



LOWER RIO GRANDE

Public Water Works Authority

PO Box 2646 Anthony, New Mexico 88021 (575) 233-5742

www.LRGauthority.org

Sign In Sheet

Page 1 of 1

Date: 2/20/19

Time: 9:30

Places: La Mesa

Event: Regular Board Mtg

SIGNATURE	Print Name, Title, Company	Contact Information Phone Number	Email Address
	Patty Charles Projects	575-233-5942	patty.charles@lrgauthority.org
	Mike McMullen		mike.mcmullen@lrgauthority.org
	MARTIN LOPEZ LRG PWWA		
	Jose R. Evans LRG PWWA	575 618 0182	
	FURMAN SMITH	382 5982	SAME
	Mike Lopez	635-3921	mike.lopez@lrgauthority.org
	Espy Holgee	644-9543	
	Brad Watts - Auditor	915 799 0999	
	Kaitlin Jackson Finance Manager	(575) 640-4330	same
	Karen Nichols LRG Projects Mgr.	915 203-2057	Karen.nichols@lrgauthority.org

LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY

Meeting Notice & Agenda—REGULAR BOARD OF DIRECTORS MEETING

9:30 a.m. Wednesday, February 20, 2019 at our La Mesa Office, 521 St. Valentine, La Mesa, NM

Agendas are final 72 hours prior to the meeting and may be obtained at any LRGPWWA Office or at www.LRGauthority.org/noticesavisos.html. Call 575-233-5742 or email board@LRGauthority.org for information

- I. Call to Order, Roll Call to Establish Quorum: District #1 (Mr. Sanchez) __, #2 (Vacant) __, #3 (Mr. Evaro) __, #4 (Mrs. Holguin) __, # 5 (Mr. Magallanez) __, #6 (Mr. McMullen) __, #7 (Mr. Smith) __
- II. Pledge of Allegiance
- III. Motion to approve Agenda (VIII A. may be postponed, consider moving IX. A Audit approval to follow V. Audit Presentation)
- IV. Approval of Minutes – Motion to approve the minutes of the January 16, 2019 Regular Board Meeting.
- V. Presentations: Brad Watts, CPA of Watts CPA, PC to present the LRGPWWA FY2018 audit
- VI. Public Input—15 minutes are allotted for this item, 3 minutes per person
- VII. Managers’ Reports
 - A. General Manager
 - B. Operations
 - C. Finance
 - D. Projects
- VIII. Unfinished Business
 - A. Appointment of Director for District 2 – this item may be postponed
 - B. 2019 Election
 - i. Motion to comply with the Local Election Act requirements and to extend the terms of board members up for election in 2019 until December 31, 2019 and extend the terms of Board members up for election in 2021 until December 21, 2021 in order to meet the requirement to hold elections in November of each year
 - ii. Motion to rescind 10/17/18 approval of proposed amendment to the Governance Document to be placed on the April 2019 ballot for member approval and direct staff to draft new amendments in accordance with the LEA for board approval
- IX. New Business
 - A. Motion to accept and approve the FY2018 audit
 - B. Motion to adopt Resolution FY2019-25 Amending Resolution FY2019-21 to reflect the loan subsidy amount

X. Other discussion and agenda items for next meeting at 9:30 a.m. Wednesday, March 20, 2019 at the Vado Office.

- A.** Have any Board Members participated in training? If so, please give us a copy of your certificate
- B.** PM Legislative Report and upcoming NM Legislative session
- C.** Closing documents for E. Mesa EID planning grant

XI. Motion to 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 LRGPWWA office at 575-233-5742, PO Box 2646, Anthony NM 88021 OR 215 Bryant St., Mesquite NM 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 usted es una persona con una discapacidad que necesita un lector, amplificador, intérprete de lenguaje de signos o cualquier otra forma de ayudante auxiliar o servicio para asistir o participar en la audiencia o reunión, póngase en contacto con la oficina de LRGPWWA, 575-233-5742, PO Box 2646, Anthony, NM 88021 o 215 Bryant St., Mesquite, NM por lo menos una semana antes de la reunión o tan pronto como sea posible. documentos públicos, incluyendo el orden del día y actas, pueden proporcionarse en diferentes formatos accesibles. Póngase en contacto con la oficina LRGPWWA si es necesario un resumen u otro tipo de formato accesible.

LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY

Draft Minutes for REGULAR BOARD OF DIRECTORS MEETING

9:30 a.m. Wednesday, February 20, 2019 at our La Mesa Office, 521 St. Valentine, La Mesa, NM

Agendas are final 72 hours prior to the meeting and may be obtained at any LRGPWWA Office or at www.LRGauthority.org/noticesavisos.html. Call 575-233-5742 or email board@LRGauthority.org for information

- I. **Call to Order, Roll Call to Establish Quorum:** Chairman Mr. Mike McMullen called the meeting to order at 9:36 a.m. and called roll. Mr. Sanchez representing District #1 was absent, District #2 is vacant, Mr. Evaro representing District #3 was present, Mrs. Holguin representing District #4 was present, Mr. Magallanez representing District # 5 was absent, Mr. McMullen representing District #6 was present, Mr. Smith representing District #7 was present. Staff members present were General Manager Martin Lopez, Projects Manager Karen Nichols, Projects Specialist Patricia Charles, Finance Manager Kathi Jackson, Operations Manager Mike Lopez and Brad Watts, CPA of Watts CPA.
- II. **Pledge of Allegiance:** Mr. McMullen led the pledge of Allegiance.
- III. **Motion to approve Agenda (VIII A. may be postponed, consider moving IX.A Audit approval to follow V. Audit Presentation):** Mr. Smith made the motion to approve the agenda with the changes stated above. Mrs. Holguin seconded the motion, the motion passed with all in favor.
- IV. **Approval of Minutes – Motion to approve the minutes of the January 16, 2019 Regular Board Meeting:** Mrs. Holguin made the motion to approve the minutes of the January 16, 2019 regular board meeting. Mr. Evaro seconded the motion, the motion passed with all in favor.
- V. **Presentations: Brad Watts, CPA of Watts CPA, PC to present the LRGPWWA FY2018 audit:** Mr. Brad Watts was present to give the board a summary of the LRGPWWA FY2018 audit. The State auditor now requires that the audit be presented to the board members at a board meeting. Mr. Watts sent in the audit to the state on November 30, 2018 and was approved a couple of weeks ago. The independent auditors report on page 2 states the auditor's opinion after reviewing all materials he stated that the financials are correct. Mr. Watts said he would provide highlights. He stated that page 5 contains the Balance Sheet information, total assets have decreased by \$400,000 mostly due to depreciation. Mr. Smith asked if all assets depreciate at the same rate. Mr. Watts said that all assets have a set rate of depreciation which is based on the estimated useful life of the asset for example buildings & improvements have a life of 5 to 40 years, land improvements 7 to 20 years, water and sewer systems 5 to 15 years, furniture, fixtures and equipment 5 to 10 years and vehicles 5 to 15 years. He said assets mostly stayed the same. Liabilities are down a bit due to the payoff of some notes. Net position is the company's assets are at 57 million which are primarily capital assets. Operating revenue was 3.29 million up from 3.28 million previous year due to the addition of more customers. The biggest operating expense is salaries and wages the increase there is due to the HIDTA grant. Depreciation was 1.8 million, the operating loss was 2.8 million and was due mostly to depreciation. Page 13 is about cash in the bank the 2.1 million pledged collateral held by the pledging bank's trust meets regulation. Page 17 includes long term obligations, which include a list of 7 loan agreements with New Mexico Finance Authority. Ms. Nichols asked Mr. Watts if it would be possible to add a note in the Fiscal Agent section on page 20 the amount of the HIDTA pass thru. Funding agencies always want to know that amount. Ms. Nichols said it would be nice to have that amount spelled out in that

section, Mr. Watts said he would make that change on next years audit. Page 25 addresses the auditing standards which includes compliance issues. Mr. Watts informed the board that there are no compliance issues and no findings. Page 32 and 33 includes the schedule of findings and questioned costs. Mr. Watts indicated that there were no findings and/or questioned costs found.

VI. Public Input: none

VII. Managers' Reports

- A. General Manager:** Mr. Lopez provided a written report and stood for questions. He also gave an update on Kinder-Morgan gasoline leak. Due to the spread of contaminated soil, they have inquired about removing and replacing our water line on Three Saints Road near the spill at their expense. We have customer lines there but they are not active, there is about 1,000 feet of water line there. He will keep the board updated as soon as he has more information. Mr. Lopez would like the board to consider a user rate increase adjustment for the upcoming fiscal year. A water side adjustment of \$.62 to customers using 6,000 gallons per month from \$33.80 to \$34.44 and on the sewer side an adjustment of \$3.00 is required by USDA RD for Mesquite-Brazito Phase I project, from \$22.50 to \$25.50 based on 6,000 gallons. The state average for 2017 for water per 6,000 gallons is \$35.63 and for sewer average is \$28.61. Mrs. Holguin said she would have no problem with the increase as long as the increase is not too high. Mrs. Holguin informed the board that she thought there was going to be additional money for Capital Outlay this year.
- B. Operations:** Mr. Mike Lopez provided a written report and stood for questions. Mr. McMullen requested that we spray the weeds around the Brazito office. Mr. Evaro asked how the new trucks are running. Mr. Mike Lopez said they are working very well. Mr. Martin Lopez said the alignment was a problem but that is due to the roads we have to drive. Mr. Mike Lopez said there was an increase in the water usage he believes its due to adding High Valley to the Authority.
- C. Finance:** Ms. Jackson provided the January Income Statement and stood for questions. Ms. Jackson informed the board that we brought in \$230,000.00 and spent \$268,000.00. A transfer from reserves had to be made. One of the reasons for the overage in spending is that we are over budget on overtime. Maintenance and Repairs we spent \$44,000.00 because of the installation of 2 gas chlorine systems and we also spent \$10,000.00 for work on Berry Patch Road. 497 meters will be replaced, they will be replaced with radio read meters. Most are old anyway so this is a good time to replace them. Ms. Jackson and her staff will be attending a couple of trainings, one training is with Tyler and the other is for Purchasing Procurement.
- D. Projects:** Ms. Nichols provided a written report and stood for questions. Mesquite-Brazito Sewer Project I has been authorized to bid has been issued by USDA-RD. The bid ad will be in the paper on Sunday, February 24, 2019. Mesquite-Brazito Sewer Project 2 Design, including easement and property acquisition, will be 95% complete by next month. The final of 3 meetings identified for the programming phase of the central office building project was held on 2/19/19. Mr. Lopez said Larry McDonald from Wilson & Company left the company and was replaced with Marvin Chavez. This project has gone from one building to two buildings for cost

savings and practical reasons. Mr. Lopez said once the plans are updated further, he will have Mr. Chavez give the board a presentation. Ms. Nichols said our statute is being amended as part of the Election Act cleanup. We have two items on the agenda today, one is to extend board member terms from April 2019 to December 31, 2019. Mr. McMullen would like us to do some research regarding the possibility of having term limits for the officers, terms until retirement and removal for cause. Mrs. Holguin said that the only entities that have term limits are Counties. The removal for cause is already included in state and county statutes. Mr. Lopez said he will have to look at our statute and governance policies to see what will have to be changed. Ms. Nichols got an email on Tuesday, February 19, 2019 from the Colonia's Program, we will have 3 projects to present at their meeting in T or C on March 19 & 20, 2019. We should know by then if we have Capital Outlay for Jacquez Road project, and if so, we will pull that application. The other two are East Mesa Design and High Valley Phase II Project. East Mesa environmental documents are complete and approved, we had a public meeting on February 12, 2019 at the East Mesa office that included Notice of Intent to Apply to USDA Rural Development for project funding.

