager

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INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor
and the Board of Directors of the
Lower Rio Grande Public Water Works Authority
Vado, New Mexico

We have audited the accompanying financial statements of the business-type activities of the Lower Rio Grande Public Water Works Authority, (the Authority), as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We have also audited the budgetary comparison for the major enterprise fund presented as supplemental information in the financial statements for the year ended June 30, 2012 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities of the Lower Rio Grande Public Water Works Authority, as of June 30, 2012, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparison for the major enterprise fund, for the year ended June 30, 2012, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has omitted the Management's Discussion and Analysis which is required to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is

required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. Our opinion on the basic financial statements is not affected by the missing information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

White + Samaniego + Campbell, LLP

El Paso, Texas
December 1, 2012

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY

STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS:	
Current assets:	
Grants receivables	$ 241,699
Accounts receivables, net	319,191
Other assets	10,930
Total current assets	571,820
Noncurrent assets:	
Restricted cash	159,322
Loan origination fees	11,814
Capital assets	24,073,419
Total assets	$ 24,816,375
LIABILITIES:	
Current liabilities:	
Bank overdraft	$ 119,846
Accounts payable	268,822
Accrued liabilities and other expenses	69,818
Current portion of long-term debt	84,396
Current portion of accrued compensation absences	37,954
Total current liabilities	580,836
Non-current liabilities:	
Non-current portion of long-term debt	1,535,631
Customer deposits	45,838
Total noncurrent liabilities	1,581,469
Total liabilities	2,162,305
NET ASSETS:	
Investment in capital assets, net of related debt	22,453,392
Unrestricted	(4,482)
Restricted	205,160
Total net assets	22,654,070
Total liabilities and net assets	$ 24,816,375

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

STATE OF NEW MEXICO
LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

Operating revenues	
Service fees	$ 1,524,914
Activation, connection and installation fees	60,150
Late fees	151,416
Membership fees	3,850
Other income	50,785
Total operating revenues	1,791,115
Operating expenses	
Bad debt expense	43,290
Bank charges	3,920
Amortization	49
Employee benefits	83,823
Materials, supplies, tools and chemicals	176,819
Depreciation	741,725
Salaries and wages	715,497
Office Expense	84,626
Miscellaneous	185,427
Taxes and license - other	339
Cost of operations	4,601
Insurance	167,181
Maintenance and repairs	60,451
Payroll expense	54,245
Professional fees	65,350
Travel and entertainment	4,612
Utilities	157,064
Total operating expenses	2,549,019
Operating loss	(757,904)
Nonoperating revenues (expenses)	
Grant revenue	1,256,577
Interest income	670
Rental income	7,794
Other income	146,358
Interest expense	(20,544)
Total nonoperating revenues (expenses)	1,390,855
Change in net assets	632,951
Net assets, beginning of year	20,891,758
Restatement	(169,802)
Net assets, beginning of year as restated	20,721,956
Net assets contributions	1,299,163
Net assets, end of year	$ 22,654,070

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

STATE OF NEW MEXICO
LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	$ 1,647,411
Cash payments to suppliers and employees	(1,638,215)
Net cashprovided by operating activities	9,196
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Cash transferred in merger	22,389
Rental income	7,794
Other income	146,358
Net cash provided by non-operating activities	176,541
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Proceeds from long-term debt	1,567,028
Principal payments	(795,490)
Grants	1,256,577
Acquisition of property and equipment	(2,841,670)
Interest payments	(20,544)
Net cash used in financing activities	(834,099)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	670
Transfer for merger	437,851
Net cash provided investing activities	$ 438,521
NET INCREASE IN CASH AND CASH EQUIVALENTS	(209,841)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	369,163
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 159,322
RECONCILIATION TO CASH AND CASH EQUIVALENT AS REPORTED ON THE STATEMENT OF NET ASSETS	
Restricted cash	$ 159,322

(Continued)

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

STATE OF NEW MEXICO
LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	$ (757,904)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Depreciation	741,725
Change in:	
Grants receivable	(49,824)
Accounts receivable	(93,880)
Other assets	(11,307)
Accounts payable	127,321
Accrued payable and other liabilities	49,520
Accrued compensated absences	3,545
Total adjustments	767,100
Net cash provided by operating activities	$ 9,196
SUPPLEMENTAL DISCLOSURE OF NONCASH ITEMS	
Noncash transactions transferred in the merging of entities:	
Capital assets, net	$ 1,276,774
	$ 1,276,774

(Concluded)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lower Rio Grande Public Water Works Authority (the Authority) was organized in 2007 and commenced operations in November of 2010. The Authority supplies water to occupants and residents within the vicinity of the communities of Mesquite and Vado, County of Dona Ana, New Mexico. Sales revenues are generated primarily from water supply sales to domestic and commercial users within these areas.

The Authority has a Board of Directors that consists of five (5) members who are responsible for legislative and fiscal control of the Authority. The Board is also responsible for administrative control of the Authority.

In September 2008, the Board of Directors of Mesquite Mutual Domestic Water Consumer and Mutual Sewage Works Association, according to the Sanitary Project Act, Section 3-29-20-1, NMSA 1978, approved a plan of merger with (1) Berino Mutual Domestic Water Consumer and Mutual Sewage Works Association, (2) Desert Sands Mutual Domestic Water Consumer Association, (3) La Mesa Mutual Domestic Water Consumers Association, (4) Vado Mutual Domestic Water Consumers Association and (5) Lower Rio Grande Mutual Domestic Water Association all serving unincorporated communities within Dona Ana County, New Mexico. The merger is still ongoing since Mutual Domestic Water Consumer Association and Mesquite Mutual Domestic Water Consumer and Mutual Sewage Works Association are receiving funds to complete projects that will be transfer to the Authority when the projects are complete.

Reporting Entity

The financial statements of the Authority have been prepared in accordance with general accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Authority is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Authority may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The Authority has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected Authority members are financially accountable. There are no other primary governments with which the Authority Board Members are financially accountable. There are no other primary governments with which the Authority has a significant relationship.

The accounts of the Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating

compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The funds of the Authority are classified as a proprietary fund type. The fund classification and a description of the fund type follows below:

Measurement Focus and Basis of Accounting

The proprietary fund financial statements are reported using the economic resources measurement focus.

The proprietary fund is accounted for using the accrual basis of accounting. The revenues are recognized when they are earned and the expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. The Authority also recognizes as connection, membership and delinquency fees as revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Analysis of Impairment

Management review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is determined based upon comparison of future cash flows to the recorded value of the assets. Impairment losses are measured based upon the fair value of the impaired assets. No such impairment losses were recorded during the year ended June 30, 2012.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Authority considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Restricted Cash

Restricted cash consist of the following:

Customer deposits	$ 45,838
Construction account	113,484
Total restricted cash	$ 159,322

Restricted cash consist of non-mandatory reserves set aside within the operating account for outstanding customer deposits. These reserves are not required but are separated by management and a separate Construction Account that has been established as required by the Government into which the proceeds of the loan and grant proceeds from the USDA-RUS are deposited. Withdrawals from the Construction Account were and shall be made only on checks signed by the manager of the Authority as authorized by the Board from time to time, and with prior concurrence of the Government. When all construction costs have been paid in full, any balance remaining in the Construction Account may be applied on the loan or used for other authorized purposes that have been approved by the Government and the Construction Account shall be closed. The end of year balance is $113,484.

Budget and Budgetary Accounting

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before July 1 of each year, the Board of Directors, approves and certifies to the estimated operating budgets for use by the local board pending final approval from the United State Department of Agriculture and the New Mexico Department of Finance and Administration - Local Government Division.
2. The United State Department of Agriculture and New Mexico Department of Finance and Administration - Local Government Division approve the budget for the Authority to utilize during the year.
3. Budget adjustments may be made during the year. The Board of Directors approves budget resolutions to increase or decrease revenue and/or expenditure line items during the year.

Use of Restricted Funds

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

Revenue

The policy for defining the proprietary fund's operating revenues and expenses is how individual transactions would be categorized for purposes of preparing a statement of cash flows. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities normally are not reported as components of operating income.

Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles require the use of management's estimates.

Allowance for Doubtful Accounts

Management considers the majority of the accounts receivable as collectible. Any accounts receivable considered unelectable are not considered material. Accordingly, no allowance for doubtful accounts has been recorded.

Capital Assets

Capital assets are recorded at historical costs. Purchase property and equipment in excess of $5,000 is capitalized. Costs for the new water system and the building include the costs for construction during the current year including costs of engineering, architecture, and drilling costs incurred in the prior year. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Office equipment	10 years
Utility lines, pump station and shed	38 years
Wells	15-20 years
Water system	38 years
Vehicles	5 years

Net Assets

Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted net assets. Invested in capital assets, net of related debt, 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 assets 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 assets consist of all other net assets not included in the above categories.

New Governmental Accounting Standards- In February 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for financial statements for periods beginning after June 15, 2010, and earlier application is encouraged. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The Authority incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In December 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, which is effective upon issuance for certain provisions of the statement and for periods beginning after June 15, 2011 for other provisions. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit plans The Authority is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In December 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 58 Accounting and Financial Reporting for Chapter 9 Bankruptcies, which is effective for reporting periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The Authority incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In June 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 59 Financial Instruments Omnibus, which is effective for financial statements for periods beginning after June 15, 2010. Earlier application is encouraged. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This Statement provides for the following amendments: National Council on Governmental Accounting Statement 4, Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences, is updated to be consistent with the amendments to GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, regarding certain financial guarantees. Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, are amended to remove the fair value exemption for unallocated insurance contracts. The effect of this amendment is that investments in unallocated insurance contracts should be reported as interest-earning investment contracts according to the provisions of paragraph 8 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Statement 31, is clarified to indicate that a 2a7-like pool, as described in Statement 31, is an external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Statement No. 40, Deposit and Investment Risk Disclosures, is amended to indicate that interest rate risk information should be disclosed only for debt investment pools—such as bond mutual funds and external bond investment pools—that do not meet the

requirements to be reported as a 2a7-like pool. Statement 53 is amended to: – Clarify that the net settlement characteristic of Statement 53 that defines a derivative instrument is not met by a contract provision for a penalty payment for nonperformance – Provide that financial guarantee contracts included in the scope of Statement 53 are limited to financial guarantee contracts that are considered to be investment derivative instruments entered into primarily for the purpose of obtaining income or profit – Clarify that certain contracts based on specific volumes of sales or service revenues are excluded from the scope of Statement 53 – Provide that one of the "leveraged yield" criteria of Statement 53 is met if the initial rate of return on the companion instrument has the potential for at least a doubled yield. The Authority is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In November 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 60 Accounting and Financial Reporting for Service Concession Arrangements, which is effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The Authority is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In November 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 61 The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, which is effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The Authority is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. That Statement supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. Statement 62 is effective for financial statements for periods beginning after December 15, 2011, with early application encouraged. The objective of this statement is to provide non-conflicting pronouncements between FASB and GASB. The Authority is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In June 2011, the GASB issued Statement No. 63, Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position, which is effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial

Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Authority is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In June 2011, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 64 Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53, which is effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The Authority is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In March 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 65 Items Previously Reported as Assets and Liabilities, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The Authority is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In March 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 66 Technical Corrections-2012- an amendment of GASB Statements No. 10 and No. 62, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The Authority is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

2. CASH AND DEPOSITS

Cash and investments - The Authority is required by New Mexico State Statute (Section 6-10-17) to be 50 percent collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

Citizens Bank Name of Account	Balance Per Bank 06/30/12	Reconciled Balance	Type
Operating account	$ 122,907	$ (86,754)	Checking
Debt Service	810	810	Checking
La Mesa Water Project	353	353	Checking
Mesquite Water Sewer	706,568	238	Checking
Berino/Mesquite	498	(84,574)	Checking
Berino/Mesquite	44,303	44,303	Checking
Reserve	152,744	152,726	Checking
Certificate of Deposit	11,344	11,344	CD
Total Deposited	1,039,527	$ 38,446	
Less: FDIC Coverage	(250,000)		
Uninsured amount	789,527		
50% collateral requirement	394,764		
Pledged securities	-		
Over (under) requirement	$ (394,764)		

In addition to the above bank balances, the Authority has $1,026 in petty cash at June 30, 2012.

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2012, $789,527 of the Authority's bank balance of $1,039,527, was exposed to custodial credit risk.

3. PROPERTY AND EQUIPMENT

The cost basis of property and equipment are stated as follows:

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Capital assets not being depreciated:					
Land	$ 258,138	$ -	$ -	$ -	$ 258,138
Construction in progress	1,154,404	481,381	2,234,017	(607,653)	3,262,149
Water rights	9,199,171	-	-	-	9,199,171
Total capital assets not being depreciated	10,611,713	481,381	2,234,017	(607,653)	12,719,458
Capital Assets, being depreciated					
Buildings	773,452	-	607,653	-	1,381,105
Water systems	14,698,352	790,196	-	-	15,488,548
Furniture, fixtures and equipment	497,599	5,197	-	-	502,796
Transportation equipment	361,421	-	-	-	361,421
Total capital assets , being depreciated	16,330,824	795,393	607,653	-	17,733,870
Total capital assets	26,942,537	1,276,774	2,841,670	(607,653)	30,453,328
Less accumulated depreciation for:					
Buildings	355,639	-	28,668	-	384,307
Water systems	4,621,120	-	636,620	-	5,257,740
Furniture, fixtures and equipment	425,444	-	34,797	-	460,241
Transportation equipment	235,981	-	41,640	-	277,621
Total accumulated depreciation	5,638,184	-	741,725	-	6,379,909
Total other capital assets, net	$ 21,304,353	$ 1,276,774	$ 2,099,945	$ (607,653)	$ 24,073,419

Depreciation expense was $741,725 for the year ended June 30, 2012.

4. COMPENSATED ABSENCES

Full time employees earn both 4 hours sick leave and 4 hours vacation each biweekly pay period. Employees may carry over a maximum of 240 hours in each category from calendar year to calendar year. As of June 30, 2012, employees had balances of 409 sick leave hours with a value of $7,458 and 1,774 vacation hours with a value of $30,496. Upon termination, all accumulated vacation and 1 hour for every 3 accumulated hours for sick leave will be paid to the employee.

5. LONG TERM DEBT

Changes in long-term debt during the year ended June 30, 2012 were as follows:

	Balance 06/30/11	Increase	Decrease	Balance 06/30/12	Amounts Due Within One Year
NMFA Truck (Desert Sands)	$ 44,022	$ -	$ 18,997	$ 25,025	$ 14,274
NMED RIP 88-12R (La Mesa)	71,674	-	22,534	49,140	18,088
USDA RD 91-01 (La Mesa)	90,040	-	90,040	-	-
USDA RD 91-06 (Mesquite)	299,690	-	299,690	-	-
USDA RD 91-07 (Desert Sands)	47,092	-	47,092	-	-
USDA RD 91-16 (Mesquite)	295,971	-	295,971	-	-
NMFA Lower Rio Grande	-	790,914	16,734	774,180	19,351
USDA RD 92-13	-	100,000	760	99,240	1,233
USDA RD 92-19	-	606,000	3,672	602,328	10,106
WTB-233	-	70,114	-	70,114	21,344
Compensated absences	39,797	37,954	39,797	37,954	37,954
	$ 888,286	$1,604,982	$ 835,287	$ 1,657,981	$ 122,350

New Mexico Finance Authority

On January 22, 2010, Desert Sands Mutual Domestic Water Consumer Association entered into a $63,438 loan agreement with the New Mexico Finance Authority (NMFA) to finance the purchase of a pickup truck and a utility truck. The loan has a zero percent interest and matures in January 2014. The note is payable in two monthly installments of $3,172 and forty eight monthly installments of $1,190 starting March 2010. The loan is secured by monthly revenue of the Association. On October 31, 2010, Desert Sands Mutual Domestic Water Consumer Association merged with the Lower Rio Grande Public Water Works Authority and the Authority assumed the loan. In June, 2011 the loan was amentment to change borrower to the Lower Rio Grande Public Water Works Authority.

Loan principal and interest payments for each of the next years and thereafter are as follows:

Year Ending June 30:	Principal	Interest	Total
2013	14,274	-	14,274
2014	10,751	-	10,751
Totals	$ 25,025	$ -	$ 25,025

New Mexico Environmental Department

On March 13, 2003, La Mesa Mutual Domestic Water Consumers Association entered into a $198,215 loan agreement with the New Mexico Environmental Department (NMED) to finance the water system and future capital improvements. The loan bears interest at 3.% and maturing in December 2017. The note is payable in yearly installments of $16,604starting December 2003. The loan is secured by monthly revenue of the Association. On October 31, 2010, La Mesa Mutual Domestic Water Consumer Association merged with the Lower Rio Grande Public Water Works Authority and the Authority assumed the loan.