VIII. Unfinished Business

A. Appointment of Director for District 2 – this item may be postponed:

B. 2019 Election:

- i. **Motion to comply with the Local Election Act (LEA) requirements and to extend the terms of board members up for election in 2019 until December 31, 2019 and extend the terms of Board members up for election in 2021 until December 21, 2021 in order to meet the requirement to hold elections in November of each year:** Mrs. Holguin made the motion to comply with local elections act requirements. Mr. Smith seconded the motion. The motion passed with all in favor.
- ii. **Motion to rescind 10/17/18 approval of proposed amendment to the Governance Document to be placed on the April 2019 ballot for member approval and direct staff to draft new amendments in accordance with the LEA for board approval:** Mrs. Holguin made the motion to rescind 10/17/18 approval of proposed amendment. Mr. Evaro seconded the motion, after some discussion the motion passed with all in favor. Mr. Lopez said this amendment was approved to give us the ability to appoint members from other districts where needed. As indicated by Senator Ivy-Soto in a previous conversation with him that is not allowed under the LEA. Ms. Nichols said the new amendments will largely be to delete verbiage in our governance documents about the LEA and just reference it. It should then just indicate that we fall under the LEA.

IX. New Business

- A. **Motion to accept and approve the FY2018 audit:** Mr. Watts had given a presentation at the beginning of this board meeting. Mr. Smith made the motion to accept and approve the FY2018 Audit. Mrs. Holguin seconded the motion. The motion passed with all in favor.
- B. **Motion to adopt Resolution FY2019-25 Amending Resolution FY2019-21 to reflect the loan subsidy amount:** Ms. Nichols said when closing on the Drinking Water Loan they had to make

corrections on the loan amount. Mr. Lopez said the original amount was 1.7 million, but because of the subsidies the actual loan was to be 1.3 million. Mrs. Holguin made the motion to adopt resolution FY2019-25 amending resolution FY2019-21. Mr. Evaro seconded the motion, the motion passed with all in favor.

X. Other discussion and agenda items for next meeting at 9:30 a.m. Wednesday, March 20, 2019 at the Vado Office. Mr. Lopez wanted to let the board know that the Colonias Infrastructure Presentations have been rescheduled for March 20 & 21, 2019, and that will conflict with our next board meeting. Mr. Lopez said we have a meeting request with EBID regarding a lift station on March 13, 2019 at 9:30 a.m. After some discussion consensus was for changing the board meeting date from March 20, 2019 to March 27, 2019.

A. Have any Board Members participated in training? If so, please give us a copy of your certificate: Ms. Nichols asked board members if anyone had attended trainings and had certificates. No one had attended any trainings.

B. PM Legislative Report and upcoming NM Legislative session: Ms. Nichols said the legislative report will be updated after this meeting and will be updated on the Directors Only web page.

C. Closing documents for E. Mesa EID planning grant: Mr. Lopez said we should have closing documents on this grant which will include about \$47,000.00 in reimbursements.

XI. Motion to Adjourn: Mrs. Holguin made the motion to adjourn the board meeting at 10:54 a.m. Mr. Evaro seconded the motion, the motion passed with all in favor.

Minutes approved March 20, 2019

Michael McMullen, Chairman (District 6)

Furman Smith, Vice-Chairman (District 7)

Esperanza Holguin, Secretary (District 4)

ABSENT

Raymundo Sanchez, Director (District 1)

Joe Evaro, Director (District 3)

ABSENT

Henry Magallanez, Director (District 5)

VACANT

Director (District 2)

LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY

Minutes — REGULAR BOARD OF DIRECTORS MEETING

9:30 a.m. Wednesday, January 16, 2019 at our La Mesa Office, 521 St. Valentine, La Mesa, NM

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www.LRGauthority.org/noticesavisos.html. Call 575-233-5742 or email board@LRGauthority.org for information

- I. **Call to Order, Roll Call to Establish Quorum:** Chairman Mr. Mike McMullen called the meeting to order at 9:30 a.m. and called roll. Mr. Sanchez representing District #1 was absent, District #2 is vacant, Mr. Evaro representing District #3 was present, Mrs. Holguin representing District #4 was present, Mr. Magallanez representing District # 5 was present, Mr. McMullen representing District #6 was present, Mr. Smith representing District #7 was present. Staff members present were General Manager Martin Lopez, Finance Manager Kathi Jackson, Projects Manager Karen Nichols, Project Specialist Patricia Charles, Accounting Assistant John Schroder, Operations Manager Mike Lopez and Attorney Josh Smith.
- II. **Pledge of Allegiance:** Mr. McMullen led the pledge of Allegiance.
- III. **Motion to approve Agenda (VIII A. may be postponed):** Mr. Magallanez made the motion to approve the January 16, 2019 agenda with VIIIA postponed. Mr. Evaro seconded the motion, the motion passed with all in favor.
- IV. **Approval of Minutes – Motion to approve the minutes of the December 12, 2018 Regular Board Meeting.** Mr. Smith made the motion to approve the December 12, 2018 minutes. Mrs. Holguin seconded the motion, the motion passed with all in favor.
- V. **Presentations:** none
- VI. **Public Input:** none
- VII. **Managers' Reports**
 - A. **General Manager:** Mr. Lopez provided a written report and stood for questions. Kinder-Morgan had a gasoline leak estimated at 250,000 – 300,000 gallons near Three Saints Road in the Berino Bosque area in an EBID drain. LRG has a water line in close proximity, our Operations dept. has gathered some samples and have isolated the water main. We do have customers on that water main connection but they are presently inactive. The results on the samples are back and there was no evidence of contamination. LRG provided HIDTA Program a little over \$7,500 for 2017 grant funding, the reimbursement has been received. Mr. Lopez said he had instructed customer service staff to work with the customers impacted by the federal government shutdown. We could provide the customers with additional time to pay their bills. Mr. Magallanez asked if the government shutdown has affected any LRG funding. Mr. Lopez said the impact has been minimal. Ms. Nichols said that there have been some delays. She is waiting on the approval of the online PER for the South Valley Project (well in Berino) because the USDA office is closed. Mr. Smith wanted to know if Mr. Lopez has heard anything regarding the El Paso Electric substation project on Moon gate Rd. Mr. Lopez said he thinks they might

drill their own domestic well. They were also having issues with the substation project in the Talavera area, so they are at a standstill right now. Mrs. Holguin informed the board that the Colonia's Day meeting has been moved from February 18, 2019 to February 22, 2019.

- B. Finance:** Ms. Jackson provided a report and stood for questions. She said income was approximately \$247,000.00 and expenditures were approximately \$311,000.00. A loan for \$44,770.00 was paid off and received reimbursements for the repairs on the tank that was vandalized.
- C. Projects:** Ms. Nichols provided a report and stood for questions. While working on the Jacquez Road Line Extension application, she included the information about the gasoline spill because of its proximity to the project area. The line extension is about a quarter mile from the spill. The Legislators are concerned about the spill and that in turn could potential help the application. She completed 3 Colonia's applications, Design for East Mesa System Improvement Project, Design and Construction for High Valley Water System Improvement Project and Construction for Jacquez Waterline Extension Project. She has scheduled the second meeting with the architect next week regarding the design phase on the Central Office Building. Valle Del Rio Water System Project is pending completion due to a final change order to replace the booster pump motors with VFDs. The contractor has been very slow in responding. The VFD's are estimated to be delivered on April 29th. No quote has been received on the replacement of the old door. The Legislature has started working. Mr. Smith asked Ms. Nichols what the cause of the gasoline spill was. She said they believe it was a rupture caused by corrosion of the pipeline. Mrs. Holguin asked to watch Senate Bill 0217 regarding condemnation of property. She thinks the time frame for filing has been shortened and the number of appraisals needed has been increased. Mrs. Nichols said she had it on her list and would keep an eye on it. Mrs. Nichols said she and Ms. Charles prepared 6 Capital Outlay requests, which are Jacquez Road Project, Mesquite Wetlands Closure, 2 Heavy Equipment Purchase requests, Tyler software and Radio Read equipment.
- D. Operations:** Mr. Lopez provided a written report and stood for questions. Mr. Mike Lopez said Well 8 went down again and was pulled out, some corrosion was found and was repaired. He said the samples pulled near the Kinder-Morgan spill came back negative. Mr. Smith said it probably will take time before the effects of the spill show up in the water. Ms. Nichols asked Mr. Mike Lopez if more sampling would be taken in the near future and does, he knew how gasoline behaves in water. He said there is a possibility for more sampling but does not know for sure. He is concerned with what gasoline might do to the PVC pipe.

VIII. Unfinished Business

- A. Appointment of Director for District 2 – this item may be postponed:**

IX. New Business

- A. Motion to adopt Resolution FY2019-21 Authorizing DWSRLF Loan Agreement DW-4796 for Valle Del Rio Water System Improvements Phase II:** Mr. Lopez said this is the continuation for Valle Project water lines. This is set to begin once all documents are in. Ms. Nichols said it would take about a month to close. There could be a delay due to the government shutdown.

USDA-RD has to sign off on permission for additional indebtedness. Mrs. Holguin made the motion to adopt resolution FY2019-21 authorizing DWSRLF Loan Agreement DW-4 for Valle Del Rio Water System Improvements Phase II. Mr. Magallanez seconded the motion, the motion passed with all in favor.

B. Motion to adopt Resolution FY2019-22 adopting FY2019 2nd quarter Budget: Mr. Lopez informed the board that copy of the FY2019 2nd quarter budget report is attached to this agenda for their review. This is the 2nd fiscal quarter report for the State. Mr. Magallanez made the motion to adopt Resolution FY2019-22 adopting FY2019 2nd quarter Budget. Mrs. Holguin seconded the motion. The motion passed with all in favor.

C. Discussion and possible action regarding consolidation of the LRGPWWA election under the new Local Election Act and course of action for upcoming elections: In coordinating with DAC to setup our elections coming up in April 2019, Mr. Lopez found out that we are impacted by the changes made to the General Elections Act which impacts primarily Special Elections which says there can be questions but not candidates on the same ballot. Ms. Nichols and DAC staff have been discussing different scenarios but have come up empty handed. Mr. Lopez said Attorney Josh Smith spoke with the Secretary of State. Mr. Smith said, the Statue that created the Authority says its elections will be governed by the Special Elections Procedures. The new Special Elections Procedures have an exception where they don't apply if you have candidates and questions on the same ballot. Under the Local Elections Act, the legislature consolidated the local elections to non-general election years. On odd years they will hold consolidated local elections. LRG is not one of the entities that is included in the consolidation automatically. A conference call was had with DAC Clerk staff, and they do not have an answer. Their concern is that they cannot have two elections on the same day. Because LRG's voter rolls are completely different from those occurring in the local elections, that may make it two elections. Mr. Smith spoke to Rebecca Martinez, Elections Director for the Secretary of State, but did not have an answer by todays meeting. The Secretary of State is working on this issue and is trying to come up with an answer. Mr. Smith's recommendation is to take action on something that is very general like authorizing consolidation if advised by the Secretary of State. Mr. Smith said if we have a Special Election, if permitted the deadline is January 31, 2019 and if consolidating under the Local Election the deadline is still January 31, 2019. Mrs. Holguin made the motion to take action to consolidate at the direction of the Secretary of State or to take what ever action they advise in order to comply with all election laws and will take whatever action necessary to extend terms to the November Local Elections. Mr. Magallanez seconded the motion. The motion passed with 2 in favor, Mr. Furman abstained from voting.

D. Motion to adopt Resolution FY2019-24 adopting: Mr. Lopez said these documents are part of our application to CDBG, this documentation is required by HUD in order to apply for CDBG funding. Mrs. Holguin made the motion to adopt Resolution FY2019-24 adopting Previously adopted Procurement Resolution, Section 3 Plan, Fair Housing Plan, Residential Anti-Displacement and Relocation Assistance Plan. Mr. Evaro seconded the motion, the motion passed with all in favor.

- i. Previously adopted Procurement Resolution
- ii. Section 3 Plan

- iii. Fair Housing Plan
- iv. Residential Anti-Displacement and Relocation Assistance Plan
- v. Citizen Participation Plan

E. Motion to authorize termination of membership for delinquent accounts: Mr. Lopez said this is the list of customers who have been sent notifications, liens filed and final termination letters. If customers come forward and want to pay their balance's we are still open to that. We have followed the necessary steps and procedures according to our policies. Mrs. Holguin made the motion to authorize termination of membership for delinquent accounts. Mr. Furman seconded the motion, the motion passed with all in favor.

F. Motion to adopt amendment to Employee Policy Manual: Mr. Lopez would like to make a change to our probationary period. He would like the minimum probationary time to be 6 months and the maximum probationary time to be 12 months. Mr. Mike Lopez said this gives us an opportunity to better evaluate those part-time employees that work a few hours a day or work part-time and go to school part-time. Mr. Magallanez said he felt 12 months for probationary period was too long. Mr. Lopez said the majority of employees will fall under the 6-month probationary period, this will actually impact a minimal number of employees. Mrs. Holguin made the motion to adopt amendment to Employee Policy Manual with an edit to the word *extend* to *extended*. Mr. Furman seconded the motion. The motion passed with two in favor and Mr. Magallanez not in favor.

X. Other discussion and agenda items for next meeting at 9:30 a.m. Wednesday, February 20, 2019 at the La Mesa Office.

A. Have any Board Members participated in training? If so, please give us a copy of your certificate: None

B. PM Legislative Report and upcoming NM Legislative session: Report is available on the Directors Only webpage

C. Invitation to Colonia's Day at the Legislature on February 18th – PLEASE LET PATTY KNOW IF YOU WILL ATTEND AND IF YOU WILL NEED A HOTEL ROOM. Ms. Nichols asked that board members who will be attending Colonia's Day to let us know in order to book hotel rooms. Mrs. Holguin said she would be attending.

D. Audit presentation – February or March: Mr. Lopez said the audit has not been approved by the State Auditor but as soon as it is, we will be providing a presentation to the board.

E. Closing documents for E. Mesa EID planning grant: Closing documents for reimbursement should be on the February Agenda.

XI. Motion to Adjourn: Mrs. Holguin made the motion to adjourn the board meeting at 10:30 a.m. Mr. Smith seconded the motion, the motion passed with all in favor.

Minutes approved February 20, 2019

Michael McMullen, Chairman (District 6)

Furman Smith, Vice-Chairman (District 7)

Esperanza Holguin, Secretary (District 4)

ABSENT
Raymundo Sanchez, Director (District 1)

Joe Evaro, Director (District 3)

Henry Magallanez, Director (District 5)

VACANT
Director (District 2)

LRGPWWA
Manager's Report
February 20, 2019

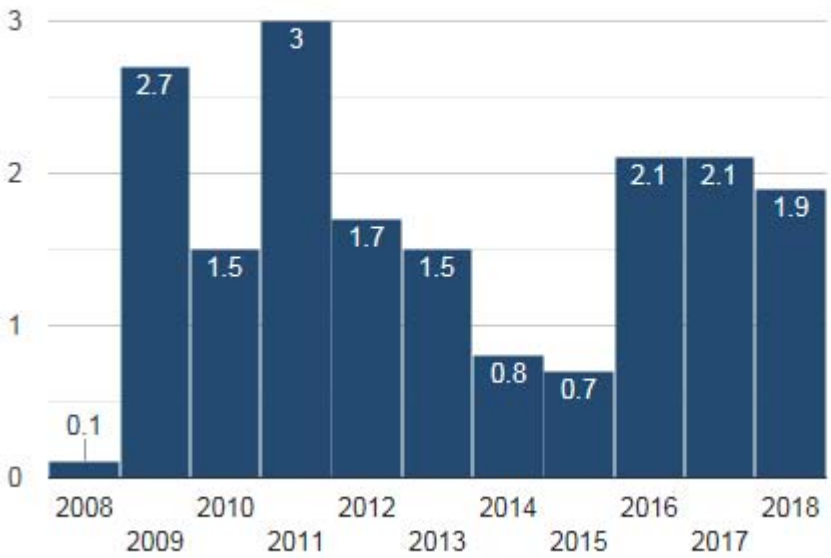
- Kinder-Morgan Gasoline leak: Due to spread of contaminated soil, they have inquired about removing and replacing the water line and associated facilities on 3 Three Saints Road near spill at their expense.
- Karen and I attended the Legislative Session on the January 30th and 31st in support of Capital Outlay Request and the HB407 Election Laws 50-Year Tune-Up. Additionally, a support letter was sent to Senator Ivy-Soto
- Staff trainings:
 - Local Elections Act Webinar on February 12
 - Pipeline excavation in Las Cruces on February 14
 - Water Loss Audits in Mesilla on February 28
- An employee complete their probationary period and had recently graduated from the Water Program at the DACC
- Secretary Holguin, Karen, Patty and I attended Legislative Colonias Day on February 18th
- User rate adjustments for Board consideration for the upcoming Fiscal Year (Last increases took effective July 1, 2016)
 - Water side: An adjustment to match the 2018 Inflation Rate of 1.9 % (An adjustment of 64 cents to a customers using 6,000 gallons per month-\$33.80 to \$34.44)
 - Sewer side: An adjustment of \$3.00 is required by USDA RD as part of the Mesquite-Brazito Phase I project-\$22.50 to \$25.50 based on 6,000 gallons)
 - An internal or third party, User Rate Study could recommend higher adjustments/increases

Current US Inflation Rates: 2008-2018

The current inflation rate for the United States is 1.9% for the 12 months ended December 2018, as published on January 11, 2019 by the U.S. Labor Department. The next inflation update is scheduled for release on February 13, 2019 at 8:30 a.m. ET. It will offer the rate of inflation over the 12 months ended January 2019.

The chart and table below display **annual US inflation rates** for calendar years from 2000 and 2008 to 2018. (For prior years, see [historical inflation rates](#).) If you would like to calculate accumulated rates between two different dates, use the [US Inflation Calculator](#).

Chart: United States Annual Inflation Rates (2008 to 2018)





LOWER RIO GRANDE

Public Water Works Authority

325 Holguin Road

Vado, New Mexico 88072

(575) 233-5742

www.LRGauthority.org

February 6, 2019

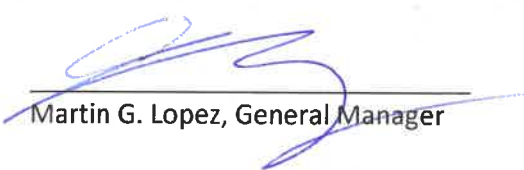
Sandra Alarcon, Community Program Loan Specialist
USDA Rural Development
760 Stern Drive, Suite 139
Las Cruces, NM 88005

RE: Mesquite-Brazito Sewer Project – Sewer Rates

Dear Ms. Alarcon,

Regarding Letter of Conditions dated September 26, 2014 item #8 Income Available, current Lower Rio Grande Public Water Works Authority sewer rate at 6,000 gallons water usage stand at \$22.50. With the new customers being added as a result of the project and the additional debt service, O&M and reserve requirements, we have determined that we will need to increase that to \$25.50 to maintain adequate income and will take steps as outlined under our organizational documents to implement the sewer rate increase.

Best Regards,



Martin G. Lopez, General Manager

Lower Rio Grande PWWA

Operators Report

February 20, 2019

System Problems and Repairs.

- Backflow inspections are Current. (Mesquite District)
- For the month of December, we were issued 374 work and service orders.
- For the month of January 2019, we were issued 355 work and service orders.
- For the month of January 2019, we installed 6 new water service connections.
- The Two Gas Chlorine Units are in operation.
- We had one main line break at Alto De Los Flores.
- We had one main line break at the East Mesa, two joints of PVC Sch 40 were split in half, I had the guys install an eight-inch valve to help isolate that area.
- We will be replacing the production meter at the arroyo well as the current one is reading 18 percent slow.

NMED: All of our Monthly Bac-T-Samples were taken for the month of January and all samples were negative.