Loan principal and interest payments for each of the next years and thereafter are as follows:

Year Ending June 30:	Principal	Interest	Total
2013	18,088	1,227	19,315
2014	18,638	677	19,315
2015	12,414	134	12,548
Totals	$ 49,140	$ 2,038	$ 51,178

New Mexico Finance Authority

On July 15, 2011, the Lower Rio Grande Public Water Works Authority entered into a $790,914 loan agreement with the New Mexico Finance Authority (NMFA) to refunding four United States Department of Agriculture loans to La Mesa Mutual Domestic Water Consumers Association, Mesquite Mutual Domestic Water Consumers and Mutual Sewage Works Association and Desert Sands Mutual Domestic Water Consumer Association. The loan has a 3.443 percent interest and matures in April 2041. The note is payable in two monthly installments of $3,172 and forty eight monthly installments of $3,533 to 4,386 starting June 2011. The loan is secured by monthly revenue of the Association.

Loan principal and interest payments for each of the next years and thereafter are as follows:

Year Ending June 30:	Principal	Interest	Total
2013	19,351	23,050	42,401
2014	19,445	22,957	42,402
2015	19,584	22,817	42,401
2016	19,771	22,630	42,401
2017	19,998	22,403	42,401
2018-2022	105,115	106,892	212,007
2023-2027	117,957	94,049	212,006
2028-2032	136,839	75,167	212,006
2033-2037	165,351	49,654	215,005
2038-2041	150,769	15,833	166,602
Totals	$ 774,180	$ 455,452	$ 1,229,632

United State Department of Agriculture - Rural Development Loan

On April 27, 2012, the Lower Rio Grande Public Water Works Authority entered into a $100,000 loan agreement with the United States Department of Agriculture (USDA) Rural Development to finance the sewer facility in Mesquite. The loan bears interest at 3.375% and maturing in June 2052. The note is payable in monthly installments of $380 starting June 2012. The loan is secured by real state of the Association.

Loan principal and interest payments for each of the next years and thereafter are as follows:

Year Ending June 30:	Principal	Interest	Total
2013	1,233	3,327	4,560
2014	1,380	3,285	4,665
2015	1,427	3,241	4,668
2016	1,476	3,196	4,672
2017	1,526	3,149	4,675
2018-2022	8,457	14,985	23,442
2023-2027	10,005	13,551	23,556
2028-2032	11,286	11,854	23,140
2033-2037	12,955	9,844	22,799
2038-2042	15,333	7,467	22,800
2043-2047	18,307	4,651	22,958
2048-2052	15,855	1,287	17,142
Totals	$ 99,240	$ 79,837	$ 179,077

United State Department of Agriculture - Rural Development Loan

On April 27, 2012, the Lower Rio Grande Public Water Works Authority entered into a $606,000 loan agreement with the United States Department of Agriculture (USDA) Rural Development to finance the sewer facility in Mesquite. The loan bears interest at 2% and maturing in June 2052. The note is payable in monthly installments of $1,837 starting June 2012. The loan is secured by real state of the Association.

Loan principal and interest payments for each of the next years and thereafter are as follows:

Year Ending June 30:	Principal	Interest	Total
2013	10,106	-	10,106
2014	10,310	-	10,310
2015	10,519	-	10,519
2016	10,731	-	10,731
2017	10,947	-	10,947
2022-2026	58,142	-	58,142
2027-2031	64,252	-	64,252
2032-2036	71,033	-	71,033
2037-2041	78,464	-	78,464
2042-2046	86,709	-	86,709
2047-2051	95,979	-	95,979
2047-2051	95,136	-	95,136
Totals	$ 602,328	$ -	$ 602,328

United State Department of Agriculture - Rural Development Loan

On January 20, 2012, the Lower Rio Grande Public Water Works Authority entered into a $437,163 loan agreement with the New Mexico Finance Authority (NMFA) to finance the water system. The loan bears interest at .25% and maturing in June 2032. The note is payable in variable monthly installments between $21,344 and $22,378of $221 starting June 2013. The loan is secured by real state of the Association. As of June 30, 2012 only $70,114 has been withdraw from the $437,163 available balance.

Loan principal and interest payments for each of the next years and thereafter are as follows:

Year Ending June 30:	Principal	Interest	Total
2012	$ 21,344	$ 1,491	$ 22,835
2013	21,397	1,040	22,437
2014	21,450	987	22,437
2015	5,923	923	6,846
Totals	$ 70,114	$ 4,441	$ 74,555

6. NET ASSETS CONTRIBUTIONS

The merged entities contributions were as follows:

Entity	Contributions
Desert Sands MDWCA	$ 22,389
Lower Rio Grande MDWA	1,276,774
Total contributions	$ 1,299,163

7. EXCESS EXPENDITURES OVER APPROPRIATIONS

New Mexico State Statutes restricts all officials and governing authorities from approving claims in excess of the approved budget. The Authotity exceeded its authorized budget by $149,672 as follows:

Fund	Budget Expenses	Actual Expenses	Difference
Operating expenses	$ 2,399,347	$ 2,549,019	$ 149,672

8. RISK MANAGEMENT

The Authority covers its risk of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters through various insurance policy coverage. The coverage includes workers compensation, general and professional liability, property, and fidelity bonds coverage. The Authority transfers these risks of loss to the insurance carrier except for deductible amounts. Premiums paid on policies for the year June 30, 2012 was $167,181.

9. RETIREMENT PLAN

The Authority provides employees the opportunity to participate in a 401K plan. The 401(k) is available to employees after completing their 90 day trial period. The Authority matches employee contributions dollar for dollar up to 6% of wages. In addition, the Authority contributes a profit sharing portion to each employee's 401(k), regardless of whether they participate in the voluntary contribution option. Current policy is to contribute 15% of the employee's wages towards the profit sharing option. For the fiscal year ended June 30, 2012, the Authority contributed $22,564 in matching funds and accrued $31,558 towards the profit sharing option.

10. SUBSEQUENT EVENTS

On October 15, 2012 the Board of Directors of Butterfield Park Mutual Domestic Water Consumer Association, according to the Sanitary Project Act, Section 3-29-20-1, NMSA 1978, approved a plan of merger with the Lower Rio Grande Public Works Authority. The Associations will immediately commence the process of merge into the Authority, which process may take one to two years.

11. RESTATEMENT

Certain errors resulting in an overstatement of previously reported accounts receivable were discovered during current year. Accordingly, an adjustment of $169,802 was made during fiscal year ending June 30, 2011 to decrease accounts receivable as of the beginning of the year. A corresponding entry was made to decrease previously reported net assets by $169,802.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE - BUDGET AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Operating Income				
Water revenue	$ 1,258,804	$ 1,258,804	$1,524,914	$ 266,110
Sewer revenue	63,092	63,092	60,150	(2,942)
Other income	-	-	206,051	206,051
Total operating income	1,321,896	1,321,896	1,791,115	469,219
Operating Expenses				
Salaries, labor	734,920	734,920	54,245	680,675
Accounting, legal	215,875	215,875	69,270	146,605
Taxes, insurance	471,430	471,430	167,520	303,910
Utilities	262,161	262,161	157,064	105,097
Supplies	165,356	165,356	145,126	20,230
Lab, chemicals	24,952	24,952	176,819	(151,867)
Bad debt expenses	-	-	43,290	(43,290)
Miscellaneous	-	-	984,747	(984,747)
Fuel	-	-	4,601	(4,601)
Travel and entertainment	-	-	4,612	(4,612)
Depreciation	524,653	524,653	741,725	(217,072)
Total operating expenses	2,399,347	2,399,347	2,549,019	(149,672)
Excess (deficiency) of revenues over expenditures	(1,077,451)	(1,077,451)	(757,904)	319,547
Nonoperating revenues				
Water	548,063	548,063	-	(548,063)
Sewer	4,735	4,735	-	(4,735)
Agency loans/grants	-	-	1,256,577	1,256,577
Other expenses	-	-	134,278	134,278
Total nonoperating income	552,798	552,798	1,390,855	838,057
Revenue over (under) expenses	$ (524,653)	$ (524,653)	$ 632,951	$ 1,157,604

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

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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*

Hector H. Balderas, State Auditor
and the Board of Directors of the
Lower Rio Grande Public Water Works Authority, New Mexico

We have audited the financial statements of the business-type activities and the budgetary comparison presented as supplementary information of the Lower Río Grande Public Water Works Authority (the Authority) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 1, 2012. 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.

Internal Control Over Financial Reporting

Management of agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. (items 11-01, 11-04, 11-05, 12-02, 12-03, and 12-04). 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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*.

We also noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and responses as findings 12-01, and 12-05.

The Authority's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Authority's Board of Directors, the Authority's management, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

White & Samanego & Campbell, LLP

El Paso, Texas
December 1, 2012

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM A ND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Hector H. Balderas
New Mexico State Auditor
and the Council Members
Lower Rio Grande Public Water Works Authority
Vado, New Mexico

Compliance

We have audited the Lower Rio Grande Public Water Works Authority's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Lower Rio Grande Public Water Works Authority's major federal programs for the year ended June 30, 2012. The Lower Rio Grande Public Water Works Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Lower Rio Grande Public Water Works Authority's management. Our responsibility is to express an opinion on the Lower Rio Grande Public Water Works Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Lower Rio Grande Public Water Works Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Lower Rio Grande Public Water Works Authority's compliance with those requirements.

In our opinion, the Lower Rio Grande Public Water Works Authority, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of the Lower Rio Grande Public Water Works Authority, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts,

and grants applicable to federal programs. In planning and performing our audit, we considered the Lower Rio Grande Public Water Works Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lower Rio Grande Public Water Works Authority's internal control over compliance.

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

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

This report is intended solely for the information and use of the Board members, management, the State Auditor, the New Mexico State Legislature, the New Mexico Department of Finance and Administration, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

White + Samaniego + Campbell, LLP

El Paso, Texas
December 1, 2012

STATE OF NEW MEXICO
LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2012

Federal Grantor Pass Through Grantor Program Title	CFDA	Award Amount	Expenditures
United States Department of Agriculture Rural Development			
Water and Waste Disposal Systems for Rural Communities - Loan	17.760	$ 100,000	$ 100,000
Water and Waste Disposal Systems for Rural Communities - Loan	17.760	606,000	606,000
Water and Waste Disposal Systems for Rural Communities - Grant	17.760	100,000	44,000
Water and Waste Disposal Systems for Rural Communities - Grant	17.760	2,267,000	775,726
Total Expenditures of Federal Awards		$ 3,073,000	$ 1,525,726

Note 1 - Basis of Presentation

The above Schedule of Expenditures of Federal Awards includes the federal grant activity of the Lower Rio Grande Public Water Works Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

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

STATE OF NEW MEXICO
LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

SECTION I - SUMMARY OF AUDITOR'S REPORT

FINANCIAL STATEMENTS

Type of Auditor's Report Issued	Unqualified	
Significant Deficiencies Identified?	X Yes	No
Significant Deficiencies Identified that Are Considered to Be Material Weakness(es)?	Yes	X No
Noncompliance Material to Financial Statements	N/A	

FEDERAL AWARDS

Type of Auditor's Report Issued on compliance for Major Programs	Unqualified	
Internal Control Over Major Programs:		
Significant Deficiencies Identified?	Yes	X No
Significant Deficiency(ies) Identified that Are Considered to Be Material Weakness(es)?	Yes	X No
Any Audit Findings Disclosed that are Required to be Reported in accordance with Section 501(a) of Circular A-133?	Yes	X No

Identification of Major Programs:

CFDA	10.760	Water and Waste Disposal Systems for Rural Communities - Loan

Dollar Threshold Used to Distinguish Between Type A and Type B Programs	$300,000	
Auditee Qualifies as Low-Risk Auditee	Yes	X No

STATE OF NEW MEXICO
LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY

SCHEDULE OF AUDIT FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012

Capital Assets (11-01) - Significant deficiency

CONDITION	During our test work, we noted that the the capital asset additions were not accurately reflected in the capital asset inventory. In addition the capital asset inventory is not being timely maintained and was not reconciled at year-end.
CRITERIA	According to NMAC 2.20.1.16 Annual Inventory requires that all state agencies, municipalities, counties and every political subdivision of the state must conduct an annual physical audit of its capital assets with a historical cost of $5,000 or more. Also, the results of the physical inventory shall be recorded in a written inventory report, certified as to the correctness and signed by the governing authority of the agency.
EFFECT	The Authority has asset listings, but has not adequately maintained those listings to ensure they agree with audited financial statements.
CAUSE	The Authority does not have personnel trained and knowledgeable in the maintenance and record keeping of capital assets for the Authority.
RECOMMENDATION	The Authority must implement a property control system in accordance with NMAC 2.20.1.8 in order to have an accurate capital asset listing which includes depreciation expense.
RESPONSE	The Authority concurs and shall implement a property control system in accordance with NMAC 2.20.1.16.

Inventory (11-04) - Significant deficiency

CONDITION	An accurate inventory listing was not taken at year end. Detailed records of inventory purchases and inventory usage were not reconciled to the general ledger at year end.
CRITERIA	An effective system on internal control provides for the proper safeguarding of the entity's assets. Such control is established through the inventory listing and the reconciliation with control accounts along with an annual physical inventory inspection.
EFFECT	Inventory at year end is not accurate. This can cause the financial statements to be misstated.
CAUSE	No system exists for the maintaining of inventory for supplies. Accounting records for the inventory of the Authority over the year has reflected additions acquired.

RECOMMENDATION	The detailed inventory listing should be completed and verified at year end and reconciled to the control accounts in the general ledger.
RESPONSE	The Authority concurs and shall obtain an accurate inventory listing at the end of each fiscal year which shall be used to reconcile inventory purchases and inventory usage to the general ledger.

Under Collateralized Bank Accounts (11-05) - Significant deficiency

CONDITION	The auditors were unable to obtain the collateral statements from the District and the amount of coverage is unknown.
CRITERIA	Section 6-10-17 NMSA requires 50% collateral requirement for the District's monies deposited in each financial institution.
EFFECT	The District is not following State Statutes concerning safekeeping of public monies.
CAUSE	Section 6-10-17 NMSA 1978 only applies to governmental agencies. The Citizen Bank was unaware that Lower Rio Grande Public Water Works Authority was a New Mexico government agency. So, no collateral was applied to the Authority's monies that exceed the District's FDIC coverage.
RECOMMENDATION	In the future, if the Authority's deposits exceed the FDIC coverage, the Authority should ensure that the bank applies the proper collateral to their excess monies.
RESPONSE	The Authority concurs and shall secure the 50% collateral requirement for the Authority's monies deposited exceeding the FDIC coverage in each financial institution in accordance with Section 6-10-17 NMSA.

Per Diem(12-01) - Other

CONDITION	During course of our audit, we performed tests of travel and per diem expenditures. Two samples were selected to verify the Authority's compliance with the New Mexico State Per Diem and Mileage Act. Out of the two samples selected, one sample was not in compliance. The sample which was not in compliance was for four of the Authority's employees allowing for a maximum amount of $120.00 per day for in state travel. The actual per diem expense for the sample was of 134.28 exceeding the allowable amount by $14.28.
CRITERIA	The New Mexico Department of Finance and Administration have issued regulations in the form of Title 2, Chapter 42, Part 2, Travel and Per Diem Regulations Governing the Per Diem and Mileage Act of the New Mexico Administrative Code. The rule was issued in accordance with Section 10-8-1 to 10-8-8 NMSA 1978. More specifically Section 10.8.4.K. (2) of the New Mexico State Per Diem and Mileage Act states that reimbursements for actual expenses for meals is not to exceed thirty dollars per day for in state-travel and forty-five dollars per day for out-of-state travel .

EFFECT	Non-compliance with the state of New Mexico Per Diem and Mileage Act subjects officials and employees to penalties as required by state statutes.
CAUSE	The Authority did not have proper documentation of per diem expenses.
RECOMMENDATION	We recommend the administrative staff review the Per Diem and Mileage Act and the administrative code to ensure compliance with the Act.We also recommend that the Authority keep proper documentation of all expenses that apply to the New Mexico State Per Diem and Mileage Act, in order to ensure that the Authority maintains compliance with New Mexico statutes .
RESPONSE	The Authority concurs and shall obtain proper documentation for all expense that apply to the New Mexico State Per Diem and Mileage Act.

Overstatement of Revenues (12-02) - Significant deficiency

CONDITION	While performing the audit and reviewing grant activity for the year ended June 30, 2012 the auditor discovered that loans awarded from USDA were improperly recorded as grants.
CRITERIA	All financial activity should be properly recorded in the Authority's accounting records.
EFFECT	Loans recorded as grants will overstate actual revenues.
CAUSE	Loans were misposted as grants in the general ledger.
RECOMMENDATION	We recommend the Authority reconcile accounting records to award agreements in order to verify for accuracy.
RESPONSE	The Authority concurs and shall properly record loans activity transactions in the accounting records.

Compensated Absences (12-03) - Significant deficiency

CONDITION	The Authority overpaid compensated absences for sick leave in the amount of $4,367 and underpaid compensated absences in the amount of $134. Resulting in a net over payment of compensated absences in the amount of $4,233.
CRITERIA	According to the Authority's personnel policy and procedures, annual and sick leave will be paid out upon termination, in accordance with NMAC 2.2.2.10 and GASB Statement No. 16.
EFFECT	The Authority is not in compliance with NMAC 2.2.2.10 and GASB Statement No. 16, Accounting for Compensated Absences.
CAUSE	The Authority did not reconcile payroll expenses to records for compensated absences.
RECOMMENDATION	We recommend the Authority reconcile compensated absences records to payroll expenses to verify for accuracy.