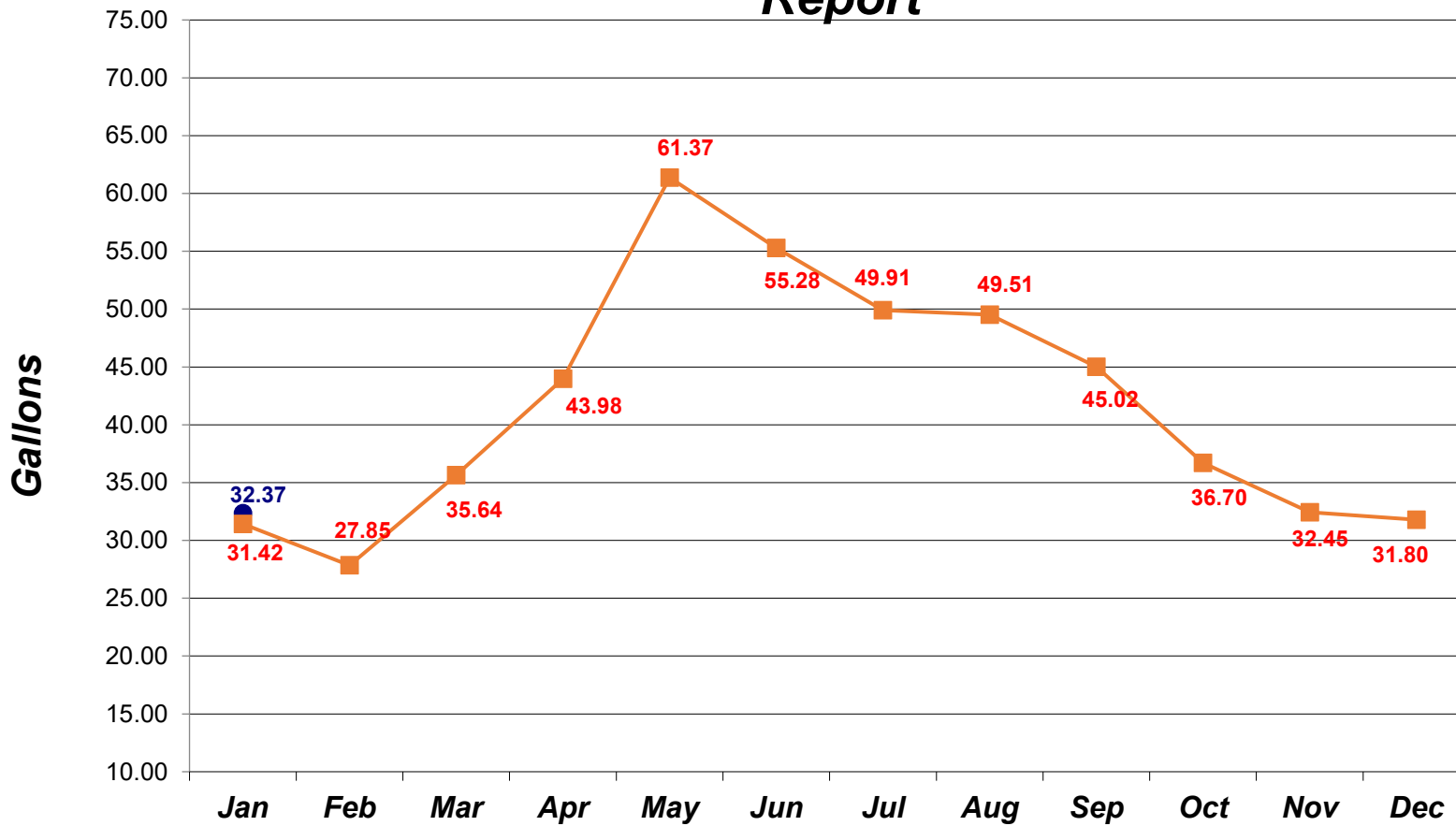
Mesquite district Wetlands: NMED is going to require us to drill 3 monitoring wells as the existing are dry.

Mesquite and Organ Sewer Reports. The Organ Wastewater and the Mesquite wastewater reports were sent February 1st.

Chlorine: No problems.

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

Lower Rio Grande PWWA Water Production Report



● 2019 Production ■ 2018 Production



Income Statement Group Summary

AcctNumber	Current Total Budget	MTD Activity	YTD Activity	Budget Remaining
Revenue				
40000 - Operating Revenue	2,861,000.00	194,991.27	1,888,460.30	972,539.70
40001 - Activation & Connection Fees-Sewer	1,300.00	-	-	1,300.00
40002 - Installation Fees	25,000.00	5,641.67	55,904.14	(30,904.14)
40003 - Activation & Connection Fees-Water	3,600.00	1,108.34	4,383.36	(783.36)
40004 - Meter Relocation	1,500.00	-	-	1,500.00
40005 - Backflow Testing	3,500.00	-	3,700.00	(200.00)
40006 - Tampering Fee/Line Breaks	1,500.00	500.00	3,254.82	(1,754.82)
40007 - Delinquency Fee	20,000.00	8,200.00	54,600.00	(34,600.00)
40008 - Penalties-Water	50,000.00	6,756.99	63,331.43	(13,331.43)
40009 - Membership Fees	3,000.00	300.00	4,350.00	(1,350.00)
40010 - Impact Fees	20,000.00	3,691.66	31,333.31	(11,333.31)
40011 - Returned Check Fees	1,500.00	105.00	490.00	1,010.00
40012 - Credit Card Fees	6,000.00	776.00	6,382.00	(382.00)
40013 - Miscellaneous Revenue	500.00	15.00	205.00	295.00
40015 - Penalties-Sewer	5,200.00	423.67	4,126.01	1,073.99
40016 - Meter Test Fee	500.00	-	(2,174.56)	2,674.56
40017 - Hydrant Meter Rental Fee	2,000.00	250.00	1,000.00	1,000.00
40018 - Permit Fees	1,100.00	-	-	1,100.00
40019 - DAC Trash Coupons	900.00	38.00	368.00	532.00
40020 - Miscellaneous Revenue-Sewer	1,500.00	41.29	(1,031.49)	2,531.49
45000 - Tower Rent	15,000.00	250.00	1,750.00	13,250.00
45001 - Billing Adjustments-Water	-	(707.69)	(12,694.67)	12,694.67
45005 - Fiscal Agent Fees	35,000.00	4,721.88	34,413.71	586.29
45010 - Interest	600.00	48.20	282.87	317.13
45015 - Copy/Fax	400.00	26.00	129.75	270.25
45020 - Other Income	10,000.00	32.94	48,912.74	(38,912.74)
45025 - Contract Services	50,000.00	3,433.64	32,879.01	17,120.99
45030 - Transfers In	-	-	-	-
49000 - Recovered Bad Debts	-	-	150.00	(150.00)
Revenue Total:	3,120,600.00	230,643.86	2,224,505.73	896,094.27
Expense				
60010 - Audit	15,000.00	-	8,410.00	6,590.00
60020 - Bank Service Charges	15,000.00	1,132.22	9,293.67	5,706.33
60025 - Cash Short/Over	300.00	-	35.23	264.77
60030 - Dues and Subscriptions	5,000.00	730.69	3,444.55	1,555.45
60035 - Engineering Fees	-	4,072.87	9,542.65	(9,542.65)
60045 - Late Fees	1,000.00	28.11	28.11	971.89
60050 - Legal Fees	-	-	1,905.40	(1,905.40)
60055 - Legal Notices	2,500.00	-	77.21	2,422.79
60060 - Licenses & Fees	5,000.00	2,643.00	7,034.00	(2,034.00)
60065 - Meals	2,500.00	27.62	1,115.58	1,384.42
60075 - Permit Fees	-	3,307.81	6,015.62	(6,015.62)
60080 - Postage	30,500.00	288.55	1,817.58	28,682.42
60090 - Professional Fees-Other	600.00	-	379.09	220.91
60100 - Project Development	-	6,889.31	6,889.31	(6,889.31)
60115 - Talavera Expenses	-	-	889.57	(889.57)
60116 - Alto De Las Flores Expenses	-	-	72.39	(72.39)
60120 - Retirement Account Fees	2,500.00	376.62	3,659.89	(1,159.89)
60130 - Training	5,000.00	105.00	2,994.85	2,005.15
60140 - Travel:Airfare Per Diem	-	-	506.87	(506.87)
60150 - Travel:Lodging Per Diem	5,000.00	-	4,189.90	810.10
60155 - Travel:Meals Per Diem	5,000.00	-	727.11	4,272.89
60160 - Travel:Mileage/Parking Per Diem	-	-	620.11	(620.11)
60165 - Travel:Vehicle Rental Per Diem	-	-	163.49	(163.49)
60175 - Fixed Asset Disposal Fees	1,500.00	-	-	1,500.00
60600 - Debit Service	148,000.00	9,460.14	102,798.53	45,201.47

60625 - Interest paid to NMED	-	-	1,907.90	(1,907.90)
60650 - Interest paid to NMFA	37,000.00	3,839.54	15,154.88	21,845.12
60675 - Interest paid to USDA	130,000.00	10,629.36	74,405.52	55,594.48
63000 - Regular Pay	885,000.00	61,083.29	538,410.89	346,589.11
63001 - Overtime	30,000.00	3,712.52	21,396.83	8,603.17
63006 - Holiday Pay	55,000.00	8,256.26	33,485.21	21,514.79
63007 - Sick Pay	60,000.00	6,873.65	24,172.76	35,827.24
63008 - Annual Leave Pay	80,000.00	11,583.13	41,098.54	38,901.46
63010 - 401K 10% Company Contribution	101,500.00	-	-	101,500.00
63030 - Accrued Leave	75,000.00	-	-	75,000.00
63060 - Contract Labor	10,000.00	-	2,412.58	7,587.42
63070 - Employee Benefits-401K Contrib	41,000.00	2,532.13	18,512.91	22,487.09
63090 - HISC-Blue Medicare Rx.	500.00	-	-	500.00
63100 - Insurance-Dental	15,000.00	1,125.70	7,302.42	7,697.58
63110 - Insurance-Health	175,000.00	22,501.41	158,488.79	16,511.21
63115 - Salaries: Insurance - Work Comp	20,000.00	1,650.00	9,741.00	10,259.00
63125 - Insurance: Life & Disability	-	16.93	(32.78)	32.78
63130 - Mileage	1,500.00	-	524.06	975.94
63135 - Drug Testing	1,500.00	-	-	1,500.00
63160 - Payroll Taxes-Medicare	18,500.00	1,326.93	9,549.42	8,950.58
63170 - Payroll Taxes-Social Security	73,000.00	5,673.55	40,831.02	32,168.98
63195 - Taxes, Liability, Insurance: Cobra Fee	1,000.00	-	-	1,000.00
63200 - Vision Insurance	5,000.00	344.85	2,227.82	2,772.18
64100 - Sewer:DAC Waste Water Flow Charge	40,000.00	12,580.54	24,169.58	15,830.42
64200 - Sewer:Electricity-Sewer	9,000.00	635.44	5,213.69	3,786.31
64300 - Sewer:Lab & Chemicals-Sewer	10,000.00	1,452.00	7,210.30	2,789.70
64500 - Sewer:Supplies & Materials	-	-	220.00	(220.00)
65010 - Automobile Repairs & Maint.	40,000.00	4,030.29	34,419.69	5,580.31
65230 - Computer Maintenance	58,000.00	6,601.46	46,563.03	11,436.97
65240 - Equipment Rental	2,500.00	395.57	1,006.18	1,493.82
65250 - Fuel	60,000.00	4,749.83	43,095.87	16,904.13
65270 - Lab Chemicals-Water	5,000.00	313.56	838.63	4,161.37
65275 - SCADA Maintenance Fee	2,000.00	-	-	2,000.00
65276 - Test Equipment Calibration	2,000.00	-	-	2,000.00
65277 - Generator Maintenance Contract	3,000.00	-	-	3,000.00
65278 - Meter Testing/Repair/Replacement	36,000.00	-	1,500.00	34,500.00
65280 - Lab Chemicals-Water:Chemicals	35,000.00	2,569.96	21,206.23	13,793.77
65300 - Locates	6,000.00	-	-	6,000.00
65310 - Maint. & Repairs-Infrastructure	84,000.00	153.00	11,697.92	72,302.08
65320 - Maint. & Repairs-Office	10,000.00	-	14,862.20	(4,862.20)
65330 - Maintenance & Repairs-Other	120,500.00	14,948.34	165,293.57	(44,793.57)
65340 - Materials & Supplies	45,000.00	799.34	35,219.65	9,780.35
65345 - Non Inventory-Consumables	65,000.00	1,560.11	23,553.59	41,446.41
65350 - Office Supplies	5,000.00	744.52	6,597.96	(1,597.96)
65360 - Printing and Copying	20,000.00	964.56	21,940.00	(1,940.00)
65370 - Tool Furniture	5,000.00	237.30	5,294.35	(294.35)
65390 - Uniforms-Employee	11,200.00	1,378.06	8,746.06	2,453.94
65490 - Cell Phone	20,000.00	-	7,849.85	12,150.15
65500 - Electricity-Lighting	6,000.00	396.47	3,726.28	2,273.72
65510 - Electricity-Offices	15,000.00	646.81	8,640.94	6,359.06
65520 - Electricity-Wells	211,000.00	12,275.97	119,944.04	91,055.96
65530 - Garbage Service	2,500.00	219.58	4,046.97	(1,546.97)
65540 - Natural Gas	3,000.00	142.04	951.10	2,048.90
65550 - Security/Alarm	5,000.00	-	2,886.02	2,113.98
65560 - Telephone	20,000.00	2,827.34	12,957.85	7,042.15
65561 - Telstar Maintenance Contract	7,000.00	-	-	7,000.00
65570 - Wastewater	2,000.00	181.12	1,263.12	736.88
66100 - Government Penalties & Interest	-	-	5.00	(5.00)
66200 - Insurance-General Liability	75,000.00	16,136.00	52,697.00	22,303.00
66500 - Property Taxes	-	-	346.04	(346.04)
66700 - Water Conservation Fee	20,000.00	953.98	9,055.46	10,944.54
00000 - To Reserves	-	10,000.00	177,243.95	(177,243.95)
Expense Total:	3,120,600.00	268,104.38	2,052,462.60	1,068,137.40
Total Surplus (Deficit):	-	(37,460.52)	172,043.13	(172,043.13)

**LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY
PROJECTS REPORT – 2/20/19**

LRG-11-02.2 – Mesquite-Brazito Sewer Project – Bohannon Huston, Inc. – LOC-Design Stage – NMFA PG/SAP funded Planning, \$30k 2014 SAP, \$540,608 2014 CITF (10% Loan), USDA-RD Loan \$357,000 @ 3.250%, Grant \$1,194,919, Colonia's Grants of \$6,356,474 & \$119,407 – Authorization to bid has been issued by USDA-RD.

LRG-17-01 – Mesquite-Brazito Sewer Project 2 – Bohannon Huston, Inc. – Planning Stage – USDA-RD LOC \$15,030,780 – Letter of Conditions was issued by USDA-RD on 3/5/18 for \$6,189,000 loan and \$8,030,000 Colonia's Grant. Sixth Request for Funds from RCAC bridge loan has been submitted and funds from Request #5 were received. Design, including easement & property acquisition, is at 60% completion and review meeting was held 1/25/19. 95% scheduled for 4/12/19

LRG-11-03 – Interconnect & Looping Project – see LRG-18-02 for current portion – Stern Drive Line Ext.

LRG-11-05 – South Valley Water Supply & Treatment Project WTB #252– Bohannon Huston - Design stage - \$750,000 WTB – 10% Loan 10% Match: USDA-RD format PER, and it has been submitted to USDA-RD, comments received and addressed and approval is pending, Environmental Report has been submitted, and a funding application is ongoing at their online application site.

LRG-17-01 – Water Master Plan – WTB #252: CDBG Public Hearing was held 1/9/18. Ms. Goolsby, SCCOG, has submitted the application for \$100k planning grant for this project. NM DFA-LGD staff questioned why we submitted an application exceeding the funding cap, we had a conference call with them, and have submitted a letter requesting a waiver from the \$50k cap based on precedent for a regional planning project.

LRG-17-02 – Central Office Building – DW-4213 \$3,285,619: Current work is in the Programming Phase of the project which is to be complete in Feb 2019. The final of 3 meetings identified for the Programming Phase of the project was held on 2/19/19. Architect is developing 2 buildings to equal a total of roughly 8,715 sf on a single site to consolidate LRG's services: Building 1 (approx. 5,835 sf) – Primary office functions; modular building construction and Building 2 (approx. 2,880 sf) – Operations; pre-engineered metal building. Engineering Agreement amendments for scope modification to address the two-building concept and to move on to the design phase are in development.

Forty-Year Water Plan – CE&M – complete – needs update for new mergers after Brazito combine & commingle: pending NM-OSE comments/approval. Currently only includes the initial five systems.

LRG-13-03 – Valle Del Rio Water System Project – Construction Stage & Ph. II Design - \$1,197,708 DWSRLF funding - \$898,281 principal forgiveness – 299,427 loan repayment – Souder, Miller & Associates: The Contractor is waiting on materials to arrive for the installation of the new pumps and VFD drives. Installation is expected to be completed in the first of May. SMA is working with the Contractor to complete the project closeout documents. Pay App. #6 is in review at SMA. One Change Order is pending for purchase of the VFD that is currently in use. Phase II engineering agreement is approved and final corrected closing documents for DWSRLF funding are on today's agenda.

LRG-17-03 – Planning Documents for East Mesa Water System Improvements Project – NMFA 3803-PG & 3804-PG – Planning –PER Planning Grant closing is complete, ePER is in progress. EID is approved and

EID Planning Grant Closing will be on March Agenda. Application for Colonia's funding for Phase I Design was submitted. Public meeting was held on 2/12/19 for the EID and for Notice of Intent to Apply to USDA-RD for Phase I funding.

LRG-18-01 – High Valley Water System Improvements Project – NMFA 4645-CIF18 – Design & Construction – Souder, Miller & Assoc.– SMA has completed an internal draft of the well design plans and is currently working on revising that draft based on comments. SMA expects to complete the preliminary design for Client and NMED review in two weeks.

LRG-18-02 – Stern Drive Waterline Extension Project – Design/Build - \$150,000 SAP – SMA has completed an internal draft of the waterline design plans and is currently working on revising that draft based on comments. SMA received ROW documents from NMDOT and follow-up locates from a fiber optic utility that need to be reviewed. SMA expects to complete the preliminary design for Client and NMED review in one week.

LRG-18-03 – Jacquez Waterline Extension Project – Design/Build - \$50,000 SAP – Wilson & Co. –Wilson & Company completed a survey task under the As-Needed procurement in order to modify the easement document in accordance with the property owner's request and a second one to stake the easement at the property owner's request. Our attorney is working with the property owner's attorney to get the document executed Engineering Services Agreement with Wilson & Company has been approved. Colonia's application and Capital Outlay Request have been submitted.

LRG-19-09 – S. Valley Service Area Line Extensions – Water Trust Board application has been submitted and was denied without explanation. Engineering Services Agreement with Souder, Miller & Associates is pending NMED-CPB approval. The Legislature appropriated \$3 million to the Local Government Planning fund at NMFA, and that bill has been signed by the governor.

Other projects:

Documents Retention & Destruction – Sorting of old association documents for storage or destruction is ongoing, and staff is implementing approved retention/destruction schedules for LRGPWWA documents. Delivery of documents from the East Mesa Office for sorting and storage or shredding is still pending, and we are expecting several boxes of documents in from the Finance Manager now that the audit is done. No bins been sent out for shredding in the past month.

Website and Email – Notices and Board Minutes pages are current. Task Order has been executed with Sullivan Design to migrate our website to a Wordpress platform. This will take about four months, and current website will remain in place until then. 2nd Draft is posted and we are reviewing.

Source Water Protection Plan Update - NMED has authorized technical assistance from D.B. Stephens & Associates to update the plan to incorporate High Valley. Phone conference was held on 12/18/18 and we have provided some documents to D.B. Stephens to begin work. Patty is coordinating this on our end.

Training – Angie, Patty and I attended a NM SOS Local Election Act webinar on 2/11/19, Patty attended EFC webinar "How to Manage Grants" on 1/17/19. Angie attended AWWA webinar on 1/15/19 "Water Loss Auditing – Navigation Infrastructure Leakage Index"

Lower Rio Grande Water Users Organization – nothing new to report

As Needed Engineering Services - Currently we have three active Task Orders: One with Vencor for NM DOT permit work on Stern Drive on hold pending a State Land Office permit, one with BHI for securing the SLO Permit, and one with Wilson & Co. for staking Jacquez Rd.

Collection & Lien Procedures - Third set of liens have been filed, certified letters have been sent out for a fourth set. 46 first notifications, 77 certified letters have been sent and 35 liens have been filed to date. Angie & Patty are working on the next set of liens.

NM Legislature – Martin & I were at the Legislature on January 30-31 to reach out to our legislators regarding Capital Outlay requests for the Jacquez Road Project, Mesquite Wetlands Closure, Heavy Equipment Purchase, and for the Information Technology Project (additional Tyler software and radio-read meters and laptops). We also met with Senator Ivy-Soto regarding the Local Election Act clean-up bill (HB407) which includes amendments to our statute, and attended the House Ag & Water Resources Committee hearing on the Regional Water Authority bill (HB175). My Legislative Report for 2019 is in process and is posted at the Directors Only page. Espy, Martin, Patty and I attended Colonia's Day including the meeting with the governor.

LRGPWWA 2019 Election – Today's agenda has two election items: Extension of board terms to December 31, and rescind approval of Governance Document Proposed Amendments and direct staff to develop new amendments in accordance with the Local Election Act.

Water Audits – Water Audit data collection is ongoing and will be useful in updating the Source Water Protection Plan. Water Audits for calendar 2018 will be performed once the data is finalized.

State of New Mexico
Lower Rio Grande Public
Water Works Authority

*Basic Financial Statements and
Required Supplementary Information
For the Year Ended June 30, 2018
and Independent Auditor's Report*

**STATE OF NEW MEXICO
LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY**

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JUNE 30, 2018**

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**STATE OF NEW MEXICO
LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY**

BOARD OF DIRECTORS

BOARD OF DIRECTORS

Mike McMullen
Furman Smith
Esperanza Holguin
Raymundo Sanchez
Jose Evaro
Henry Magallanez

Chairman
Vice-Chairman
Secretary
Director
Director
Director

ADMINISTRATIVE OFFICIALS

Martin Lopez
Kathi Jackson

General Manager
Finance Manager

WATTS CPA, P.C.

INDEPENDENT AUDITOR'S REPORT

The New Mexico Office of the State Auditor
Members of the Board of Directors
Lower Rio Grande Public Water Works Authority
Mesquite, New Mexico

Report on Financial Statements

I have audited the accompanying financial statements of the business-type activities of Lower Rio Grande Public Water Works Authority (the Authority), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents. I also have audited the budgetary comparison presented as supplementary information for the year ended June 30, 2018, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements, referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of June 30, 2018, and the respective changes in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparisons of the Authority for the year ended June 30, 2018 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements and the budgetary comparison. The statement of revenues, expenditures and changes in net position by fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The statement of revenues, expenditures and changes in net position by fund and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the statement of revenues, expenditures and changes in net position by fund and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated November 30, 2018 on my consideration of the Authority's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Watts CPA, P.C.