RESPONSE The Authority concurs and shall obtain proper documentation and approval for compensated absences before making any payments.

Recording of Payments (12-04) - Significant deficiency

CONDITION A hand written check was incorrectly posted before year end on 6/26/2012 and was dated 7/26/2012. This resulted in understating cash balance by $180,157 and overstating expenses pertaining to federal awards.

CRITERIA OMB Circular A-133 Subpart C states:

The auditee shall: Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

EFFECT The Authority is not in compliance with OMB Circular A-133.

CAUSE The Authority did not have the proper internal controls to review posting of transactions.

RECOMMENDATION We recommend the Authority that checks issued be scrutinized for accuracy by more than one member of management.

RESPONSE The Authority concurs and shall obtain proper documentation for all expenses that apply to federal awards.

Legal Compliance with Budget (12-05) - Other

CONDITION The Authority's actual expenditures exceeded the approved budget by $149,672 in total.

CRITERIA "Budgets for mutual domestic water consumers and sewage works associations are approved by DFA in accordance with Section 6-6-3 NMSA 1978. Association's expenditures cannot exceed the approved budget according to Section 6-6-6 NMSA 1978 which states: "When any budget for a local public body has been approved and received by a local public body, it is binding upon all officials and governing authorities, and no governing authority or official shall allow or approve claims in excess thereof, and no official shall pay any check or warrant in excess thereof, and the allowances or claims or checks or warrants so allowed or paid shall be a liability against the officials so allowing or paying those claims or checks or warrants, and recovery for the excess amounts so allowed or paid may be had against the bondsmen of those officials."

CAUSE The Authority did not have controls in place to ensure that it is not expending funds in excess of approved budget amounts.

EFFECT	Non-compliance with New Mexico state statutes subjects Authority officials and personnel to punishment as defined by state statutes.
RECOMMENDATION	Adopt budget adjustments in accordance with the Authority's plans and operations. Obtain approval from DFA before any expenditures are incurred. Monitor accounts at least quarterly to ensure that actual expenditures do not exceed the approved budget or available fund balance at any time during the fiscal year.
RESPONSE	The Authority will improve budget monitoring and review.

STATE OF NEW MEXICO
LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

STATUS OF PRIOR YEAR FINDINGS

		Current Status
11-01	Capital Assets	Repeat
11-02	Employee Payroll Advances	Resolved
11-03	Grant Activity	Resolved
11-04	Inventory	Repeat
11-05	Under Collateralized Bank Accounts	Resolved
11-06	Late Audit Report	Resolved

STATE OF NEW MEXICO
LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY

EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2012

An exit conference was conducted December 4, 2012 in a closed meeting of the Authority pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Lower Rio Grande Public Water Works Authority

Robert M. Nieto	President
Martin Lopez	General Manager
Kathi Jackson	Finance Manager

White + Samaniego + Campbell, LLP

Cheryl Hutton-Tellez	Staff Auditor
Jorge Almuina	Staff Auditor

FINANCIAL STATEMENT PREPARATION

The combined financial statements of the Authority as of, and for the year ended, June 30, 2012 were prepared by White + Samaniego + Campbell, LLP, with the aid of responsible Authority personnel. Official responsible personnel agree that the presentations are made with their knowledge and agreement.

LOWER RIO GRANDE MUTUAL
DOMESTIC WATER ASSOCIATION
AGREED-UPON PROCEDURES
JUNE 30, 2012

LOWER RIO GRANDE MUTUAL DOMESTIC WATER ASSOCIATION
TABLE OF CONTENTS
JUNE 30, 2012

LOWER RIO GRANDE MUTUAL DOMESTIC WATER ASSOCIATION
OFFICIAL ROSTER
JUNE 30, 2012

ROBERT M. NIETO, PRESIDENT

JOHN HOLGUIN, VICE PRESIDENT

MIKE GUILLEN, SECRETARY/TREASURER

GABRIEL GUTIERREZ, DIRECTOR

ISMAEL BORUNDA, DIRECTOR

SANTOS RUIZ, DIRECTOR AT LARGE

MARTIN LOPEZ, REGISTERED AGENT

Clifford, Ross & Cooper, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Board of Directors and State Auditor
Lower Rio Grande Mutual Domestic Water Association
215 Bryant
Mesquite, NM 88048

We have performed the procedures shown in Exhibit A, attached to this report, which were agreed to by Lower Rio Grande Mutual Domestic Water Association, solely to assist you with respect to the compliance of the Tier 3 of the Audit Act – Section 12-6-3 B (3) NMSA 1978 and Section 2.2.2.16 NMAC of Lower Rio Grande Mutual Domestic Water Association as of June 30, 2012. Lower Rio Grande Mutual Domestic Water Association's management is responsible for the company's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings can be found on Exhibit A, attached to this report

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Lower Rio Grande Mutual Domestic Water Association and New Mexico Office of the State Auditor and is not intended to be and should not be used by anyone other than those specified parties.

Clifford Ross + Cooper LLC

Clifford, Ross & Cooper, LLC

Las Cruces, New Mexico

November 30, 2012

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LOWER RIO GRANDE MUTUAL DOMESTIC WATER ASSOCIATION

EXHIBIT A- SCOPE OF WORK

AGREED UPON PROCEDURES

Tier 3 of the Audit Act - Section 12-6-3 B (3) NMSA 1978 and Section 2.2.2.16 NMAC

1) **TEST ALL STATE-FUNDED CAPITAL OUTLAY EXPENDITURES:**

a) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.

Procedure:

Reviewed 100% of all disbursements (19 checks) for all grants from July 1, 2011 to June 30, 2012. Verified amount, payee, date and descriptions and agreed to the contract and/or vendor's invoice and traced to bank statements showing they cleared.

Finding:

No discrepancies noted.

b) Determine that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.

Procedure:

Reviewed 100% of all disbursements (19 checks) for proper authorization and approval in accordance with the budget, legal requirements and established policies and procedures. Traced to board approval.

Finding:

No discrepancies noted.

c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code and State Purchasing Regulations (Section 13-1-28 through 12-1-199 NMSA 1978 and 1.4.1 NMAC).

Procedure:

No new bids, finishing up construction. Only new construction was for the new La Mesa Administration building

Finding:

No discrepancies noted.

d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.

Procedure:

Observed physical existence of pipeline going into the ground and coming out at substation

Finding:

No discrepancies noted.

e) Verify that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.

Procedure:

Reviewed all quarterly reports submitted to the State Finance Department, agreed amounts to the general ledger and financial statements

Finding:

No discrepancies noted.

2) If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.

Procedure:

Reviewed general ledger for any projects that had funding awarded in advance

Finding:

All projects are reimbursement projects.

3) If the project was funded in advance, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor

Finding:

All projects are reimbursements projects.

LOWER RIO GRANDE MUTUAL DOMESTIC WATER ASSOCIATION

EXHIBIT A- SCOPE OF WORK

AGREED UPON PROCEDURES

Tier 3 of the Audit Act - Section 12-6-3 B (3) NMSA 1978 and Section 2.2.2.16 NMAC

4) Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.

Finding:

Lower Rio Grande Mutual Domestic Water Association has a separate bank account used only for construction projects and each project is accounted for separately by the outside accountant.

5) Determine whether reimbursement requests were properly supported by costs incurred by the recipient. Determine whether the costs were paid by the local public body prior to the request for reimbursement.

Procedure:

100% of all reimbursement requests (10) for the period were reviewed for proper support, and reviewed to determine that the costs were paid prior to the request for reimbursement by the entity.

Finding:

No discrepancies were noted.

6) If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal deficiencies, such instances must be disclosed in the report as required by Section 12-6-6-NMSA 1978. The findings must include the required content per Section 2.2.2 20(I)(3)© NMAC..

Finding:

No discrepancies were noted.

LOWER RIO GRANDE MUTUAL DOMESTIC WATER ASSOCIATION
EXHIBIT B - SCHEDULE OF CAPITAL OUTLAY PROJECTS
JUNE 30, 2012

	Award Amount	Prior Years Expenditures	Current Year Expenditures	Total Received	Remaining Balance
Special Appropriation Project-New Mexico Environment Department LRGMDWA Water System Plan Laws of 2007, Chapter 42, Section 59, Subsection 37 Contract dated 8/3/07 Project expiration date 6/30/2011 SAP 07-4445-GF	$ 660,000.00	$ 635,742.97	$ 24,257.03	$ 660,000.00	$ -
Special Appropriations Projects-New Mexico Environment Department La Mesa Administration Building Laws of 2009, Chapter 125, Section 22, Item 4 Contract dated 6/2/2010 Project expiration date 4/30/2012 SAP-09-3118-(12)-STB	$ 400,000.00	$ -	$ 400,000.00	$ 400,000.00	$ -

LOWER RIO GRANDE MUTUAL DOMESTIC WATER ASSOCIATION
SCHEDULE OF CURRENT AND PRIOR YEAR FINDINGS AND RESPONSES
JUNE 30, 2012

Current year findings: None

Prior year finding:

2011-1 Lack of Approved Agreed Upon Procedure Contract

Not repeated in current year

LOWER RIO GRANDE MUTUAL DOMESTIC WATER ASSOCIATION
EXIT CONFERENCE
JUNE 30, 2012

Exit Conference:

The exit conference was held on December 1, 2012 with the following persons:

Martin Lopez, Registered Agent for the entity
Robert M. Nieto, President

Denise S. Cooper, Partner, Clifford Ross & Cooper, LLC

These agreed-upon procedures were prepared by Clifford, Ross & Cooper, LLC from the books and records of Lower Rio Grande Mutual Domestic Water Association with the assistance

ORGAN WATER AND SEWER
ASSOCIATION
AGREED-UPON PROCEDURES
DECEMBER 31, 2011

ORGAN WATER AND SEWER ASSOCIATION
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DECEMBER 31, 2011

Clifford, Ross & Cooper, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Board of Directors and State Auditor
Organ Water and Sewer Association
P.O. Box 2433
Las Cruces, NM 88004

We have performed the procedures shown in Exhibit A, attached to this report, which were agreed to by Organ Water and Sewer Association, solely to assist you with respect to the compliance of the Tier 4 of the Audit Act – Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC of Organ Water and Sewer Association as of December 31, 2011. Organ Water and Sewer Association's management is responsible for the company's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The compilation shown as Exhibit B, prepared by another accountant, is attached for exhibit purposes only to show the Organization had an outside accountant prepare its financials and was not relied upon to perform the work shown in Exhibit A.

Our procedures and findings can be found on Exhibit A, attached to this report

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Organ Water and Sewer Association and New Mexico Office of the State Auditor and is not intended to be and should not be used by anyone other than those specified parties.

Clifford Ross & Cooper LLC

Clifford, Ross & Cooper, LLC

Las Cruces, New Mexico

October 25, 2012

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ORGAN WATER AND SEWER ASSOCIATION
OFFICIAL ROSTER
DECEMBER 31, 2011

WESTON LEE - PRESIDENT

CLYDE WILLIAMSON - VICE PRESIDENT

EDUARDO TRISTE - DIRECTOR

FURMAN SMITH - DIRECTOR

ORGAN WATER AND SEWER ASSOCIATION
EXHIBIT A- SCOPE OF WORK
AGREED UPON PROCEDURES
Tier 4 of the Audit Act - Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC

1) **CASH**

a) The Contractor shall determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand

Procedure:
Obtained copies of all bank reconciliations and bank statements for the year.
Verified that the banks were reconciled each month, and reviewed the bank reconciliations.

Finding:
No discrepancies noted.

b) The Contractor shall perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division

Procedure:
Six months of bank reconciliations were recomputed to determine accuracy. The monthly bookkeeping is done by Mesilla Valley Accounting. Books are kept on Quickbooks and reconciled through Quickbooks.
We compared the cash balances per bank reconciliation to the respective general ledger account balances.
Monthly financial statements are presented to the Board of Directors by Mesilla Valley Accounting for approval. Financial reports have never been required to be sent to DFA per Mesilla Valley Accounting.
They have asked for guidance from DFA and to date have not received any response.

Finding:
No discrepancies noted.

c) The Contractor shall determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable

Procedure:
The bank statements for the entire fiscal year ending December 31, 2011 were reviewed for balances.

Finding:
The bank balances never exceeded the $250,000 threshold for the FDIC limit, therefore pledged collateral was not required.

2) **CAPITAL ASSETS**

The Contractor shall verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978

Procedure:
Reviewed depreciation listing for assets updated yearly by Mesilla Valley Accounting.
Noted additions to assets each year. No inventory was performed or certified during current year.

Finding:
See Page 13 for Finding 2011-01.

3) **REVENUE**

The Contractor shall identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation

a) Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue

Procedure:
System billings for 6 months were tested for accuracies and tied to the general ledger.
Monthly receipts reports for the 6 months tested were tied to the gross receipts tax reports and the general ledger and deposits made to the bank accounts.

Finding:
No discrepancies noted.

ORGAN WATER AND SEWER ASSOCIATION
EXHIBIT A- SCOPE OF WORK
AGREED UPON PROCEDURES
Tier 4 of the Audit Act - Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC

REVENUES (continued)

The Contractor sball test 50% of the total amount of revenues for the following attributes:

b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.

c) Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

Procedure:

Deposit slips were obtained and traced to bank statement, general ledger and financial statements for 50% of all revenues, reviewed all supporting documentation for proper classification, amount and recording period.

Finding:

No discrepancies noted.

4) **EXPENDITURES**

The Contractor shall select a sample of cash disbursements and test at least 25 transactions and 50% of the total amount of expenditures for the following attributes:

a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and cancelled check, as appropriate.

b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Note: The sample must be representative of the population.

Procedure:

Tested 40 cash disbursements from the operating account and project account

Each cash disbursement was tested for adequate supporting documentation, verified amount, payee, date, and description agreed to vendor's invoice and cancelled check. Traced authorization to established policies and procedures and was approved and authorized by the Board of Directors and management.

Reviewed the bids for the current project and determined that the various contracts were in compliance with the New Mexico Procurement Code. Trace all disbursements to the requests for reimbursement sent to the State of New Mexico Department of Finance and Administration and reviewed for proper approval.

Finding:

No discrepancies noted.

ORGAN WATER AND SEWER ASSOCIATION
EXHIBIT A- SCOPE OF WORK
AGREED UPON PROCEDURES
Tier 4 of the Audit Act - Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC

5) **JOURNAL ENTRIES**

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, the Contractor shall test significant items for the following attributes:

a) Journal entries appear reasonable and have supporting documentation

b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed

Procedure:

Six months were tested for journal entries prepared by Mesilla Valley Accounting. The journal entries are presented to the Board each month for their review.

Finding:

The journal entries are presented to the Board each month; they are reviewed, initialled and dated.

6) **BUDGET**

The Contractor shall obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

a) Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.

b) Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.

c) From the original and final approved budgets and general ledger, prepare a schedule of revenues and expenditures - budget and actual on the budgetary basis used by the local public body (cash, accrual or modified accrual basis) for each individual fund.

Procedure:

Obtain copy of overall budget for the local public body.

Obtain Minutes of the Board and review for approval of budget and budget adjustments.

Noted the overall budget was approved by U.S. Department of Agriculture, Rural Development.

Finding:

The Organization has never been required to do a budget for DFA approval. They have always received approval from the Board and/or Rural Development for their budget. Mesilla Valley Accounting was requested guidance from DFA on the budgeting process and has not received a response. The budget was sent to DFA, however have not received any responses back, therefore no BARS were requested.

See Page 14 for Finding 2011-02.

OTHER

If information comes to the Contractor's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10(I)(3)(C) NMAC.

Finding:

No discrepancies noted.

See Page 15 for Finding 2011-03 for late report.