El Paso, Texas
November 30, 2018

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY**

**STATEMENT OF NET POSITION
JUNE 30, 2018**

ASSETS:

Current Assets

Cash and cash equivalents	\$ 347,815
Accounts receivable	793,478
Grant receivables	363,389
Inventory	50,280
Prepaid expenses	13,423

Total current assets 1,568,385

Noncurrent assets

Restricted cash	
Customer deposits	110,288
Construction account	221,557
Loan reserve	42,642

Capital assets, net of accumulated depreciation 61,050,755

Total noncurrent assets 61,425,242

Total assets \$ 62,993,627

LIABILITIES:

Current Liabilities:

Accounts payable vendors	\$ 120,559
Accounts payable construction	293,082
Gross receipts tax payable	11,089
Accrued payroll	61,889
Accrued interest expense	18,134
Customer meter deposits	110,288
Accrued compensated absences	73,654
Current maturities of notes payable	130,638

Total current liabilities 819,333

Noncurrent Liabilities:

Notes payable 5,276,113

Total liabilities 6,095,446

NET POSITION:

Net investment in capital assets	55,644,004
Restricted for debt service	42,642
Restricted for capital projects	221,557
Unrestricted	989,978

Total net position 56,898,181

Total liabilities and net position \$ 62,993,627

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, EXPENDITURES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

Operating Revenues:	
Charges for services	\$ 3,299,766
Other revenues	<u>107,475</u>
Total operating revenues	<u>3,407,241</u>
Operating Expenses:	
Salaries and wages	3,038,752
Employee benefits	421,179
Materials, supplies, tools and chemicals	160,457
Office expenses	292,064
Miscellaneous	8,708
Bank charges	13,695
Insurance	70,615
Maintenance and repairs	239,282
Professional fees	20,395
Travel and entertainment	6,748
Depreciation	1,843,118
Utilities	<u>244,948</u>
Total operating expenses	<u>6,359,961</u>
Operating loss	<u>(2,952,720)</u>
Non-Operating Revenues (Expenses):	
Grant revenue	1,811,170
Interest income	472
Rental income	18,093
Other income	99,552
Interest expense	<u>(148,417)</u>
Total non-operating revenues	<u>1,780,870</u>
Loss before capital contributions	<u>(1,171,850)</u>
Capital Contributions:	
Grant revenues:	
State	871,395
Federal	<u>285,833</u>
Total capital contributions	<u>1,157,228</u>
Change in net position	(14,622)
Net position - beginning of year, as previously reported	57,529,731
Restatement	<u>(616,928)</u>
Net position - beginning of year, as restated	<u>56,912,803</u>
Net position - end of year	<u>\$ 56,898,181</u>

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, 2018**

Cash Flows From Operating Activities:	
Cash received from customers	\$ 3,341,732
Cash payments to employees for services	(3,016,583)
Cash payments to vendors for goods and services	<u>(1,124,347)</u>
Net cash used in operating activities	<u>(799,198)</u>
Cash Flows From Capital and Related Financing Activities:	
Purchase and construction of capital assets	(1,921,985)
Payments on notes payable	(232,239)
Payments for interest on notes payable	(148,417)
Proceeds from capital grants	902,594
Proceeds from capital loans	<u>102,546</u>
Net cash used in capital and related financing activities	<u>(1,297,501)</u>
Cash Flows From Investing Activities	
Interest received	472
Proceeds from certificate of deposit	<u>11,539</u>
Net cash provided by investing activities	<u>12,011</u>
Cash Flows From Noncapital Financing Activities:	
Proceeds from noncapital grants	1,811,170
Miscellaneous income	<u>117,645</u>
Net cash provided by noncapital financing activities	<u>1,928,815</u>
Net decrease in cash and cash equivalents	(155,873)
Cash and cash equivalents, beginning of year	<u>878,175</u>
Cash and cash equivalents, end of year	<u>\$ 722,302</u>
CASH ENDING:	
Cash	\$ 347,815
Restricted cash	<u>374,487</u>
Total cash reported in statement of net position	<u>\$ 722,302</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (2,952,720)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,843,118
Change in:	
Accounts receivable	(130,903)
Inventory	41,539
Prepaid expenses and insurance	(6,751)
Accounts payable and accrued liabilities	382,664
Meter deposits	<u>23,855</u>
Total adjustments	<u>2,153,522</u>
Net cash used in operating activities	<u>\$ (799,198)</u>

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

**STATE OF NEW MEXICO
LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

1. HISTORY AND ORGANIZATION

The Lower Rio Grande Public Water Works Authority, the "Authority", was organized in 2009 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 in Dona Ana County, New Mexico. Sales revenues are generated primarily from water supply sales to domestic and commercial users.

The Authority has a Board of Directors that consists of seven (7) members who are responsible for legislative and fiscal control of the Authority. The Board is also responsible for administrative control of the Authority.

The Lower Rio Grande Public Water Works Authority was formed by the merger of five water systems, Berino MDWC & MSWA, Desert Sands MDWCA, La Mesa MDWCA, Mesquite MDWC & MSWA and Vado MDWCA under state statute NMSA 1978 73-26-1. In 2012, the members of Butterfield Park MDWCA, Organ WSA and Brazito MDWCA voted to merge with the Authority, and in 2016 the Valle Del Rio Water System was acquired. In 2018 the High Valley MDWCA voted to merge with the Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted (US GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing US GAAP for state and local government accounting and financial reporting principles.

A. Reporting Entity

The Authority is a special-purpose government created pursuant to statute and is comprised of an elected Board of Directors. 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.

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential programs and operations of the Authority. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing board by the Authority, the designation of management, the ability to significantly influence operations, and

accountability for fiscal matters. A second criterion is the scope of public service. Application of this criterion involves considering whether the activity benefits the Authority and/or its users, or whether the activity is conducted within the geographic boundaries of the Authority and is generally available to its users.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Authority is able to exercise oversight responsibilities.

Based upon the application of these criteria, the Authority has no component units.

B. Basic Financial Statements

The GASB Statement No. 34 reporting model focus is on either the Authority, as a whole, or major individual funds (within the fund financial statements). The Authority is a single-program government that engages in only business-type activities.

Pursuant to GASB Statement No. 34, governments engaged only in business-type activities present only the financial statements for enterprise funds. For these governments, basic financial statements consist of: (a) enterprise fund financial statements consisting of the statement of net position, the statement of revenues, expenses and changes in net position and the statement of cash flows, and (b) notes to the financial statements. The enterprise fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with its activities are reported. Enterprise fund equity is classified as net position. When an expense is incurred for purposes for which both restricted and unrestricted assets are available, the Authority first uses restricted resources and then unrestricted resources.

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

The accounts of the Authority are organized on the basis of one fund that is considered a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues and expenses. Government resources are allocated to and accounted for in the fund based upon the purpose for which spending activities are controlled. In this report, the fund is presented in the financial statements as a proprietary fund.

The *Enterprise Fund* is used to account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Basis of accounting refers to the point at which revenues or expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied. The proprietary fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. The revenues are recognized when earned and expenses are recognized when the liability is incurred or the economic asset is used. Grants and similar

items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

D. Cash and cash equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Authority to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the Authority are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

E. Restricted Assets

Restricted assets 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 \$221,557. The Authority also has restricted cash in the amount of \$110,288 that has been classified as restricted for customer deposits and \$42,642 restricted for debt service loan reserve.

F. Accounts Receivable

Accounts receivable represents the amounts due from customers' water and sewer accounts. The allowance for doubtful accounts was \$0 at year end. There was no change in the allowance for doubtful accounts during the fiscal year.

G. Inventory

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

H. Capital Assets

Capital assets, which include property, plant, and equipment, are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment. Contributed capital assets are recorded

at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

Depreciation is recorded using the straight-line method based on the estimated useful life of the asset. The following lives are utilized:

Building and improvements	5 years – 40 years
Land improvements	7 years – 20 years
Water and sewer system	5 years – 15 years
Furniture, fixtures, and equipment	5 years – 10 years
Vehicles	5 years – 15 years

I. Operating Revenue and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. They include all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities. Non-operating revenues include grant revenue, rent revenue, other income and interest income.

J. Budgets and Budgetary Accounting

The Authority follows procedures that are promulgated by the Department of Finance and Administration, Local Government Division (DFA-LGD). Those procedures are as follows:

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 DFA-LGD.
2. After the Board approves the proposed initial budget, it is then submitted to the DFA-LGD for review and certification in time to meet the DFA-LGD deadline of June 1.
3. DFA-LGD returns the approved initial budget on the first Monday in July. Fiscal year-end cash balances and any final budget adjustments are then posted to the initial budget to produce the Authority's final budget, which must be submitted to DFA-LGD by July 30.
4. Upon certification by the DFA-LGD, the budget becomes a legally binding document which does not allow total expenditures in any fund to exceed the amount budgeted.
5. The Board is authorized to make budget revisions with the DFA-LGD's approval.
6. Formal budgetary integration is employed as a management control device during the year.

The budgetary information presented in these financial statements has been properly amended by the Authority's board in accordance with the above procedures. These amendments resulted in no changes to the excess (deficiency) of revenues over expenditures for the current year.

K. Net Position

Net position is reported in three categories: net investment in capital assets, restricted, and unrestricted:

- Net investment in capital assets – This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any related debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position – Net position is reported as restricted when constraints placed on net position use are either (1) externally imposed by creditors, grantors, contributions or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position – Net position that does not meet the definition of “restricted” or “net investment in capital assets.”

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates for the Authority include management’s estimate of the allowance for uncollectible accounts for water sales and depreciation on assets over their estimated useful lives.

M. New Accounting Pronouncements

During the year ended June 30, 2018, the Authority implemented the following new accounting pronouncements which did not have a material effect on the Authority's financial statements:

- *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*
- *GASB Statement No. 85, Omnibus 2017*
- *GASB Statement No. 86, Certain Debt Extinguishment Issues*

The following pronouncements have been issued, but are not yet effective for the year ended June 30, 2018.

- *GASB Statement No. 83, Certain Asset Retirement Obligations*
- *GASB Statement No. 84, Fiduciary Activities*
- *GASB Statement No. 87, Leases*
- *GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- *GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period*
- *GASB Statement No. 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61)*

The Authority is evaluating the effect that these statements will have in upcoming years.

N. Tax Abatement Disclosures

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

3. CASH

State statutes authorize the investment of Authority funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. The Authority is not aware of any invested funds that did not meet the State investment requirements as of June 30, 2018.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Authority. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute.

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

Excess funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

The Authority's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000 for demand deposit accounts and \$250,000 for time and savings accounts.

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

As of June 30, 2018, \$473,175 of the Authority's bank balance of \$723,175 was exposed to custodial credit risk. However, all of the \$473,175 was collateralized by securities held by pledging institutions, not in the Authority's name. None of the Authority's deposits were uninsured and uncollateralized at June 30, 2018. Bank accounts were collateralized as follows:

Total deposits in bank	\$ 723,175
Less FDIC coverage	<u>(250,000)</u>
Uninsured public funds	473,175
Pledged Collateral held by the pledging bank's trust department or agent in the Authority's name	<u>2,162,239</u>
Uninsured and uncollateralized	<u>\$ -</u>

As of June 30, 2018, the Authority's bank balances were exposed to custodial credit risk. The amount above identified as uninsured of \$473,175 is subject to custodial credit risk. This in the risk that in the event of bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk.

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

Account	Account Type	Citizens Bank
Operating	Demand	\$ 212,598
Reserve	Demand	221,432
Debt Service	Demand	284,971
Brazito Sewer	Demand	795
Brazito Sewer #2	Demand	2,260
NM HIDTA	Demand	<u>1,119</u>
Total amounts of deposits		723,175
FDIC Coverage		<u>250,000</u>
Total uninsured public funds		473,175
Pledged collateral held by the pledging bank's trust department or agent in the Authority's name		<u>2,162,239</u>
Uninsured and uncollateralized		<u>\$ -</u>
50% pledged collateral requirement		\$ 236,588
Total pledged collateral		<u>2,162,239</u>
Pledged collateral exceeding the requirements		<u>\$ 1,925,651</u>

A description of the pledged collateral as of June 30, 2018 is as follows:

Description	CUSIP#	Maturity	Market Value
Citizen's Bank:			
FHLB	N/A	09/08/2017	\$ 1,424,117
FHLB	N/A	03/08/2024	<u>738,122</u>
Total Citizen's Bank			<u>\$ 2,162,239</u>

The bank account reconciliations as of June 30, 2018 are as follows:

Account	Account Type	Balance per Bank	Deposits in Transit	Outstanding Checks	Reconciled Balance
Operating	Demand	\$ 212,598	\$ 7,702	\$ 52,179	\$ 168,121
Reserve	Demand	221,432	-	(125)	221,557
Debt Service	Demand	284,971	-	-	284,971
Brazito Sewer Project	Demand	795	-	-	795
Brazito Sewer Project #2	Demand	2,260	-	-	2,260
NM HIDTA	Demand	<u>1,119</u>	<u>-</u>	<u>-</u>	<u>1,119</u>
Total amounts of deposits		<u>\$ 723,175</u>	<u>\$ 7,702</u>	<u>\$ 52,054</u>	678,823
Cash held by NMFA - Loan reserve					42,642
Petty cash & returned items					<u>837</u>
Total cash					<u>\$ 722,302</u>
Total as Reported in the Financial Statements: Statement of Net Position:					
Cash and cash equivalent					\$ 347,815
Restricted cash					<u>374,487</u>
Total cash per financial statements					<u>\$ 722,302</u>

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of water and sewer service billings. Accounts receivable for water and sewer service billings is water and sewer utility revenue billed and unbilled but uncollected. The Authority considers the amount fully collectible and therefore has not estimated an allowance for doubtful accounts. At year-end, accounts receivable are \$793,478.

5. CAPITAL ASSETS

The following is a summary of capital assets and changes occurring during the year ended June 30, 2018. Land, water rights, and construction in progress are not subject to depreciation.

	Beginning Balance	Adjustment/ Transfers	Increases	Decreases	Ending Balance
Business-type capital assets, not being depreciated					
Land, well sites, and easements	\$ 736,876	\$ -	\$ -	\$ -	\$ 736,876
Water rights	17,353,252	-	-	-	17,353,252
Construction in progress	<u>3,005,657</u>	<u>(1,159,289)</u>	<u>873,884</u>	<u>-</u>	<u>2,720,252</u>
Total capital assets, not being depreciated	<u>21,095,785</u>	<u>(1,159,289)</u>	<u>873,884</u>	<u>-</u>	<u>20,810,380</u>
Business-type capital assets, being depreciated					
Buildings and improvements	2,271,517	-	18,057	-	2,289,574
Land improvements	329,168	-	-	(3,537)	325,631
Water and sewer plant/system	50,391,617	716,380	809,446	(132,009)	51,785,434
Furniture, fixtures, and equipment	495,509	-	88,032	(77,195)	506,346
Transportation equipment	<u>1,016,147</u>	<u>-</u>	<u>133,738</u>	<u>(147,434)</u>	<u>1,002,451</u>
Total business-type capital assets, being depreciated	<u>54,503,958</u>	<u>716,380</u>	<u>1,049,273</u>	<u>(360,175)</u>	<u>55,909,436</u>
Less accumulated depreciation for:					
Buildings and improvements	603,887	-	58,212	-	662,099
Land improvements	127,499	-	10,672	(3,537)	134,634
Water and sewer plant/system	12,402,775	174,019	1,631,646	(134,906)	14,073,534
Furniture, fixtures, and equipment	162,056	-	81,290	(77,195)	166,151
Transportation equipment	<u>714,710</u>	<u>-</u>	<u>61,298</u>	<u>(143,365)</u>	<u>632,643</u>
Total accumulated depreciation	<u>14,010,927</u>	<u>174,019</u>	<u>1,843,118</u>	<u>(359,003)</u>	<u>15,669,061</u>
Total capital assets being depreciated, net	<u>40,493,031</u>	<u>542,361</u>	<u>(793,845)</u>	<u>(1,172)</u>	<u>40,240,375</u>
Business-type capital assets, net	<u>\$61,588,816</u>	<u>\$ (616,928)</u>	<u>\$ 80,039</u>	<u>\$ (1,172)</u>	<u>\$61,050,755</u>

Depreciation expense for the year ended June 30, 2018 totaled \$1,843,118

6. LONG TERM OBLIGATIONS

During the year ended June 30, 2018, the following changes occurred in the liabilities reported in the Statement of Net Position:

	Beginning Balance	Additions	Reduction	Ending Balance	Due Within One Year
New Mexico Finance Authority Loans (NMFA)	\$ 1,641,140	\$ 102,546	\$ 174,702	\$ 1,568,984	\$ 64,355
United States Department of Agriculture Loans (USDA)	<u>3,895,304</u>	<u>-</u>	<u>57,537</u>	<u>3,837,767</u>	<u>66,283</u>
Total notes payable	<u>\$ 5,536,444</u>	<u>\$ 102,546</u>	<u>\$ 232,239</u>	<u>\$ 5,406,751</u>	<u>\$ 130,638</u>

NMFA Loans: The Authority has entered into seven loan agreements with the New Mexico Finance Authority, wherein the Authority has pledged revenue derived from operations to cover debt service. This revenue is not subject to intercept agreements. The NMFA loans are as follows:

NMFA LowerRio 2: On July 15, 2011, the Authority executed a loan agreement with the New Mexico Finance Authority in the amount of \$790,914. The proceeds of the loan were used to refinance four loans from the United States Department of Agriculture to the following: 1) Mesquite Mutual Domestic Water Consumers and Mutual Sewage Works Association dated February 17, 2009 in the amount of \$307,000, 2) Mesquite Mutual Domestic Water Consumers and Mutual Sewage Works Association dated December 17, 2007 in the amount of \$307,400, 3) Desert Sands Mutual Domestic Water Consumers Association dated November 7, 2006 in the amount of \$50,000 and 4) La Mesa Mutual Domestic Water Consumers Association dated May 16, 2002 in the amount of \$100,000. The loan matures May 1, 2041. The blended interest rate over the term of the loan is 3.443%. Principal and interest are paid annually.

\$ 655,757

NMFA LowerRio 3: On January 20, 2012 the Authority executed a loan agreement with the New Mexico Finance Authority in the amount of \$437,163. The proceeds of the loan were used for replacement of water utility system transmission and distribution upgrades for the Mesquite area and the Berino area to blend water sources to achieve compliance with arsenic standards for drinking water. The loan matures June 1, 2032. The blended interest rate over the term of the loan is 0.250%. Principal and interest are paid annually.

308,298

NMFA LowerRio 4: On June 15, 2012, the Authority executed a loan agreement with the New Mexico Finance Authority in the amount of \$150,238. The proceeds of the loan were used for the installation and replacement of manual-read water meters with radio-read water meters. The loan matures May 1, 2034. The blended interest rate over the term of the loan is 0.250%. Principal is paid annually and interest is paid twice a year.

120,570

NMFA LowerRio 6: On March 1, 2013, the Authority executed a loan agreement with the New Mexico Finance Authority in the amount of \$167,025. The proceeds were used for the design and construction of a sewer system 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. The loan matures June 1, 2033. There is no interest rate for this loan. Principal payments are paid annually. 125,266

NMFA LowerRio 10: On February 1, 2015, the Authority executed a loan agreement with the New Mexico Finance Authority in the amount of \$103,458. The proceeds were used for extension of water lines to provide service to homes in the Veterans Road area whose wells had failed due to the drop in the water table. The loan matures on June 1, 2034. There is no interest rate for this loan. Principal payments are paid annually. 85,681

NMFA LowerRio 11: On February 1, 2015, the Authority executed a loan agreement with the New Mexico Finance Authority in the amount of \$54,061. The proceeds were used for extension of sewer lines between Mesquite and Brazito to provide service to additional homes. The loan matures on June 1, 2034. There is no interest rate for this loan. Principal payments are paid annually. 44,770

NMFA LowerRio 13: On February 26, 2016, the Authority executed a loan agreement with the New Mexico Finance Authority in the amount of \$299,427 (however only \$228,642 has been drawn down to date). The proceeds were used for the purchase of the Valle Del Rio water system. The loan matures on June 1, 2034. There is no interest rate for this loan. Principal payments are paid annually. 228,642

USDA Loans: The Authority has entered into eight loan agreements with the United States Department of Agriculture (USDA), wherein the Authority has pledged revenue derived from operations to cover debt service. This revenue is not subject to intercept agreements. The USDA loans are as follows:

USDA 91-02: On June 11, 2014, the Authority executed a promissory note with the United States Department of Agriculture in the amount of \$2,304,000. The proceeds were used for the water system project improvements. The note matures on June 11, 2054 and has an interest rate of 3.25% per annum. Installments are paid monthly. \$ 2,144,256

USDA 91-04: On August 20, 2012, the Authority executed a promissory note with the United States Department of Agriculture in the amount of \$471,000. The proceeds were used for the water system project improvements. The note matures on August 20, 2052 and has an interest rate of 2.75% per annum. Installments are paid monthly. 428,599

USDA 92-13 and 92-19: On April 26, 2012, the Authority executed two promissory notes, USDA 92-13 and USDA 92-19 with the United States Department of Agriculture in the amount of \$100,000 and \$606,000 respectively. The proceeds were used to replace the failing sewer main lines and other sewer system improvements. The notes mature on April 26, 2052 and have interest rates of 3.375% and 2% respectively. Installments are paid monthly. 632,304

USDA 93-09: On January 17, 2006, Brazito Mutual Domestic Water Consumers Association executed a promissory note with the United States Department of Agriculture in the amount of \$40,000. The proceeds were used for the water system project improvements. The note matures on January 17, 2046 and accrues an interest rate of 4.250% per annum. Installments are paid monthly.	92,217
USDA 91-14: On October 26, 2009, Brazito Mutual Domestic Water Consumers Association executed a promissory note with the United States Department of Agriculture in the amount of \$222,000. The proceeds were used for the water system project improvements. The note matures on October 26, 2049 and accrues an interest rate of 3.375% per annum. Installments are paid monthly.	193,800
USDA 91-15: On May 22, 2012, Brazito Mutual Domestic Water Consumers Association executed a promissory note with the United States Department of Agriculture in the amount of \$172,000. The proceeds were used for the water system project improvements. The note matures on June 22, 2052 and accrues an interest rate of 2.750% per annum. Installments are paid monthly.	155,795
USDA 91-02: On August 31, 2000, Butterfield Park MDWC and MSWA executed a promissory note with the United States Department of Agriculture in the amount of \$250,000. The proceeds were used for the water system project improvements. The note matures on September 28, 2040 and accrues an interest rate of 5% per annum. Installments are paid monthly.	<u>190,796</u>
Total debt	<u>5,406,751</u>
Less current portion of long-term debt	<u>130,638</u>
Total long-term debt	<u>\$ 5,276,113</u>

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

Years Ending	Interest	Principal
June 30, 2019	\$ 156,114	\$ 130,638
June 30, 2020	153,327	361,976
June 30, 2021	150,412	136,156
June 30, 2022	147,367	139,102
June 30, 2023	144,185	142,181
June 30, 2024 - 2028	668,060	762,036
June 30, 2029 - 2033	564,296	839,365
June 30, 2034 - 2038	436,066	768,183
June 30, 2039 - 2043	320,757	735,078
June 30, 2044 - 2048	166,301	695,863
June 30, 2049 - 2053	<u>54,236</u>	<u>696,173</u>
Total	<u>\$ 2,961,121</u>	<u>\$ 5,406,751</u>

7. 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, 2018 employees had balances of 1,294 sick leave hours with a value of \$21,331 and 3,327 vacation hours with a value of \$52,323. Upon termination, all accumulated vacation and 1 hour for every 3 accumulated hours for sick leave will be paid to the employee. Following is a schedule of changes in compensated absences:

	Beginning Balance	Additions	Reduction	Ending Balance	Due Within One Year
Compensated absences	<u>\$ 73,654</u>	<u>\$ 144,307</u>	<u>\$ 144,307</u>	<u>\$ 73,654</u>	<u>\$ 73,654</u>

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, 2018 was \$85,283.