EXHIBIT B

Organ Water and Sewer Association
Statement of Net Assets

	Dec 31, 11
ASSETS	
Current Assets	
Checking/Savings	
Citizens Bank-Operating	64,144.28
Citizens Bank-Construction	100.00
Citizens Bank-Reserve	11,000.00
Citizens Bank-Security Deposits	700.00
Total Checking/Savings	75,944.28
Accounts Receivable	
Utility Customers	6,753.80
Total Accounts Receivable	6,753.80
Other Current Assets	
Construction in Progress	
USDA/RD Project	293,778.53
Total Construction in Progress	293,778.53
Prepaid Expenses	3,627.03
Undeposited Funds	4,594.19
Total Other Current Assets	301,999.75
Total Current Assets	384,697.83
Fixed Assets	
Buildings	18,062.33
Land	73,678.99
Office Furniture & Equipment	721.30
System Equipment	145,915.03
Water and Sewer Infrastructure	3,452,122.51
Vehicles	21,200.00
Accumulated Depreciation	-1,208,925.03
Total Fixed Assets	2,502,775.13
Other Assets	
Loan Origination Fees	168.00
Vehicle Service Warranty	504.17
Total Other Assets	672.17
TOTAL ASSETS	2,888,145.13
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Operations	7,281.90
Total Accounts Payable	7,281.90
Credit Cards	
Citizens Bank Mastercard	
T. Simpson (2311)	869.64
Total Citizens Bank Mastercard	869.64
Total Credit Cards	869.64
Other Current Liabilities	
Gross Receipts Tax Payable	727.24

EXHIBIT B

Organ Water and Sewer Association
Statement of Net Assets

	Dec 31, 11
Payroll Liabilities	
Federal Income Taxes	297.00
Social Security/Medicare	478.14
State Income Taxes	87.94
State Unemployment	1.16
Total Payroll Liabilities	864.24
Security Deposits	700.00
Total Other Current Liabilities	2,291.48
Total Current Liabilities	10,449.02
Long Term Liabilities	
N/P - Citizens Bank	17,339.50
N/P - RCAC	301,584.05
Total Long Term Liabilities	318,923.55
Total Liabilities	329,386.57
Equity	
Memberships	
Sewer $135	2,295.00
Sewer $162	12,636.00
Water $65	65.00
Water $85	1,870.00
Water $102	10,404.00
Total Memberships	27,270.00
Unrestricted Net Assets	2,327,125.11
Net Income	204,383.45
Total Equity	2,558,778.56
TOTAL LIABILITIES & EQUITY	2,888,145.13

EXHIBIT B

Organ Water and Sewer Association
Statement of Revenue and Expenses

	Oct - Dec 11	Jan - Dec 11
Ordinary Income/Expense		
Income		
Revenue from Operations		
Water Service	43,765.81	191,667.40
Sewer Service	6,592.00	26,976.00
Administrative Fees	100.00	475.00
Damage Charges	0.00	50.00
Late Fees & Penalties	1,007.47	3,716.47
Membership Fees	0.00	200.00
New Installation	0.00	780.00
Reconnection Fees	650.00	3,450.00
Returned Check Fees	0.00	50.00
Total Revenue from Operations	52,115.28	227,364.87
Total Income	52,115.28	227,364.87
Expense		
Advertising	0.00	36.22
Bad Debts	0.00	263.58
Bank Service Charges	52.25	3,524.75
Contract Services	0.00	967.13
Depreciation Expense	24,685.79	90,821.70
Dues and Subscriptions	749.21	873.42
Equipment Rental	0.00	476.62
Fuel	935.81	4,425.24
Insurance		
Business/General Liability	2,496.00	9,868.25
Total Insurance	2,496.00	9,868.25
Interest Expense	4,993.48	10,880.91
Lab Fees	243.00	998.00
Land Rent	0.00	1,375.00
Licenses, Permits & Other Taxes	361.40	708.30
Meals	0.00	66.61
Mileage Reimbursement	0.00	667.60
Office Expense	81.58	491.93
Payroll Expenses		
Wages	10,916.50	50,557.40
Payroll Taxes	874.55	4,036.96
Total Payroll Expenses	11,791.05	54,594.36
Professional Fees		
Accounting & Administrative	12,033.56	38,763.19
Total Professional Fees	12,033.56	38,763.19
Property Taxes	224.57	974.57
Repairs and Maintenance		
Equipment	0.00	1,016.32
Vehicles	852.18	1,708.96
Total Repairs and Maintenance	852.18	2,725.28
System Parts & Supplies	5,572.02	14,809.35
Telephone	611.23	2,380.60
Tools & Equipment - Non Asset	9,290.68	14,433.69
Utilities	6,899.87	40,200.87
Water Conservation Fee	330.02	1,879.83
Total Expense	82,203.70	297,207.00
Net Ordinary Income	-30,088.42	-69,842.13

EXHIBIT B

Organ Water and Sewer Association
Statement of Revenue and Expenses

	Oct - Dec 11	Jan - Dec 11
Other Income/Expense		
Other Income		
Grant Revenue	0.00	264,503.58
Insurance Proceeds	8,922.00	8,922.00
Other	0.00	800.00
Total Other Income	8,922.00	274,225.58
Net Other Income	8,922.00	274,225.58
Net Income	-21,166.42	204,383.45

STATE OF NEW MEXICO
ORGAN WATER AND SEWER ASSOCIATION
EXHIBIT C
BUDGET AND ACTUAL - Modified Accrual Basis

Statement of Revenues and Expenditures
Budget and Actual
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive/(Negative)
	Original	Final		
REVENUES				
Water & Sewer Services	$ 183,240	$ 183,240	$ 218,643	$ 35,403
Administration Fees/Penalties	7,500	7,500	4,241	(3,259)
Membership/Install	1,000	1,000	980	(20)
Miscellaneous	1,500	1,500	9,772	8,272
Reconnect Fees	-	-	3,450	3,450
Interest/Refunds	-	-	-	-
Grant Proceeds	-	-	264,504	264,504
Total revenues	193,240	193,240	501,590	308,350
EXPENDITURES				
Salaries/Contractors	51,500	51,500	55,561	(4,061)
Accounting/Legal	35,000	35,000	38,763	(3,763)
Taxes/Insurance	20,000	20,000	10,843	9,157
Utilities	41,000	41,000	40,201	799
System Supplies/Maintenance	25,000	25,000	17,534	7,466
Other	3,000	3,000	31,227	(28,227)
Rents	1,500	1,500	1,375	125
Interest	-	-	10,881	(10,881)
Depreciation	85,000	85,000	90,822	(5,822)
Total expenditures	262,000	262,000	297,207	(35,207)
Excess (deficiency) of revenues over expenditures	(68,760)	(68,760)	204,383	273,143
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources	(68,760)	(68,760)	$ 204,383	$ 273,143
Budgeted cash carryover	68,760	68,760		
	$ -	$ -		

USDA-RD
Form RD 442-7
(Rev. 3-02)

Position 3

OPERATING BUDGET

Form Approved
OMB No. 0575-0015

Schedule I

Name	Address	
Organ Water & Sewer Association	P.O. Box 2413	Las Cruces
Applicant Fiscal Year	**County**	**State *(Including ZIP Code)***
From 01-01 To 12-31	Dona Ana	NM 88004

	20 07	20 08	20 09	20 10	First Full Year (2011)
OPERATING INCOME	(1)	(2)	(3)	(4)	(5)
1. Water & Sewer Service	$186,885.00	$174,444.00	$180,491.00	$180,000.00	$183,240.00
2. Late Fees & Penalties	$7,588.00	$7,956.00	$6,947.00	$7,500.00	$7,500.00
3. Installation Fees	$1,190.00	$1,170.00	$1,950.00	$1,000.00	$1,000.00
4. Other Admin. Fees	$933.00	$1,017.00	$590.00	$1,500.00	$1,500.00
5. Miscellaneous		$350.00	($50.00)		
6. Less: Allowances and Deductions	( )	( )	( )	( )	( )
7. Total Operating Income *(Add Lines 1 through 6)*	$196,596.00	$184,937.00	$189,928.00	$190,000.00	$193,240.00
OPERATING EXPENSES					
8. Salaries	$49,155.00	$49,487.00	$49,287.00	$50,000.00	$51,500.00
9. Professional Fees	$29,525.00	$31,993.00	$32,810.00	$35,000.00	$35,000.00
10. Taxes & Insurance	$17,834.00	$20,336.00	$18,504.00	$20,000.00	$20,000.00
11. Utilities	$40,869.00	$43,640.00	$36,441.00	$40,000.00	$41,000.00
12. Supplies & Maintenance	$24,219.00	$23,366.00	$25,490.00	$25,000.00	$25,000.00
13. Rents	$2,163.00	$952.00	$1,375.00	$1,500.00	$1,500.00
14. Administrative/Other	$5,967.00	$1,020.00	$3,719.00	$3,000.00	$3,000.00
15. Interest *(RD)*					
16. Depreciation	$67,869.00	$68,034.00	$73,126.00	$74,000.00	$85,000.00
17. Total Operating Expense *(Add lines 8 through 16)*	$237,605.00	$238,828.00	$239,152.00	$278,500.00	$262,000.00
18. NET OPERATING INCOME *(LOSS) (Line 7 less 17)*	($41,009.00)	($53,891.00)	($49,224.00)	($88,500.00)	($68,760.00)
NONOPERATING INCOME					
19. Gain on Asset Disposal		($216.00)	($113.00)		
20.					
21. Total Nonoperating Income *(Add Lines 19 and 20)*	$0.00	($216.00)	($113.00)	$0.00	$0.00
22. NET INCOME *(LOSS) (Add Lines 18 and 21) (Transfer to Line A Schedule 2)*	($41,009.00)	($54,107.00)	($49,337.00)	($88,500.00)	($68,760.00)

Budget and Projected Cash Flow Approved by Governing Body

Attest: [signature], Vice-President 4-28-10
Secretary Date

Weston Lee, President 4-29-10
Appropriate Official Date

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0015. The time required to complete this information collection is estimated to average 5 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

ORGAN WATER AND SEWER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011

Item 2011-01 Fixed Asset Inventory

Statement of Condition:

It was noted during our review that a yearly fixed asset inventory was not performed in accordance with Section 12-6-10 NMSA 1978

Criteria:

Good internal controls require that management performed a yearly fixed asset inventory

Effect:

Assets may disappear without managements being aware of it.

Cause:

Not aware that an yearly inventory was required

Recommendation:

A yearly inventory be performed and certified by management

Management Response:

Management concurs and will implement procedures to comply with the above recommendation.

ORGAN WATER AND SEWER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011

Item 2011-02 Budget

Statement of Condition:

The budget was approved at the beginning of the year and was not adjusted throughout the year to reflect changes in expenditures. The expenditures show an over budget of $35,207.

Criteria:

Good internal controls require management review the budget on a monthly basis and prepare budget adjustment requests to reflect changes in expenditures.

Effect:

The budget does not show additonal grant funding and additional expenses associated with the grant.

Cause:

Budgets have been prepared at the beginning of each year and have not been required by DFA until now.

Recommendation:

The Board needs to analyze the budget on a monthly basis and prepare budget adjustments approved by DFA.

Management Response:

The Board adopts a balanced budget at the beginnng of each year based on the water rates in effect during that period. Will work at doing BARs and await responses from DFA.

ORGAN WATER AND SEWER ASSOCIATOPM
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011

Item 2011-03 Late Report

Statement of Condition:

The report was filed after the May 31st, 2012 deadline.
The contracts with the State Auditor were not signed until
June of 2012.

Criteria:

The State Auditor requires the report to be filed by May 31st, 2012.

Effect:

The report was filed late, due to work could not be started until
contracts were approved by the State Auditor

Cause:

State Auditor was not approved until after the May 31, 2012 deadline.

Recommendation:

The report be filed in a timely manner with all information
needed.

Management Response:

Concur

ORGAN WATER & SEWER ASSOCIATION
SCHEDULE OF SUMMARY OF PRIOR YEAR FINDINGS
DECEMBER 31, 2011

Item 2010-01 Lack of Review of Documentation

Closed not repeated in current year

Item 2010-02 Late Report

Repeated in current year

ORGAN WATER AND SEWER ASSOCIATION
EXIT CONFERENCE
DECEMBER 31, 2011

Exit Conference:

The exit conference was held on November 26, 2012 with the following persons:

Martin Lopez, Operating Manager Lower Rio Grande Water Power Authority
who merged with Organ Water and Sewere Association.
Organ's board disbanded.

Denise S. Cooper, Partner, Clifford, Ross & Cooper, LLC

These agreed-upon procedures were prepared by Clifford, Ross & Cooper, LLC from the books and records of Organ Water & Sewer Association with the assistance of management.

BRAZITO MUTUAL DOMESTIC
WATER CONSUMERS ASSOCIATION
AGREED-UPON PROCEDURES
DECEMBER 31, 2011

BRAZITO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
TABLE OF CONTENTS
DECEMBER 31, 2011

BRAZITO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
OFFICIAL ROSTER
DECEMBER 31, 2011.

JEFF GRIFFITH - PRESIDENT

CRESCENSIO ACOTA - VICE PRESIDENT

MICHAEL MCMULLEN - SECRETARY/TREASURER

JOSEPH DOMINGUEZ - DIRECTOR

TERRY ACOSTA GARCIA - DIRECTOR

Clifford, Ross & Cooper, LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Board of Directors and State Auditor
Brazito Mutual Domestic Water Consumers Association
P.O. Box 16165
Las Cruces, NM 88004

We have performed the procedures shown in Exhibit A, attached to this report, which were agreed to by Brazito Mutual Domestic Water Consumers Association, solely to assist you with respect to the compliance of the Tier 4 of the Audit Act – Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC of Brazito Mutual Domestic Water Consumers Association as of December 31, 2011. Brazito Mutual Domestic Water Consumers Association's management is responsible for the company's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings can be found on Exhibit A, attached to this report

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Brazito Mutual Domestic Water Consumers Association and New Mexico Office of the State Auditor and is not intended to be and should not be used by anyone other than those specified parties.

Clifford Ross Cooper LLC

Clifford, Ross & Cooper, LLC

Las Cruces, New Mexico

October 25, 2012

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BRAZITO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

EXHIBIT A- SCOPE OF WORK

AGREED UPON PROCEDURES

Tier 4 of the Audit Act - Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC

1) **CASH**

a) The Contractor shall determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand

Procedure:

Obtained copies of all bank reconciliations and bank statements for the year.

Verified that the banks were reconciled each month, reviewed the bank reconciliations.

Finding:

The banks were reconciled each month and were reviewed; each reconciliation was initial and showed evidence of the review. The reconciliations are provided to the Board each month for approval.

b) The Contractor shall perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA-Local Government Division

Procedure:

Six months of bank reconciliations were recomputed to determine accuracy. The monthly bookkeeping is done by Mesilla Valley Accounting. Books are kept on Quickbooks and reconciled through Quickbooks.

We compared the cash balances per bank reconciliation to the respective general ledger account balances.

Monthly financial statements are presented to the Board of Directors by Mesilla Valley Accounting for approval. Financial reports have never been required to be sent to DFA per Mesilla Valley Accounting.

They have asked for guidance from DFA and to date have not received any response.

Finding:

No discrepancies were noted.

c) The Contractor shall determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable

Procedure:

The bank statements for the entire fiscal year ending December 31, 2010 were reviewed for balances.

Finding:

The bank balances never exceeded the $250,000 threshold for the FDIC limit; therefore, pledged collateral was not required.

2) **CAPITAL ASSETS**

The Contractor shall verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978

Procedure:

Reviewed depreciation listing for assets kept by Mesilla Valley Accounting.

Noted additions to assets starting in 1974.

Finding:

Noted no yearly inventory performed or certified, see Page 14 for finding 2011-01.

3) **REVENUE**

The Contractor shall identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation

a) Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue

Procedure:

System billing for 6 months were tested for accuracies and tied to the general ledger.

Monthly receipts reports for the 6 months tested were tied to the gross receipts tax reports and the general ledger and deposits made to the bank accounts.

Finding:

No discrepancies noted.

BRAZITO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

EXHIBIT A- SCOPE OF WORK

AGREED UPON PROCEDURES

Tier 4 of the Audit Act - Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC

REVENUE (continued)

The Contractor shall test 50% of the total amount of revenues for the following attributes:

b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.

c) Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

Procedure:

Deposit slips were obtained and traced to bank statement, general ledger and financial statements for 50% of all revenues, reviewed all supporting documentation for proper classification, amount and recording period.

Finding:

No discrepancies noted.

4) **EXPENDITURES**

The Contractor shall select a sample of cash disbursements and test at least 25 transactions and 50% of the total amount of expenditures for the following attributes:

a) Determine that amount recorded as disbursed agrees to adequate supporting documentation, Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and cancelled check, as appropriate.

b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.

c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Note: The sample must be representative of the population.

Procedure:

Tested 40 cash disbursements from the operating account and from the project account. Each cash disbursement was tested for adequate supporting documentation, verified amount, payee, date, and description agreed to vendor's invoice and cancelled check. Traced authorization to established policies and procedures and was approved and authorized by the Board of Directors and management. There were no new bids for current project and determined the various contracts were in compliance with the New Mexico Procurement Code. Mesilla Valley Accounting prepares all disbursements and presents the disbursement package to the Board each month for approval.

Finding:

No discrepancies were noted.

5) **JOURNAL ENTRIES**

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, the Contractor shall test significant items for the following attributes:

a) Journal entries appear reasonable and have supporting documentation

b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed

Procedure:

Six months were tested for journal entries prepared by Mesilla Valley Accounting. The journal entires are presented to the Board each month for their review.

Finding:

The journal entries are presented to the Board each month; evidenced by signature and date of review.

BRAZITO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION

EXHIBIT A- SCOPE OF WORK

AGREED UPON PROCEDURES

Tier 4 of the Audit Act - Section 12-6-3 B (4) NMSA 1978 and Section 2.2.2.16 NMAC

6) **BUDGET**

The Contractor shall obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

a) Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.

b) Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.

c) From the original and final approved budgets and general ledger, prepare a schedule of revenues and expenditures - budget and actual on the budgetary basis used by the local public body (cash, accrual or modified accrual basis) for each individual fund.

Procedure:

Obtain copy of overall budget for the local public body and budget for each capital project.

Obtain Minutes of the Board and review for approval of budget and budget adjustments.

Noted the overall budget was approved by U.S. Department of Agriculture, Rural Development.

Noted that budget was mailed to DFA, however no response was received back from DFA.

Finding:

The Organization has never been required to do a budget for DFA approval. They have always received approval from Rural Development for their budget. Mesilla Valley Accounting has requested guidance from DFA on the budgeting procedures and has not received a response back.

Noted some line items were over budget, but no BAR was done to adjust the budget.

See page 15 for Finding 2011-2.

OTHER

If information comes to the Contractor's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10(I)(3)(C) NMAC.

Finding:

No discrepancies noted.

See page 17 for Finding 2011-3 for late report.

EXHIBIT B

Brazito MDWCA
Statement of Net Assets

	Dec 31, 11
ASSETS	
Current Assets	
Checking/Savings	
Bank of America - Operating	13,056.51
Pioneer Bank - Operating	400.01
1st NM Bank - Construction	186.09
Bank of America - Reserve	7,400.00
Pioneer Bank - Reserve	100.00
ING Direct - Money Market	16.77
Total Checking/Savings	21,159.38
Accounts Receivable	
Water Utility Customers	5,496.47
Total Accounts Receivable	5,496.47
Other Current Assets	
Construction in Progress	
Brazito/Mesquite Interconnect	121,658.96
Storage Building	8,486.70
Total Construction in Progress	130,145.66
Prepaid Expenses	6,592.24
Undeposited Funds	4,201.63
Total Other Current Assets	140,939.53
Total Current Assets	167,595.38
Fixed Assets	
Buildings	229,170.00
Equipment	89,718.10
Land	22,869.00
Land Improvements	33,632.63
Vehicles	5,500.00
Water System Infrastructure	2,168,469.58
Water Wells	158,777.00
Accumulated Depreciation	-648,954.02
Total Fixed Assets	2,059,182.29
TOTAL ASSETS	2,226,777.67
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Operating	3,953.38
Total Accounts Payable	3,953.38
Credit Cards	
Bank of America Visa	387.16
Total Credit Cards	387.16
Other Current Liabilities	
Gross Receipts Tax Payable	574.10
Payroll Liabilities	
Federal Income Tax Withholdings	194.00
Social Security/Medicare	226.76
State Income Tax Withholdings	51.88
State Unemployment Tax	5.05
Total Payroll Liabilities	477.69

EXHIBIT B

Brazito MDWCA
Statement of Net Assets

	Dec 31, 11
Renter Security Deposits	1,310.00
Total Other Current Liabilities	2,361.79
Total Current Liabilities	6,702.33
Long Term Liabilities	
N/P - NM Environment Dept.	41,652.93
N/P - RCAC	121,483.27
N/P - USDA Rural Development	
$5K Loan	4,720.50
$40K Loan	37,212.63
$80K Loan	74,140.28
$222K Loan	214,183.77
Total N/P - USDA Rural Development	330,257.18
Total Long Term Liabilities	493,393.38
Total Liabilities	500,095.71
Equity	
Restricted Net Assets	
USDA/RD	7,400.00
Total Restricted Net Assets	7,400.00
Unrestricted Net Assets	1,775,832.63
Retained Earnings	487.33
Net Income	-57,038.00
Total Equity	1,726,681.96
TOTAL LIABILITIES & EQUITY	2,226,777.67

EXHIBIT B

Brazito MDWCA
Statement of Revenue and Expenses

	Oct - Dec 11	Jan - Dec 11
Ordinary Income/Expense		
Income		
Operating Income		
Water Service	39,907.80	172,992.49
Administrative Fees & Penalties	2,029.26	7,376.12
Membership/Installation/Impact	1,820.00	10,151.00
Total Operating Income	43,757.06	190,519.61
Non-Operating Income		
Unclaimed Customer Deposits	0.00	65.12
Total Non-Operating Income	0.00	65.12
Total Income	43,757.06	190,584.73
Expense		
Advertising	0.00	202.56
Automobile Expense	583.08	4,050.99
Bad Debts	0.00	288.88
Bank Service Charges	181.06	2,069.77
Contract Services	0.00	695.00
Depreciation Expense	18,267.96	73,206.23
Dues and Subscriptions	-3.18	488.34
Repairs & Maintenance	291.17	4,105.64
Equipment Rental	0.00	235.24
Insurance	2,058.75	6,916.09
Interest Expense	5,969.65	18,777.61
Licenses/Permits/Other Taxes	0.00	284.25
Office Expense	267.90	977.34
Payroll Expenses		
Wages	5,050.00	21,173.00
Payroll Taxes	391.39	1,653.82
Total Payroll Expenses	5,441.39	22,826.82
Professional Fees		
Accounting	7,270.64	32,868.97
Administrative	5,191.09	21,248.91
Engineering	0.00	103.26
Legal	484.03	16,929.99
Translator	994.35	2,405.28
Total Professional Fees	13,940.11	73,556.41
Suspense	0.00	0.00
System Supplies and Maintenance	2,378.40	21,572.20
Taxes		
Property	253.12	1,228.12
Water Conservation Fee	444.62	940.38
Total Taxes	697.74	2,168.50
Telephone/Internet	754.74	3,285.03
Tools & Equipment (Non-Asset)	0.00	362.50
Training/Seminars	30.00	305.00
Utilities	5,818.39	25,925.26
Total Expense	56,677.16	262,299.66
Net Ordinary Income	-12,920.10	-71,714.93

EXHIBIT B

Brazito MDWCA
Statement of Revenue and Expenses

	Oct - Dec 11	Jan - Dec 11
Other Income/Expense		
Other Income		
Insurance Proceeds	0.00	14,496.80
Interest Income	0.04	0.13
Rental Proceeds	120.00	180.00
Total Other Income	120.04	14,676.93
Net Other Income	120.04	14,676.93
Net Income	-12,800.06	-57,038.00

STATE OF NEW MEXICO
BRAZITO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
EXHIBIT C
BUDGET AND ACTUAL - Accrual Basis

Statement of Revenues and Expenditures
Budget and Actual
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive/(Negative)
	Original	Final		
REVENUES				
Water Service	$ 165,000	$ 165,000	$ 172,992	$ 7,992
Administration Fees/Penalties	6,000	6,000	7,376	1,376
Membership/Install	7,500	7,500	10,151	2,651
Miscellaneous	-	-	14,742	14,742
Less: Allowances and Deducations	-	-	-	-
Interest/Rebates	100	100	-	(100)
Grant Proceeds	-	-	-	-
Total revenues	178,600	178,600	205,261	26,661
EXPENDITURES				
Salaries/Contractors	50,000	50,000	47,280	2,720
Accounting/Legal	45,000	45,000	49,799	(4,799)
Taxes/Insurance	14,000	14,000	9,085	4,915
Utilities	30,000	30,000	25,925	4,075
System Supplies/Maintenance	18,000	18,000	25,678	(7,678)
Office/Miscellaneous	2,500	2,500	12,549	(10,049)
Reserve	-	-	-	-
Interest	16,000	16,000	18,778	(2,778)
Depreciation	73,000	73,000	73,206	(206)
Total expenditures	248,500	248,500	262,300	(13,800)
Excess (deficiency) of revenues over expenditures	(69,900)	(69,900)	(57,039)	12,861
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources	(69,900)	(69,900)	$ (57,039)	$ 12,861
Budgeted cash carryover	69,900	69,900		
	-			
	$ -	$ -		

Form RD 442-2
(Rev. 9-97)

Position 3

FORM APPROVED
OMB NO. 0575-0015

UNITED STATES DEPARTMENT OF AGRICULTURE

STATEMENT OF BUDGET, INCOME AND EQUITY

Schedule 1

Name: Brazito MDWCA

Address: P.O. Box 16165, Las Cruces, NM 88004

(1) OPERATING INCOME	2010 PRIOR YEAR Actual (2)	ANNUAL BUDGET BEG 1/1/11 END 12/31/11 (3)	For the ____ Months Ended ____ CURRENT YEAR Actual Data: Current Quarter (4)	Year To Date (5)	Actual YTD (Over) Under Budget Col. 3 - 5 = 6 (6)
1. Water Service	158,680	165,000			0
2. Admin. Fees/Penalties	5,985	6,000			0
3. Membership/Install	8,975	7,500			0
4.					0
5. Miscellaneous	30				0
6. Less: Allowances and Deductions					0
7. Total Operating Income (Add lines 1 through 6)	173,670	178,500	0	0	0
OPERATING EXPENSES					
8. Salaries/Contractors	47,204	50,000			0
9. Accounting/Legal	44,320	45,000			0
10. Taxes/Insurance	13,708	14,000			0
11. Utilities	30,481	30,000			0
12. System Supplies/Maint.	17,859	18,000			0
13. Office/Misc.	2,363	2,500			0
14.					0
15. Interest	13,533	16,000			0
16. Depreciation	68,861	73,000			0
17. Total Operating Expense (Add Lines 8 through 16)	238,329	248,500	0	0	0
18. NET OPERATING INCOME (LOSS) (Line 7 less 17)	(64,659)	(70,000)	0	0	0
NONOPERATING INCOME					
19. Interest	180	100			0
20.					0
21. Total Nonoperating Income (Add 19 and 20)	180	100	0	0	0
22. NET INCOME (LOSS) (Add lines 18 and 21)	(64,479)	(69,900)	0	0	0
23. Equity Beginning of Period	1,617,928	1,783,233			0
24. Grant Proceeds	229,984	547,219			0
25.					0
26. Equity End of Period (Add lines 22 through 25)	1,783,233	2,260,552	0	0	0

Budget and Annual Report Approved by Governing Body

Secretary ____ Date ____

Quarterly Reports Certified Correct

Appropriate Official ____ Date ____

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0015. The time required to complete this information collection is estimated to average 2-1/2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

Mesilla Valley Accounting
a professional corporation
2990 N. Main St., Suite 2D
Las Cruces, New Mexico 88001-1195
(575) 521-7700 • Fax: (575) 521-7702

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NM Finance Authority - LGD
207 Shelby Street
Santa Fe, NM 87501

MONCA Budget

EXHIBIT D

BRAZITO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011

Item 2011-01 Fixed Asset Inventory

Statement of Condition:

It was noted during our review that a yearly fixed asset inventory was not performed in accordance with Section 12-6-10 NMSA 1978

Criteria:

Good internal controls require that management performed a yearly fixed asset inventory

Effect:

Assets may disappear without managements being aware of it.

Cause:

Not aware that an yearly inventory was required.

Recommendation:

A yearly inventory be performed and certified by management.

Management Response:

Management concurs and will implement procedures to comply with the above recommendation.

Item 2011-02 Budget

Statement of Condition:

The budget was approved at the beginning of the year and was not adjusted throughout the year to reflect changes in expenditures.

Criteria:

Good internal controls require management review the budget on a monthly basis and prepare budget adjustment requests to reflect changes in expenditures.

Effect:

The budget showed an over expenditure of $12,831 at the end of the year.

Cause:

Budgets have been prepared at the beginning of each year and have not been required by DFA until now.

Recommendation:

The Board needs to analyze the budget on a monthly basis and prepare budget adjustments approved by DFA.

Management Response:

The Board adopts a balanced budget at the beginnng of each year based on the water rates in effect during that period. Budgets were never required to be submitted to DFA until recently. We will work to correct this problem.

Item 2011-03 Late Report

Statement of Condition:

The contract was not signed until after the May 31, 2012 deadline

Criteria:

The State Auditor requires the report to be filed by May 31st.

Effect:

The agreed upon procedure could not be started until the contract was signed

Cause:

The State Auditor did not approve the contract until after the deadline.

Recommendation:

The report be filed in a timely manner with all information correct.

Management Response:

Concur

BRAZITO MUTUAL DOMESTIC WATER CONSUMERS ASSOCIATION
SCHEDULE OF SUMMARY OF PRIOR YEAR FINDINGS
DECEMBER 31, 2011

Item 2010-01 Lack of Review of Documentation

Closed not repeated in current year

Item 2010-02 Budget

Repeated in current year

Item 2010-03 Late Report

Repeated in current year

BRAZITO MUTUAL DOMESTIC WATER CONSUMER ASSOCIATION
EXIT CONFERENCE
DECEMBER 31, 2011

Exit Conference:

The exit conferences were held on November 17, 2012 with the following persons:

Jeff Griffith, President

Denise S. Cooper, Partner, Clifford Ross & Cooper, LLC

These agreed-upon procedures were prepared by Clifford, Ross & Cooper, LLC from the books and records of Brazito Mutual Domestic Water Consumer Association with the assistance of management.

Form RD 442-2
(Rev. 9-97)

Position 3

FORM APPROVED
OMB NO. 0575-0015

UNITED STATES DEPARTMENT OF AGRICULTURE

STATEMENT OF BUDGET, INCOME AND EQUITY

Schedule 1

Name LowerRioGrandePublicWaterWorksAuthority

Address PO Box 2646
Anthony, NM 88021

(1) OPERATING INCOME	PRIOR YEAR Actual (2)	ANNUAL BUDGET BEG 07-01-2012 END 06-30-2013 (3)	For the _____ Months Ended 09-30-2012 CURRENT YEAR Actual Data: Current Quarter (4)	Year To Date (5)	Actual YTD (Over) Under Budget Col. 3 - 5 = 6 (6)
1. Water Revenue	1,653,226	2,198,452	413,910	413,910	1,784,542
2. Sewer Revenue	63,100	63,100	21,167	21,167	41,933
3. Interest		300	79	79	221
4.					0
5. Miscellaneous					0
6. Less: Allowances and Deductions					0
7. Total Operating Income (Add lines 1 through 6)	1,716,326	2,261,852	435,156	435,156	1,826,696
OPERATING EXPENSES					
8. Salaries, Labor	769,226	1,156,497	223,968	223,968	932,529
9. Accounting,Legal	129,900	160,400	27,427	27,427	132,973
10. Taxes,Insurance	440,000	264,000	16,648	16,648	247,352
11. Utilities	308,700	260,000	65,279	65,279	194,721
12. Supplies	241,000	411,205	78,607	78,607	332,598
13. Lab,Chemical	25,200	14,500	8,459	8,459	6,041
14. Debt Service		201,000	3,214	3,214	197,786
15. Interest					0
16. Depreciation	525,000	606,000	151,500	151,500	454,500
17. Total Operating Expense (Add Lines 8 through 16)	2,439,026	3,073,602	575,102	575,102	2,498,500
18. NET OPERATING INCOME (LOSS) (Line 7 less 17)	-722,700	-811,750	-139,946	-139,946	-671,804
NONOPERATING INCOME					
19. Water	194,000	202,050	84,524	84,524	117,526
20. Sewer	3,700	3,700	1,636	1,636	2,064
21. Total Nonoperating Income (Add 19 and 20)	197,700	205,750	86,160	86,160	119,590
22. NET INCOME (LOSS) (Add lines 18 and 21)	-525,000	-606,000	-53,786	-53,786	-552,214
23. Equity Beginning of Period					0
24.					0
25.					0
26. Equity End of Period (Add lines 22 through 25)	-525,000	-606,000	-53,786	-53,786	-552,214

Budget and Annual Report Approved by Governing Body

Secretary — Date 2-20 13

Quarterly Reports Certified Correct

Appropriate Official — Date 2/20/13

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0015. The time required to complete this information collection is estimated to average 2-1/2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

Lower Rio Grande Public Water Works Authority Special Districts New Mexico 2013 NMSA

Form RD 442-2
(Rev. 9-97)

Position 3

FORM APPROVED
OMB NO. 0575-0015

UNITED STATES DEPARTMENT OF AGRICULTURE

STATEMENT OF BUDGET, INCOME AND EQUITY

Schedule 1

Name LowerRioGrandePublicWaterWorksAuthority

Address PO Box 2646
Anthony, NM 88021

(1) OPERATING INCOME	PRIOR YEAR Actual (2)	ANNUAL BUDGET BEG 07-01-2012 END 06-30-2013 (3)	For the _____ Months Ended 12-31-2012 CURRENT YEAR Actual Data: Current Quarter (4)	Year To Date (5)	Actual YTD (Over) Under Budget Col. 3 - 5 = 6 (6)
1. Water Revenue	1,653,226	2,198,452	410,391	824,301	1,374,151
2. Sewer Revenue	63,100	63,100	24,542	45,709	17,391
3. Interest		300	125	204	96
4.					0
5. Miscellaneous					0
6. Less: Allowances and Deductions					0
7. Total Operating Income (Add lines 1 through 6)	1,716,326	2,261,852	435,058	870,214	1,391,638
OPERATING EXPENSES					
8. Salaries, Labor	769,226	1,156,497	291,506	515,475	641,022
9. Accounting,Legal	129,900	160,400	43,934	55,621	104,779
10. Taxes,Insurance	440,000	264,000	44,042	76,431	187,569
11. Utilities	308,700	260,000	73,898	125,523	134,477
12. Supplies	241,000	411,205	70,730	162,991	248,214
13. Lab,Chemical	25,200	14,500	823	9,281	5,219
14. Debt Service		201,000	9,374	12,588	188,412
15. Interest					0
16. Depreciation	525,000	606,000	151,500	303,000	303,000
17. Total Operating Expense (Add Lines 8 through 16)	2,439,026	3,073,602	685,807	1,260,910	1,812,692
18. NET OPERATING INCOME (LOSS) (Line 7 less 17)	-722,700	-811,750	-250,749	-390,696	-421,054
NONOPERATING INCOME					
19. Water	194,000	202,050	42,690	127,214	74,836
20. Sewer	3,700	3,700	1,199	2,835	865
21. Total Nonoperating Income (Add 19 and 20)	197,700	205,750	43,889	130,049	75,701
22. NET INCOME (LOSS) (Add lines 18 and 21)	-525,000	-606,000	-206,860	-260,647	-345,353
23. Equity Beginning of Period					0
24.					0
25.					0
26. Equity End of Period (Add lines 22 through 25)	-525,000	-606,000	-206,860	-260,647	-345,353

Budget and Annual Report Approved by Governing Body

Secretary — Date 2-20 13

Quarterly Reports Certified Correct

Appropriate Official — Date 2/20/13

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0015. The time required to complete this information collection is estimated to average 2-1/2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY
PROJECTS REPORT – 2/20/13 BOARD OF DIRECTORS MEETING

Authority Construction Projects:

LRG-11-01 - La Mesa Water System Improvements – Molzen Corbin – Construction Stage – Burn Construction - RD - $2,040,346: The tank has been painted and the well is completed and test pumped. The site fencing is near completion, a change was made to the gate to increase it to 26-ft. The CMU for the building has arrived on site and the building construction should begin this week. The changes order cost for additional SCADA equipment was $47,044.92. Additional change order is being considered for additional shelf spare equipment.

LRG: 11-02.1 -Mesquite Wastewater Project – Gannett Fleming– CONSTRUCTION Stage – Layne Southwest - RD $7,262,081, CITF $1,670,257: GFW has overbilling is resolved. Contractor has claimed additional cost due to utility conflicts and engineer has responded that, for the most part, this was the contractor's responsibility. His response has been forwarded to the RD Engineer. Crews are continuing to install main & service lines in Mesquite, and contractor indicates project could be complete as early as April.

LRG-11-02.2 - Authority/Brazito Sewer Project – Vencor – Pre-Design Stage/Funding Application Stage – NMFA/SAP/RD Application: GM contacted county Manager regarding new contract & info requested. Application for CITF funds is complete except for public meeting documentation for 2/27/13 Public Input Meeting. Kurt Moffat provided estimated annual operating costs for the DAC South Central WWTP facility on 2/08/13. Based on this cost, DAC derived proposed bulk volume fees but, for better computations of the proposed fees, more detailed data is needed from DAC.

LRG-11-03 – Interconnect & Looping Project – see 12-01 Authority PER

LRG-11-04 – Berino/ Mesquite-Del Cerro Water System Project WTB #223 – Vencor - Letter of Conditions/final design & review of plans & specs – RD - $5,420,147/WTB - $4,371,630: Project is pending USDA-RD LOC review before going to bid. Engineer received field information from Reynold's Construction on 1/28/13 and is adding it to plan sheets. Engineer continues to merge WTB & USDA portion sheets together into one plan set. Approximate date to finish: 4/01/13. Owner may have the opportunity to install waterline pipe "Stub-Outs" in the Mesquite Proper area via the on-going Mesquite Sewer project. Engineer could be requested to develop cost estimates and a plan & profile plan set on two different scenarios being proposed by LRGPWWA.

LRG-11-05 – Surface Water Treatment Plant WTB #252– Bohannan Huston - Design phase - $750,000 WTB –Transcript of closing was distributed 1/17/13, but has not yet been received. Design will begin when funding is finalized.

LRG-12-03 – Authority-Alto de Las Flores Interconnect– Vencor – Design - $86,400 Old Colonias Initiative/DFA + GF & Alto contributions – Advertisement for Bids was published on 1/27/13 & 1/31/13. Bid Opening was 2/15/13 at 2:00 PM. Apparent low bidder was Rio Services at $38,850, highest was Smith & Aguirre at $98,866, 9 bids received.

Authority PERs/EAs/40 Yr. Water Plan:

LRG-12-01 – Authority PER – Vencor - prelim. planning - CDBG Planning Grant $50,000, NMFA Planning Grant $37,500 & $12,500 Local Match: Third draw from CDBG funds has been requested. Project Water Model is complete. Report writing is currently underway. Pre-Final Draft of Comprehensive PER report, Cost Estimates, Scheduling and report mapping to be provided to LRGPWWA in complete electronic format by 2/20/13. The report information will be used in applying for CITF funds. Pre-Final Draft of CatEx/Environmental Document will be provided to LRGPWWA by 2/28/13.

Forty-Year Water Plan – CE&M – complete: pending NM-OSE comments/approval.
Return Flow Credit Plan – CE&M – GF – Pending Review: Drafted and submitted to Ms. Thacker at local NM-OSE 12/21/11.

LRG-12-02 - Radio Read Meters – in-house – 600,950 DWSRLF: $595,000 was approved at 50% subsidized + 25% grant = 75% grant, 25% loan at 0% plus fees approved by NMFA Board 4/27/12. Bid opening 2/19/13

Individual MDWCA Projects:

LRG-12-04 - Organ Water & Sewer Project – Bohannan Huston – Construction Phase – Morrow - $2,990,382 RD Colonias Grant, $101,000 RD Loan: Work continues in the Organ town site. All mainline piping and bores have been complete in the Organ town site area. Crews currently work on installing new water meter hookups and service piping. Continued problems finding existing water mains and also finding more areas of galvanized piping. Bores on 3rd / Furnace complete. Disinfection of new 6" pipe in progress. Found 3 active sewer services at bore pit location which required relocation. Crews work on installing service piping and meter hook ups. Clearing and grubbing at the Organ Tanks Site complete and forming of building pad. All valves confirmed at tank site. Begin work on PRV valve vault at Organ Tank Site. All leach fields complete at wastewater treatment facility and installation of dosing station wet well and valve vault in progress. Electrical to dosing station in progress. Over 3000 LF of 6" PVC installed in the Mountain View area. Bores completed include El Centro crossing Brahman, Prairie Dog, and Jack Rabbit. Bore crossing Luna Vista and Brahman also complete. Main line installed on Arrowhead Rd.

Other projects:

Legislature – Legislation pre-filing dates are 12/17/12 thru 1/11/13, session begins 1/15/13, bill introduction deadline is 2/14/13, session ends 3/16/13, pocket veto date is 4/5/12 and effective date of legislation passed is 6/14/13 (except for bills with an emergency clause or specified date). Ongoing report is available at your file storage during this period. Had person meetings with Rep. MH Garcia & Doreen Gallegos and Sen. Cervantes Jan. 30th, also left information for Rep. Cote and spoke with Sen. Soules in the hallway.

Water Trust Board Policy Committee – Staying in touch w/Ramon Lucero of El Valle Alliance regarding this issue. He had a positive meeting with Committee Member Bill Fulginetti of the Municipal League.

USDA-RD Transfer & Assumption Application Packages: Application packages for Butterfield Park, Organ & Brazito were submitted 1/7/13 and are pending RD review.

Documents Retention & Destruction – Joan is continuing to work with managers to develop retention schedules, Operations Schedule is on today's agenda, Projects Schedule will be next.

Website - Board Minutes Page & Notices Page are up to date. Have uploaded election information to the Boards & Elections page, Notices and Documents pages.

Funding Applications – Three Capital Outlay requests have been prepared and provided to SCCOG for submission to 4 representative and 3 senators, and surveys have been completed for NM-DFA. These requests are for water rights purchase, new billing software purchase and implementation, and a SCADA study. CITF application for design of the Mesquite-Brazito Sewer Project and purchase of water rights is complete except for documentation of Public Input Meeting 2/27/13, Resolution to change application for design of the Interconnect & Looping Project – South Phase to water facilities integration and rehabilitation is on today's agenda.

USDA Rural Development State Director

Terry Brunner

Cordially Invites You

To

Attend a Dedication Ceremony

To Celebrate the Successful Completion of Construction

Of

The Brazito Water System Improvements Project

On

Monday February 25, 2013

Time: 1:30 PM

Location:

Brazito Water System
885 Three Hawks Road
Brazito, NM 88047

Lower Rio Grande PWWA

Operators Report

February 20, 2012

System Problems and Repairs.

- Backflow inspections are current.(Mesquite District)
- Sewer tank inspections are current.(Mesquite District)
- January was our final month for Desert Aire and La Union.
- 1 new service at the New La Mesa Fire department.
- We had 10 leaks in lower Rio Grande East Mesa.
- We started the new on call schedule and it is working well.
- We continue with sewer problems in the mesquite district.
- The Berino well needs new batteries and a solar panel.
- The south side had 5 water leaks.
- Pump control panels for the new sewer project.
- JJ and I have been spending many hours working on the new accu-tab chlorine system in Brazito.
- Ramon and I noticed a few problems with the new collection system.

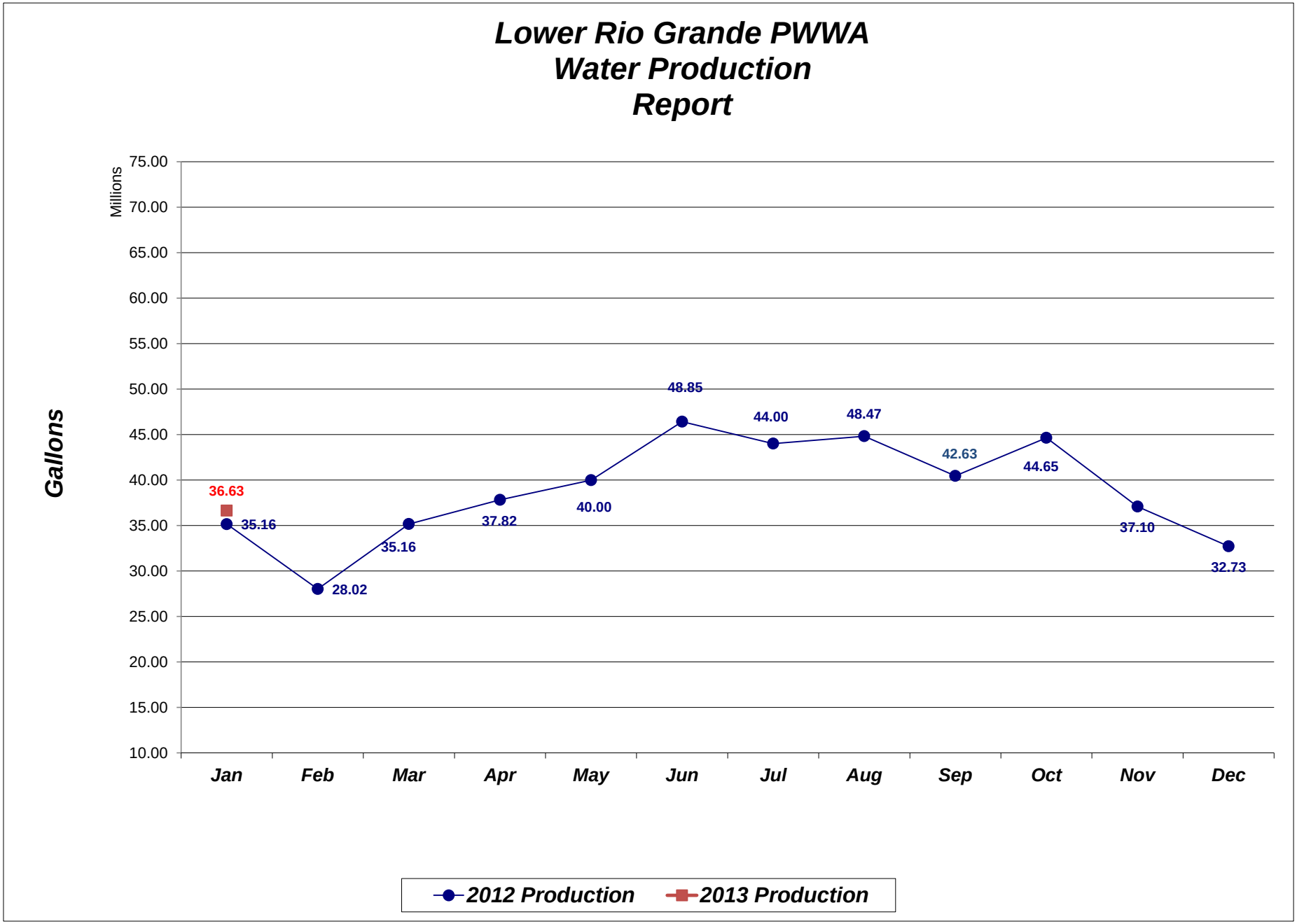
NMED: Monthly Bac-T-Samples have been taken for the Lower Rio Grande PWWA.

Mesquite district Wetlands: wetlands have been working fine.

Mesquite Sewer Report. The Report has been sent.

Chlorine: No problems this past month.

Reports: NMED, State Engineers, and the water conservation reports have been sent.


Lower Rio Grande PWWA
Water Production
Report
Gallons
Millions
75.00
70.00
65.00
60.00
55.00
50.00
45.00
40.00
35.00
30.00
25.00
20.00
15.00
10.00
36.63
35.16
28.02
35.16
37.82
40.00
48.85
44.00
48.47
42.63
44.65
37.10
32.73
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2012 Production
2013 Production

✦MICROBIOLOGICAL ANALYSES AND TURBIDITY

Description: (1) The date, place, and time of sampling, and the name of the person who collected the sample; (2) Identification of the sample as to whether it was a routine distribution system sample, check sample, raw or process water sample or other special purpose sample; (3) Date of analysis; (4) Laboratory and person responsible for performing analysis; (5) The analytical technique/method used; and (6) The results of the analysis.

Retention: Not less than 5 years on premises. After 5 years, permanent.

✦CHEMICAL ANALYSES

Description: (1) The date, place, and time of sampling, and the name of the person who collected the sample; (2) Identification of the sample as to whether it was a routine distribution system sample, check sample, raw or process water sample or other special purpose sample; (3) Date of analysis; (4) Laboratory and person responsible for performing analysis; (5) The analytical technique/method used; and (6) The results of the analysis.

Retention: Not less than 10 years. After 10 years, permanent.

✦ACTION TO CORRECT

Description: Actions taken to correct violations of primary drinking water regulations, i.e. wastewater spill, arsenic, Bac-T.

Retention: Not less than 3 years after the last action taken with respect to the particular violation involved.

✦SANITARY SURVEYS

Description: Copies of any written reports, summaries or communications relating to sanitary surveys of the system conducted by the system itself, by a private consultant, or by any local, State or Federal agency.

Retention: Not less than 10 years after completion of the sanitary survey involved on premises after 10 years, permanent.

✦VARIANCES OR EXEMPTIONS

Description: Records concerning a variance or exemption granted to the system shall be kept for a period ending not less than 5 years following the expiration of such variance or exemption. After 5 years, permanent.

✦PUBLIC NOTICES

Description: Copies of public notices.

Retention: Three years after issuance.

✦MONITORING PLANS

Description: Copies of monitoring plans developed shall be kept for the same period of time as the records of analyses taken under the plan are required to be kept.

Retention:

***LEAD AND COPPER COMPLIANCE RECORDS**

Description: Records of all sampling data and analyses, reports, surveys, letters, evaluations, schedules, state determinations, and other information required by the EPA to demonstrate compliance with requirements concerning corrosion control treatment, source water treatment, lead service line replacement, public education and supplemental monitoring, water quality parameters, and monitoring of lead and copper in source and tap water.

Retention: 12 years

◆WORK ORDERS

Description: work orders submitted to Operations

Retention: 7 years.

CONSUMER CONFIDENCE REPORTS

Description: Annual EPA requirement reporting water quality and contaminants.

Retention: 3 years

LOCATES

Description: Requests to locate underground facilities in order to excavate

Retention: 3 years

SEWER REPORTS

Description: Mesquite Wetland compliance report

Retention: 5 years after discontinuation of its use

◆MATERIAL SAFETY DATA SHEETS:

Description: records concerning safety information on chemical products used by the staff. Material safety data sheet may contain information on chemical ingredients, hazards identification, first-aid measures, fire fighting measures, accidental release measures, handling and storage, exposure controls or personal protection, agency name or vendor name, physical and chemical properties, toxicological information, etc.

Retention: 30 years after discontinuance of substance per 29 CFR 1910.1020(d) (1) (ii)(B)

◆VEHICLE ACCIDENT REPORT FILE:

Description: records concerning each vehicle accident reported on LRGPWWA property. File may include medical records, offense or incident reports, affidavits, photographs, diagrams, related documentation, correspondence, memoranda, etc.

Retention:

(1) Fatal accidents: 25 years after date of accident
(2) Non-fatal accidents: 10 years after date of accident

Confidentiality: (Sections 66-7-213, 66-7-215 and 14-6-1 NMSA 1978

◆VEHICLE MAINTENANCE FILE:

Description: records concerning vehicle maintenance. File may include receipts for gasoline credit cards, maintenance, repairs, etc.

Retention: Until vehicle is disposed of

✦ PER 40 CFR PART 144.33

*** PER 40 CFR PART 144.91**

◆ TAKEN FROM PREVIOUS SCHEDULES

RECORD OF PROCEEDINGS RELATING TO THE ADOPTION OF RESOLUTION NO. FY2013-10 OF THE BOARD OF DIRECTORS OF THE LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY, FEBRUARY 20, 2013

STATE OF NEW MEXICO)
) ss.
COUNTY OF DONA ANA)

The Board of Directors (the "Governing Body") of the Lower Rio Grande Public Water Works Association (the "Borrower/Grantee") met in a regular session in full conformity with the law and the rules and regulations of the Governing Body at the Vado Office located at 325 Holguin Road, Vado, New Mexico being the meeting place of the Governing Body for the meeting held on the 20th day of February, 2013 at the hour of 9:00 a.m. Upon roll call, the following members were found to be present:

Present:

Chairman: _____

Board of Directors: _____

_____

_____

_____

_____

_____

_____

_____

Absent:

_____

_____

Also Present:

_____

_____

_____

Thereupon, there were officially filed with the Secretary, copies of a proposed Resolution and Colonias Infrastructure Project Fund Loan/Grant Agreement in final form, the proposed Resolution being as hereinafter set forth:

[*Remainder of page intentionally left blank.*]

LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY
RESOLUTION NO. FY2013-10

A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A COLONIAS INFRASTRUCTURE PROJECT FUND LOAN/GRANT AGREEMENT BY AND AMONG THE NEW MEXICO COLONIAS INFRASTRUCTURE BOARD ("COLONIAS INFRASTRUCTURE BOARD") AND THE NEW MEXICO FINANCE AUTHORITY ("FINANCE AUTHORITY", AND COLLECTIVELY WITH THE COLONIAS INFRASTRUCTURE BOARD, THE "LENDERS/GRANTORS") AND THE LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY (THE "BORROWER/GRANTEE"), FOR THE BENEFIT OF MESQUITE, IN THE TOTAL AMOUNT OF ONE MILLION SIX HUNDRED AND SEVENTY THOUSAND TWO HUNDRED AND FIFTY SEVEN DOLLARS ($1,670,257), EVIDENCING AN OBLIGATION OF THE BORROWER/GRANTEE TO UTILIZE THE LOAN/GRANT AMOUNT SOLELY FOR THE PURPOSE OF FINANCING THE COSTS OF DESIGN AND CONSTRUCTION TO ELIMINATE EXISTING SEPTIC SYSTEM AND WETLANDS TREATMENT PLANT AND REPLACING IT WITH A GRAVITY COLLECTION SYSTEM CONNECTED TO THE DONA ANA COUNTY SOUTH CENTRAL REGIONAL TREATMENT PLANT, AND SOLELY IN THE MANNER DESCRIBED IN THE LOAN/GRANT AGREEMENT; PROVIDING FOR PAYMENT OF THE LOAN AMOUNT SOLELY FROM PLEDGED REVENUES; CERTIFYING THAT THE LOAN/GRANT AMOUNT, TOGETHER WITH OTHER FUNDS AVAILABLE TO THE BORROWER/GRANTEE, IS SUFFICIENT TO COMPLETE THE PROJECT; APPROVING THE FORM OF AND OTHER DETAILS CONCERNING THE LOAN/GRANT AGREEMENT; RATIFYING ACTIONS HERETOFORE TAKEN; REPEALING ALL ACTION INCONSISTENT WITH THIS RESOLUTION; AND AUTHORIZING THE TAKING OF OTHER ACTIONS IN CONNECTION WITH THE EXECUTION AND DELIVERY OF THE LOAN/GRANT AGREEMENT.

Capitalized terms used in the following preambles have the same meaning as defined in this Resolution unless the context requires otherwise.

WHEREAS, the CIB is a public body duly organized and created under and pursuant to the laws of the State of New Mexico (the "State"), particularly the Colonias Infrastructure Act, NMSA 1978, §§ 6-30-1 through 6-30-8, (2012, as amended through 2012) (the "Colonias Infrastructure Act" or the "Act"); and

WHEREAS, the Finance Authority is a public body politic and corporate, separate and apart from the State of New Mexico, constituting a governmental instrumentality, duly organized and created under and pursuant to the laws of the State, particularly NMSA 1978 §§ Sections 6-21-1, through 6-21-31, (2005 as amended and through 2012) (the "New Mexico Finance Authority Act"); and

WHEREAS, the Borrower/Grantee is a Qualified Entity pursuant to the Act; and

WHEREAS, the Act creates the Colonias Infrastructure Trust Fund in the state treasury consisting of money that is appropriated by the Legislature, donated or otherwise allocated to it; and

WHEREAS, the Act creates the Colonias Infrastructure Project Fund in the Finance Authority, consisting of distributions from the Colonias Infrastructure Trust Fund, payments of principal and interest, if any, on loans for qualified projects, and other monies appropriated to it by the Legislature of the State or distributed or otherwise allocated to it for the purpose of supporting qualified projects, proceeds of severance tax bonds appropriated to it, and income from investment of amounts in the Colonias Infrastructure Project Fund; and

WHEREAS, the Colonias Infrastructure Project Fund is to be administered by the Finance Authority to originate grants and loans to qualified entities for qualified projects recommended by the CIB; and

WHEREAS, there exists within the boundaries of the Borrower/Grantee, Mesquite, a community that has been designated by the Borrower/Grantee as a "Colonia" within the meaning of the Colonias Infrastructure Act; and

WHEREAS, The Borrower/Grantee will be receiving the Loan/Grant for the benefit of Mesquite and its residents; and

WHEREAS, the Borrower/Grantee has determined that it is in the best interests of the Borrower/Grantee and Mesquite that the Borrower/Grantee enter into an Agreement with the Lenders/Grantors to borrow One Hundred and Sixty Seven Thousand and Twenty-Five Dollars ($167,025) from the Lenders/Grantors and to accept a grant in the amount of One Million Five Hundred and Three Hundred Thousand Two Hundred and Thirty Two Dollars ($1,503,232) from the Lenders/Grantors to finance the costs of design and construction to eliminate existing septic system and wetlands treatment plant and replacing it with a gravity collection system connected to the Dona Ana County South Central Regional Treatment Plant, this project being more particularly described in the Term Sheet; and

WHEREAS, the Governing Body has determined and hereby determines that the Project may be financed with amounts granted and loaned pursuant to the Loan/Grant Agreement, that the Loan/Grant Amount, together with the Additional Funding Amount and other moneys available to the Borrower/Grantee, is sufficient to complete the Project, and that it is in the best interest of the Borrower/Grantee and the public it represents that the Loan/Grant Agreement be executed and delivered and that the funding of the Project take place by executing and delivering the Loan/Grant Agreement; and

WHEREAS, the Governing Body has determined that it may lawfully enter into the Loan/Grant Agreement, accept the Loan/Grant Amount, and be bound to the obligations and by the restrictions thereunder; and

WHEREAS, the Loan/Grant Agreement shall not constitute a general obligation of the Borrower/Grantee, the Colonias Infrastructure Board or the Finance Authority or a debt or pledge of the general credit or *ad valorem* taxing power of the Borrower/Grantee, the Colonias Infrastructure Board, the Finance Authority or the State; and

WHEREAS, there have been presented to the Governing Body and there presently are on file with the Secretary this Resolution and the form of the Loan/Grant Agreement; and

WHEREAS, the Governing Body hereby determines that (i) the Additional Funding Amount is now available to the Borrower/Grantee to complete the Project; or (ii) that the Governing Body will take such steps as are necessary to obtain the Additional Funding Amount within six (6) months after the Closing Date; and

WHEREAS, the Borrower/Grantee acknowledges that, in the event that it is unable to provide the Additional Funding Amount within six (6) months after the Closing Date, the Loan/Grant Agreement shall, at the option of the Colonias Infrastructure Board and the Finance Authority, terminate and be of no further force or effect; and

WHEREAS, all required authorizations, consents and approvals in connection with: (i) the use of the Loan/Grant Amount for the purposes described, and according to the restrictions set forth, in the Loan/Grant Agreement; (ii) the availability of other moneys necessary and sufficient, together with the Loan/Grant Amount, to complete the Project; and (iii) the authorization, execution and delivery of the Loan/Grant Agreement which are required to have been obtained by the date of this Resolution, have been obtained or are reasonably expected to be obtained.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY, DONA ANA COUNTY, NEW MEXICO:

Section 1. Definitions. As used in this Resolution, the following terms shall, for all purposes, have the meanings herein specified, unless the context clearly requires otherwise (such meanings to be equally applicable to both the singular and the plural forms of the terms defined):

"Additional Funding Amount" or "Local Match" means the local match component equal to at least 10% of the Loan/Grant amount. The local match component can be provided as a hard match consisting of actual dollars expended on the Project other than CIB funds for the specified scope of work. The hard match may be provided in the form of non-Colonias Infrastructure Board loans, local cash contributions, private donations or federal funds. The local match component can also be provided as a Soft Match. The value of the Local Match is One Hundred and Sixty Seven Thousand and Twenty-Five Dollars ($167,025) and will be paid from existing USDA loans.

"Agreement" or "Loan/Grant Agreement" means the Loan/Grant Agreement and any amendments or supplements thereto, including the Exhibits attached thereto.

"Authorized Officers" means, with respect to the Borrower/Grantee, any one or more of the Chairman, Secretary, Finance Manger and General Manager thereof; with respect to the Finance Authority, the Chairperson, Vice-Chairperson, Secretary and Chief Executive Officer of the Finance Authority; and with respect to the CIB, the Chairperson or the Vice-Chairperson, Secretary and the Treasurer thereof, and any other officer or employee of the Finance Authority or of the CIB designated in writing by an Authorized Officer thereof.

"Board," "Colonias Infrastructure Board," or "CIB" means the Colonias Infrastructure Board created by the Colonias Infrastructure Act.

"Board Rules" or "Rules" means Review and Selection of Colonias Infrastructure Projects, New Mexico Colonias Infrastructure Board, 2.91.2.1 through 2.91.2.18 NMAC.

"Borrower/Grantee" means the Lower Rio Grande Public Water Works Authority in Dona Ana County, New Mexico.

"Closing Date" means the date of execution, delivery and funding of the Loan/Grant Agreement by the Borrower/Grantee, the CIB and the Finance Authority.

"Colonia" or "Colonias" means a Colonia as defined in the Colonias Infrastructure Act, and more particularly in NMSA 1978, § 6-30-3(C); and particularly Mesquite.

"Colonias Infrastructure Act" means NMSA 1978, §6-30-1 through §6-30-8 (2012 as amended through 2012).

"Colonias Infrastructure Board" or "CIB" means the Colonias infrastructure board created and established pursuant to the Act.

"Colonias Infrastructure Project Fund" means the fund of the same name created pursuant to the Act and held and administered by the Finance Authority.

"Colonias Infrastructure Trust Fund" means the fund of that name created in the state treasury pursuant to the Act.

"Conditions" means the conditions to be satisfied prior to the disbursement of the Loan/Grant Amount or which otherwise apply to the performance of this Agreement and which are set forth in the Term Sheet.

"Completion Date" means the date of final payment of the cost of the Project.

"Eligible Items" means eligible Project costs for which grants and loans may be made pursuant to 2.92.2.10, NMAC and includes costs of acquiring and constructing the Project, plus Expenses.

"Expenses" means the costs of the Lenders/Grantors of originating and administering the Loan/Grant, and includes Borrower/Grantee's professional and other fees

related to the Project to the extent allowed under the Act, the Board Rules, other applicable statutes and rules, and the Policies. The capitalized terms in this item are defined in the Agreement.

"Finance Authority" means the New Mexico Finance Authority.

"Finance Authority Act" means the New Mexico Finance Authority Act, NMSA 1978, §6-21-1 through §6-21-31 (2005 as amended through 2012).

"Generally Accepted Accounting Principles" means the officially established accounting principles applicable to the Borrower/Grantee consisting of the statements, determinations and other official pronouncements of the Government Accounting Standards Board, Financial Accounting Standards Board, Federal Accounting Standards Board or other principle-setting body acceptable to the Lenders/Grantors establishing accounting principles applicable to the Borrower/Grantee.

"Governing Body" means the Board of Directors of the Borrower/Grantee, or any future successor governing body of the Borrower/Grantee.

"Grant" or "Grant Amount" means the amount provided to the Borrower/Grantee as a grant pursuant to the Loan/Grant Agreement for the purpose of funding the Project, and is One Million Five Hundred and Three Hundred Thousand Two Hundred and Thirty-Two Dollars ($1,503,232).

"Herein," "hereby," "hereunder," "hereof," "hereinabove" and "hereafter" refer to this entire Resolution and not solely to the particular section or paragraph of this Resolution in which such word is used.

"Lenders/Grantors" means the Colonias Infrastructure Board and the Finance Authority.

"Loan" or "Loan Amount" means the amount provided to the Borrower/Grantee as a loan pursuant to the Loan/Grant Agreement for the purpose of funding the Project, and is One Hundred and Sixty Seven Thousand and Twenty-Five Dollars ($167,025).

"Loan/Grant" or "Loan/Grant Amount" means the combined amount partially provided to the Borrower/Grantee as the Grant Amount and partially borrowed by the Borrower/Grantee as the Loan Amount pursuant to the Loan/Grant Agreement for the purpose of funding the Project, and is One Million Six Hundred and Seventy Thousand Two Hundred and Fifty Seven Dollars ($1,670,257).

"Loan/Grant Agreement" means the Colonias Infrastructure Project Fund Loan/Grant Agreement entered into by and between the Borrower/Grantee, the Colonias Infrastructure Board and the Finance Authority as authorized by this Resolution.

"Net System Revenues" means the gross revenues of the water and wastewater utility system owned and operated by the Borrower/Grantee minus operation and maintenance

expenses, indirect charges, amounts expended for capital replacement and repairs, required set asides for debt and replacement requirements, and any other payments from the gross revenues reasonably required for operation of the water and wastewater utility system.

"NMAC" means the New Mexico Administrative Code.

"NMSA 1978" means the New Mexico Statutes Annotated, 1978 Compilation, as amended and supplemented from time to time.

"Pledged Revenues" means the revenues of the Borrower/Grantee pledged to the payment of the Loan Amount pursuant to this Resolution and the Loan/Grant Agreement and described in the Term Sheet.

"Policy" or "Policies" means the Colonias Infrastructure Project Fund Project Selection and Management Policies.

"Project" means the project described in the Term Sheet attached to the Agreement. (Exhibit "A").

"Project Account" means the book account established by the Finance Authority in the name of the Borrower/Grantee documenting the Loan/Grant Amount, as shown in the Term Sheet, which shall be kept separate and apart from all other accounts of the Finance Authority.

"Qualified Entity" means a county means a county, municipality, or other entity recognized as a Political Sub-Division Of The State pursuant to NMSA 1978, §6-30-3 (F) (2012 as amended through 2012).

"Qualified Project" means a capital outlay project selected by the CIB for financial assistance that is a water system, a wastewater system, solid waste disposal facilities, flood and drainage control, roads or housing infrastructure pursuant to NMSA 1978, §6-30-3 (G) (2012 as amended through 2012).

"Resolution" means this Resolution as supplemented or amended from time to time.

"State" means the State of New Mexico.

"Term Sheet" means Exhibit "A" attached to the Loan/Grant Agreement.

"Useful Life" means the period during which the Project is expected to be usable for the purpose for which is was acquired and constructed.

Section 2. Ratification. All action heretofore taken (not inconsistent with the provisions of this Resolution) by the Borrower/Grantee and officers of the Borrower/Grantee directed toward the acquisition and completion of the Project and the execution and delivery of the Loan/Grant Agreement shall be, and the same hereby is, ratified, approved and confirmed.

Section 3. Authorization of the Project and the Loan/Grant Agreement. The acquisition and completion of the Project and the method of funding the Project through execution and delivery of the Loan/Grant Agreement are hereby authorized and ordered. The Project is for the benefit and use of the Borrower/Grantee and the public whom it serves.

Section 4. Findings. The Governing Body hereby declares that it has considered all relevant information and data and hereby makes the following findings:

A. The Project is needed to meet the needs of the Borrower/Grantee and Mesquite and the public whom they serve.

B. Moneys available and on hand for the Project from all sources other than the Loan/Grant are not sufficient to defray the cost of acquiring the Project but, together with the Loan/Grant Amount, are sufficient to complete the Project.

C. The Project, and the execution and delivery of the Loan/Grant Agreement pursuant to the Colonias Infrastructure Act to provide funds for the financing of the Project, are necessary and in the interest of the public health, safety, and welfare of the public served by the Borrower/Grantee.

D. The Borrower/Grantee will acquire and complete the Project with the proceeds of the Loan/Grant and the Additional Funding Amount, and except as otherwise expressly provided by the Loan/Grant Agreement, will utilize, operate and maintain the Project for the duration of its Useful Life. The term of the loan will not exceed the Useful Life of the Project, and in any event will not exceed twenty (20) years, as required by the Policies.

E. Together with the Loan/Grant Amount, the Additional Funding Amount is now available to the Borrower/Grantee, or is expected to become available to the Borrower/Grantee within six (6) months after the Closing Date, and, in combination with the Loan/Grant Amount and other monies available to the Borrower/Grantee for the Project, will be sufficient to complete the Project and pay Expenses.

F. The Lenders/Grantors shall maintain on behalf of the Borrower/Grantee a separate Project account or Project accounts and financial records in accordance with Generally Accepted Accounting Principles during the construction or implementation of the Project.

G. The Borrower/Grantee has or will acquire title to or easements or rights of way on the real property upon which the Project is being constructed or located.

Section 5. Loan/Grant Agreement—Authorization and Detail.

A. Authorization. This Resolution has been adopted by the affirmative vote of at least a majority of a quorum of the Governing Body. For the purpose of protecting the public health, conserving the property, protecting the general welfare and prosperity of the constituent public served by the Borrower/Grantee and by the other qualifying entities involved in the Project and acquiring and completing the Project, it is hereby declared necessary that the

Borrower/Grantee execute and deliver the Loan/Grant Agreement evidencing the Borrower/Grantee's acceptance of the Grant Amount of One Million Five Hundred and Three Hundred Thousand Two Hundred and Thirty Two Dollars ($1,503,232) and borrowing the Loan Amount of One Hundred and Sixty Seven Thousand and Twenty-Five Dollars ($167,025) to be utilized solely for the purpose of completing the Project and paying Expenses, and solely in the manner and according to the restrictions set forth in the Loan/Grant Agreement, the execution and delivery of which is hereby authorized. The Borrower/Grantee shall use the Loan/Grant Amount to finance the acquisition and completion of the Project and to pay Expenses.

B. Detail. The Loan/Grant Agreement shall be in substantially the form of the Loan/Grant Agreement presented at the meeting of the Governing Body at which this Resolution was adopted. The Grant shall be in the amount of One Million Five Hundred and Three Hundred Thousand Two Hundred and Thirty-Two Dollars ($1,503,232) and the Loan shall be in the amount of One Hundred and Sixty Seven Thousand and Twenty-Five Dollars ($167,025). Interest on the Loan Amount shall be zero percent (0%) per annum of the unpaid principal balance of the Loan Amount, taking into account both payments made by the Borrower/Grantee and hardship waivers of payments granted to the Borrower/Grantee.

Section 6. Approval of Loan/Grant Agreement. The form of the Loan/Grant Agreement as presented at the meeting of the Governing Body, at which this Resolution was adopted, is hereby approved. Authorized Officers are hereby individually authorized to execute, acknowledge and deliver the Loan/Grant Agreement with such changes, insertions and omissions as may be approved by such individual Authorized Officers, and the Secretary is hereby authorized to attest the Loan/Grant Agreement. The execution of the Loan/Grant Agreement shall be conclusive evidence of such approval.

Section 7. Security. The Loan Amount shall be solely secured by the pledge of the Pledged Revenues herein made and as set forth in the Loan/Grant Agreement.

Section 8. Disposition of Proceeds: Completion of the Project.

A. Project Account. The Borrower/Grantee hereby consents to creation of the Project Account by the Finance Authority. Until the Completion Date, the Loan/Grant Amount shall be used and paid out solely for the purpose of acquiring the Project in compliance with applicable law and the provisions of the Loan/Grant Agreement.

B. Completion of the Project. The Borrower/Grantee shall proceed to complete the Project with all due diligence. Upon the Completion Date, the Borrower/Grantee shall execute a certificate stating that completion of and payment for the Project has been completed. Following the Completion Date, any balance reflected in the Project Account as not having been distributed to the Borrower/Grantee shall be appropriate to or transferred and deposited into the Colonias Infrastructure Project Fund or otherwise distributed as provided in the Loan/Grant Agreement.

C. Colonias Infrastructure Board and Finance Authority Not Responsible. Neither the Colonias Infrastructure Board nor the Finance Authority shall in any manner be

responsible for the application or disposal by the Borrower/Grantee or by its officers of the funds derived from the Loan/Grant Agreement or of any other funds held by or made available to the Borrower/Grantee in connection with the Project.

Section 9. Payment of Loan Amount. Pursuant to the Loan/Grant Agreement, the Borrower/Grantee shall pay the Loan Amount directly from the Pledged Revenues to the Finance Authority as provided in the Loan/Grant Agreement in an amount sufficient to pay principal and other amounts due under the Loan/Grant Agreement and to cure any deficiencies in the payment of the Loan Amount or other amounts due under the Loan/Grant Agreement.

Section 10. Lien on Pledged Revenues. Pursuant to the Loan/Grant Agreement, the Loan/Grant Agreement constitutes an irrevocable lien (but not an exclusive lien) upon the Pledged Revenues to the extent of the Loan Amount, which lien shall be subordinate to any lien on the Pledged Revenues existing on the Closing Date and, further, shall be subordinate to all other indebtedness secured or that may in the future be secured by the Pledged Revenues, except, however that any future loans from the Lenders/Grantors to the Borrower/Grantee pursuant to the Colonias Infrastructure Act or the Water Project Finance Act, NMSA 1978, §§ 72-4A-1 through 72-4A-10 (2001, as amended through 2011), shall be on a parity with this Loan/Grant; and

Section 11. Authorized Officers. Authorized Officers are hereby individually authorized and directed to execute and deliver any and all papers, instruments, opinions, affidavits and other documents and to do and cause to be done any and all acts and things necessary or proper for carrying out this Resolution, the Loan/Grant Agreement and all other transactions contemplated hereby and thereby. Authorized Officers are hereby individually authorized to do all acts and things required of them by this Resolution and the Loan/Grant Agreement for the full, punctual and complete performance of all the terms, covenants and agreements contained in this Resolution and the Loan/Grant Agreement including but not limited to, the execution and delivery of closing documents in connection with the execution and delivery of the Loan/Grant Agreement.

Section 12. Amendment of Resolution. This Resolution after its adoption may be amended without receipt by the Borrower/Grantee of any additional consideration, but only with the prior written consent of the Colonias Infrastructure Board and the Finance Authority.

Section 13. Resolution Irrepealable. After the Loan/Grant Agreement has been executed and delivered, this Resolution shall be and remain irrepealable until all obligations due under the Loan/Grant Agreement shall be fully discharged, as herein provided.

Section 14. Severability Clause. If any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

Section 15. Repealer Clause. All bylaws, orders, ordinances, resolutions, or parts thereof, inconsistent herewith are hereby repealed to the extent only of such inconsistency. This

repealer shall not be construed to revive any bylaw, order, resolution or ordinance, or part thereof, heretofore repealed.

Section 16. Effective Date. Upon due adoption of this Resolution, it shall be recorded in the book of the Borrower/Grantee kept for that purpose, authenticated by the signatures of the Chairman and Secretary of the Borrower/Grantee, and this Resolution shall be in full force and effect thereafter, in accordance with law; provided, however, that if recording is not required for the effectiveness of this Resolution, this Resolution shall be effective upon adoption of this Resolution by the Governing Body.

Section 17. General Summary for Publication. Pursuant to the general laws of the State, the title and a general summary of the subject matter contained in this Resolution shall be published in substantially the following form:

[*Remainder of page intentionally left blank.*]

[*Form of Summary of Resolution for Publication*]

LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY
NOTICE OF ADOPTION OF RESOLUTION

Notice is hereby given of the title and of a general summary of the subject matter contained in Resolution No. FY2013-10, duly adopted and approved by the Board of Directors of Lower Rio Grande Public Water Works Authority on February 20, 2013. A complete copy of the Resolution is available for public inspection during normal and regular business hours in the office of the Secretary, at 325 Holguin Road, Vado, New Mexico 88072.

The title of the Resolution is:

LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY
RESOLUTION NO. FY2013-10

A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A COLONIAS INFRASTRUCTURE PROJECT FUND LOAN/GRANT AGREEMENT BY AND AMONG THE NEW MEXICO COLONIAS INFRASTRUCTURE BOARD ("COLONIAS INFRASTRUCTURE BOARD") AND THE NEW MEXICO FINANCE AUTHORITY ("FINANCE AUTHORITY", AND COLLECTIVELY WITH THE COLONIAS INFRASTRUCTURE BOARD, THE "LENDERS/GRANTORS") AND THE LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY (THE "BORROWER/GRANTEE"), FOR THE BENEFIT OF MESQUITE, IN THE TOTAL AMOUNT OF ONE MILLION SIX HUNDRED AND SEVENTY THOUSAND TWO HUNDRED AND FIFTY SEVEN DOLLARS ($1,670,257), EVIDENCING AN OBLIGATION OF THE BORROWER/GRANTEE TO UTILIZE THE LOAN/GRANT AMOUNT SOLELY FOR THE PURPOSE OF FINANCING THE COSTS OF DESIGN AND CONSTRUCTION TO ELIMINATE EXISTING SEPTIC SYSTEM AND WETLANDS TREATMENT PLANT AND REPLACING IT WITH A GRAVITY COLLECTION SYSTEM CONNECTED TO THE DONA ANA COUNTY SOUTH CENTRAL REGIONAL TREATMENT PLANT, AND SOLELY IN THE MANNER DESCRIBED IN THE LOAN/GRANT AGREEMENT; PROVIDING FOR PAYMENT OF THE LOAN AMOUNT SOLELY FROM PLEDGED REVENUES; CERTIFYING THAT THE LOAN/GRANT AMOUNT, TOGETHER WITH OTHER FUNDS AVAILABLE TO THE BORROWER/GRANTEE, IS SUFFICIENT TO COMPLETE THE PROJECT; APPROVING THE FORM OF AND OTHER DETAILS CONCERNING THE LOAN/GRANT AGREEMENT; RATIFYING ACTIONS HERETOFORE TAKEN; REPEALING ALL ACTION INCONSISTENT WITH THIS RESOLUTION; AND AUTHORIZING THE TAKING OF OTHER ACTIONS IN CONNECTION WITH THE EXECUTION AND DELIVERY OF THE LOAN/GRANT AGREEMENT.

A general summary of the subject matter of the Resolution is contained in its title. This notice constitutes compliance with NMSA 1978, § 6-14-6.

[*End of Form of Summary for Publication*]

PASSED, APPROVED AND ADOPTED THIS 20th DAY OF FEBRUARY 2013

LOWER RIO GRANDE PUBLIC WATER
WORKS AUTHORITY

By_____
ROBERTO NIETO, CHAIRMAN

ATTEST:

_____
SANTOS RUIZ, SECRETARY

(SEAL)

[*Remainder of page intentionally left blank.*]

Governing Body Member _____ then moved adoption of the foregoing Resolution, duly seconded by Governing Body Member _____.

The motion to adopt the Resolution, upon being put to a vote, was passed and adopted on the following recorded vote:

Those Voting Aye:

_____

_____

_____

_____

_____

_____

_____

_____

Those Voting Nay:

_____

_____

_____

Those Absent:

_____

_____

_____ (__) Members of the Governing Body having voted in favor of the motion, the Chairman declared the motion carried and the Resolution adopted, whereupon the Chairman and Secretary signed the Resolution upon the records of the minutes of the Governing Body.

After consideration of matters not relating to the Resolution, the meeting upon motion duly made, seconded and carried, was adjourned.

LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY

By_____
ROBERTO NIETO, CHAIRMAN

ATTEST:

_____
SANTOS RUIZ, SECRETARY

(SEAL)

[*Remainder of page intentionally left blank.*]

STATE OF NEW MEXICO)
) ss.
COUNTY OF DONA ANA)

I, Santos Rios, the duly qualified and acting Secretary of the Lower Rio Grande Public Water Works Authority (the "Borrower/Grantee"), do hereby certify:

1. The foregoing pages are a true, perfect, and complete copy of the record of the proceedings of the Board of Directors of the Borrower/Grantee (the "Governing Body"), had and taken at a duly called regular meeting held at 325 Holguin Road, Vado New Mexico 88072, on February 20, 2013 at the hour of 9 a.m., insofar as the same relate to the adoption of Resolution No. _____ and the execution and delivery of the proposed Loan/Grant Agreement, a copy of which is set forth in the official records of the proceedings of the Governing Body kept in my office. None of the action taken has been rescinded, repealed, or modified.

2. Said proceedings were duly had and taken as therein shown, the meeting therein was duly held, and the persons therein named were present at said meeting, as therein shown.

3. Notice of the meeting was given in compliance with the permitted methods of giving notice of meetings of the Governing Body as required by the State Open Meetings Act, NMSA 1978, § 10-15-1 (1999), including the Borrower/Grantee's open meetings standards in effect on the date of the meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 1st day of March.

LOWER RIO GRANDE PUBLIC
WATER WORKS AUTHORITY

_____
SANTOS RUIZ, SECRETARY

EXHIBIT "A"

Notice of Meeting

LOWER RIO GRANDE
Public Water Works Authority
325 Holguin Road Box C Vado, New Mexico 88072 (575) 571-3628
www.LRGauthority.org

AMENDED RESOLUTION FY2013-09
Directing Staff to Make Application to the Colonias Infrastructure Trust Funds

WHEREAS, in order to be considered for project funding by the Colonias Infrastructure Trust Fund Board of Directors, applications must prepared and submitted, and;

WHEREAS, the Board of Directors has prioritized the following projects on its Infrastructure Capital Improvements Plan;

NOW THEREFORE, the Board of Directors directs staff to prepare and submit applications to fund the following projects:

Design of the Mesquite/Brazito Sewer Project
Design of the Authority Interconnection & Looping Project South Phase
Purchase of Water Rights

THIS RESOLUTION IS HEREBY AMENDED BY THE BOARD OF DIRECTORS TO REPLACE "Design of the Authority Interconnect & Looping Project South Phase" with "Design of Water Facilities Integration & Rehabilitation Project"

PASSED, APPROVED, AND ADOPTED: February 20, 2013.

Seal:

_____
Roberto M. Nieto, Chairman - Mesquite

_____
John Holguin, Vice-chairman - Vado

_____
Santos Ruiz, Secretary - Berino

_____
Rosaura Pargas - Desert Sands

_____
Blanca Martinez – La Mesa

_____
Mary Berry – Butterfield Park

_____
Furman Smith – Organ

_____
Mike McMullen - Brazito

Lower Rio Grande Public Water Works Authority
Member – Customer Policy
Proposed Amendment 2/20/13 Re: Connection

2. WATER/SEWER SERVICE.

A. Water/Sewer Service Ready to be Connected. Once the application process has been completed by the property owner and the application has been approved by the Authority and all applicable fees have been paid in full, hook-up will be installed by a certified operator employed by the Authority consisting of a water metering facility at the main water line easement or a sewer line stub-out will at the collection line easement , whichever is applicable.

B. Shut-off Valve. Each water metering facility shall have a shut-off valve on the Member/customer-side of the meter prior to the service being activated. This valve shall be installed and maintained by the Member/customer. The intent of the valve is for the Member/customer to be able to shut off and reopen their service in the event of an emergency or when they make repairs on their service lines within their property. After normal business hours, the Authority shall assess a fee to open or close the service when requested by the Member and/or customers.

Lower Rio Grande Public Water Works Authority
Member – Customer Policy
Schedule of Rates & Fees
Proposed Amendment 2/20/13

Penalty & Other Fees

Disconnection fee:	$20.00
Open or Close water service	$20.00

(When requested after normal business hours & in addition to Disconnection fee)

Service Activation fee:	$50.00
Service Deactivation fee:	$50.00

Renters Deposit (mandatory)	$100.00
Water/Sewer facility Tampering fee: (in addition to repair/replacement costs)	$500.00
Water/Sewer Theft of Service fee: (in addition to repair/replacement costs)	$500.00
Unauthorized activation/deactivation of service fee (in addition to repair/replacement costs)	$50.00 for 1st offense $500.00 thereafter
Insufficient Funds (Bounced Check): (after 3 times, customer is put on cash-only basis)	$35.00
Late penalty on overdue accounts	15% of the overdue bill
Dona Ana County Service Letter	$5.00
Copies per page	$0.10
IPR Request Copies/per page (see Inspection of Public Records Policy)	$1.00
Faxes (Local/Toll free) per page	$1.00
Faxes (Long Distance) per page	$2.00

Lower Rio Grande Public Water Works Authority
Employee Policy Manual
Proposed Amendment

4.04 Holidays:

This policy shall apply to all Authority employees.

The following days shall be recognized and observed as paid holidays:

New Years Day;
Martin Luther King, Jr.'s Birthday;
President's Day;
Memorial Day;
Independence Day;
Labor Day;
Columbus Day;
Veteran's Day;
Thanksgiving Day and the follow day;
Christmas Day

Whenever a holiday falls on Saturday, the preceding Friday shall be observed as the holiday. Whenever a holiday falls on Sunday, the following Monday shall be observed as the holiday. Permanent part-time employees shall be paid for holidays at a prorated rate based on their regular work hours.

When an employee is taking an authorized leave with pay when a holiday occurs, said holiday shall not be charged against said leave with pay.

February 20, 2013

TO: Robert "Marty" Nieto, *Chair*
Board of Directors/Lower Rio Grande PWWA

FROM: Mary Berry, Ph.D., *Director*

REFERENCE: Resignation From the Board of Directors

Please consider this my resignation from the Board of Directors of the Lower Rio Grande Public Water Works Authority effective immediately after the adjournment of the monthly board of directors meeting on February 20, 2013. Since I will begin working in the Authority's East Mesa office by the beginning of March, I must relinquish my seat on the board.

It has been a pleasure to work with you and the other directors over the past several months. I wish you well as you approach the Authority's first general election and work together to achieve its continued success as a viable utility entity for all our respective communities.

cy: file