9. FISCAL AGENT

The Authority is the fiscal agent for the Southwest Border HIDTA – New Mexico. As part of being the Fiscal Agent, the Authority assumes the administrative and financial responsibilities as required by the grant agreement between the Authority and the Office of National Drug Control Policy.

10. RETIREMENT PLAN

The Authority provides employees the opportunity to participate in a 401(k) 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 4% 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 10% of the employee’s wages towards the profit sharing option. For the fiscal year ended June 30, 2018, the Authority contributed \$77,797.

11. SUBSEQUENT REVIEW

Lower Rio Grande Public Water Works Authority has evaluated subsequent events through November 30, 2018, which is the date the financial statements were available to be issued.

12. RESTATEMENT

During the year ended June 30, 2018, the Authority has restated net position in the amount of \$616,928. Of that restatement, capital assets were overstated by \$442,909 and accumulated depreciation was understated by \$174,019.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY**

**STATEMENT OF RECEIPTS AND DISBURSEMENTS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL (BUDGET BASIS)
FOR THE YEAR ENDED JUNE 30, 2018**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Favorable (Unfavorable)
RECEIPTS:				
Operating revenues:				
Charges for services	\$ 2,989,600	\$ 3,272,800	\$ 3,299,766	\$ 26,966
Other revenues	659,800	759,800	107,475	(652,325)
Non-operating revenues				
Other revenue	-	-	117,645	117,645
Interest income	600	600	472	(128)
Grants and loans	-	-	2,968,398	2,968,398
	<u>3,650,000</u>	<u>4,033,200</u>	<u>6,493,756</u>	<u>2,460,556</u>
Total receipts				
	<u>3,650,000</u>	<u>4,033,200</u>	<u>6,493,756</u>	<u>2,460,556</u>
DISBURSEMENTS:				
Operating expenses:				
Accounting & administration	275,800	384,900	80,132	304,768
Salaries & benefits	1,569,500	1,568,500	1,584,845	(16,345)
Sewer system	69,000	71,900	52,037	19,863
Materials & supplies	1,005,241	832,241	560,147	272,094
Utilities	309,000	308,000	280,425	27,575
Taxes & insurance	102,500	102,500	83,813	18,687
Non-operating disbursements				
Debt payments - principal	151,360	283,500	232,239	51,261
Debt payments - interest	167,599	175,099	148,417	26,682
	<u>3,650,000</u>	<u>3,726,640</u>	<u>3,022,055</u>	<u>704,585</u>
Total disbursements				
	<u>3,650,000</u>	<u>3,726,640</u>	<u>3,022,055</u>	<u>704,585</u>
Excess receipts over (under) disbursements	<u>-</u>	<u>306,560</u>	<u>3,471,701</u>	<u>3,471,701</u>
Beginning unrestricted cash			<u>4,558,529</u>	
Ending unrestricted cash			<u>\$ 8,030,230</u>	
Reconciliation of budgetary basis to GAAP basis:				
Net excess receipts over (under) disbursements budgetary basis			\$ 3,471,701	
Depreciation			(1,843,118)	
HIDTA program			(1,875,444)	
Principal payments on debt			232,239	
Change in net position GAAP basis			<u>\$ (14,622)</u>	

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, EXPENDITURES AND CHANGES IN NET POSITION BY FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Water	Sewer	HIDTA	Total
Operating Revenues:				
Charges for services	\$ 3,112,520	\$ 187,246	\$ -	\$ 3,299,766
Other revenues	103,995	3,480	-	107,475
	<u>3,216,515</u>	<u>190,726</u>	<u>-</u>	<u>3,407,241</u>
Total operating revenues				
Operating Expenses:				
Salaries and wages	1,133,318	30,000	1,875,434	3,038,752
Employee benefits	416,979	4,200	-	421,179
Materials, supplies, tools and chemicals	149,637	10,820	-	160,457
Office expenses	231,828	60,236	-	292,064
Miscellaneous	7,837	871	-	8,708
Bank charges	12,316	1,369	10	13,695
Insurance	63,554	7,061	-	70,615
Maintenance and repairs	216,278	23,004	-	239,282
Professional fees	18,356	2,039	-	20,395
Travel and entertainment	6,073	675	-	6,748
Depreciation	1,529,893	313,225	-	1,843,118
Utilities	232,316	12,632	-	244,948
	<u>4,018,385</u>	<u>466,132</u>	<u>1,875,444</u>	<u>6,359,961</u>
Total operating expenses				
Operating loss	<u>(801,870)</u>	<u>(275,406)</u>	<u>(1,875,444)</u>	<u>(2,952,720)</u>
Non-Operating Revenues (Expenses):				
Grant revenue	-	-	1,811,170	1,811,170
Interest income	455	-	17	472
Rental income	18,093	-	-	18,093
Other income	99,552	-	-	99,552
Interest expense	(131,750)	(16,667)	-	(148,417)
	<u>(13,650)</u>	<u>(16,667)</u>	<u>1,811,187</u>	<u>1,780,870</u>
Total non-operating revenues (expenses)				
Loss before capital contributions	<u>(815,520)</u>	<u>(292,073)</u>	<u>(64,257)</u>	<u>(1,171,850)</u>
Capital Contributions:				
Grant revenues:				
State	871,395	-	-	871,395
Federal	285,833	-	-	285,833
	<u>1,157,228</u>	<u>-</u>	<u>-</u>	<u>1,157,228</u>
Total capital contributions				
Change in net position	341,708	(292,073)	(64,257)	(14,622)
Net position - beginning of year, as previously reported	57,808,846	(343,150)	64,035	57,529,731
Restatement	<u>(616,928)</u>	<u>-</u>	<u>-</u>	<u>(616,928)</u>
Net position - beginning of year, as restated	<u>57,191,918</u>	<u>(343,150)</u>	<u>64,035</u>	<u>56,912,803</u>
Net position - end of year	<u>\$ 57,533,626</u>	<u>\$ (635,223)</u>	<u>\$ (222)</u>	<u>\$ 56,898,181</u>

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

COMPLIANCE SECTION

WATTS CPA, P.C.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The New Mexico Office of the State Auditor
Members of the Board of Directors
Lower Rio Grande Public Water Works Authority
Mesquite, New Mexico

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Lower Rio Grande Public Water Works Authority as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and the related budget comparisons of the Authority, presented as supplemental information, and have issued my report thereon dated November 30, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit, of the financial statements, I considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of

WATTS CPA, P.C.

my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authorities's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Watts CPA, P.C.

El Paso, Texas
November 30, 2018

WATTS CPA, P.C.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The New Mexico Office of the State Auditor
Members of the Board of Directors
Lower Rio Grande Public Water Works Authority
Mesquite, New Mexico

Report on Compliance for Each Major Federal Program

I have audited the Lower Rio Grande Public Water Works Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2018. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility.

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I 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 Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In my opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the Authority, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Watts CPA, P.C.

El Paso, Texas
November 30, 2018

**STATE OF NEW MEXICO
LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Federal Grantor or Pass-Through Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>	<u>Paid to Subrecipients</u>	<u>Noncash Assistance</u>
U.S. Environmental Protection Agency				
Passed through New Mexico Finance Authority Capitalization Grants for Drinking Water State Revolving Funds	66.468	285,833	-	-
Total U.S Environmental Protection Agency		<u>285,833</u>	<u>-</u>	<u>-</u>
Executive Office of the President				
Direct Executive Office of the President High Intensity Drug Trafficking Areas (HIDTA) Program *	95.001	1,875,434	-	-
Total Executive Office of the President		<u>1,875,434</u>	<u>-</u>	<u>-</u>
Total Federal Financial Assistance		<u>\$ 2,161,267</u>	<u>\$ -</u>	<u>\$ -</u>

* Denotes Major Federal Financial Assistance Program

See independent auditor's report and accompanying notes to schedule of expenditures of federal awards.

**STATE OF NEW MEXICO
LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Notes to Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Lower Rio Grande Public Water Works Authority and is presented on the full accrual basis of accounting, which is the same basis as was used to prepare the government-wide financial statements. The information in this Schedule is presented in accordance with the requirements of Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

10% de minimus Indirect Cost Rate

The Authority did not elect to use the allowed 10% indirect cost rate.

Federally Funded Insurance

The Authority has no federally funded insurance.

**STATE OF NEW MEXICO
LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

Section I – Summary of Auditors’ Results

Financial Statements:

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

Federal Awards:

- | | |
|---|------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | None Noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| 2. Type of auditors’ report issued on compliance for major programs | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a)? | No |

4. Identification of major programs:

<u>CFDA</u>	<u>Federal Program</u>
Number	
95.001	High Intensity Drug Trafficking Areas (HIDTA) Program

- | | |
|---|----|
| 5. Dollar threshold used to distinguish between type A and type B programs: \$750,000 | |
| 6. Auditee qualified as low-risk auditee? | No |

**STATE OF NEW MEXICO
LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

CURRENT YEAR FINDINGS:

None

STATUS OF PRIOR YEAR FINDINGS:

None

**STATE OF NEW MEXICO
LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY**

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2018**

An exit conference was conducted on November 30, 2018 with the following individuals in attendance:

Lower Rio Grande Public Water Works Authority

Mike McMullen
Martin Lopez
Kathi Jackson

Board Chairman
General Manager
Finance Manager

Watts CPA, P.C.

Brad Watts

Shareholder

Financial Statement Preparation

The financial statements were prepared by Watts CPA, P.C. from the books and records of the Lower Rio Grande Public Water Works Authority. However, the contents of these financial statements remain the responsibility of the Authority's management.

RECORD OF PROCEEDINGS RELATING TO THE ADOPTION OF
RESOLUTION NO. FY2019-25 OF THE BOARD OF DIRECTORS
OF THE LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY,
DONA ANA COUNTY, NEW MEXICO

February 20, 2019

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

The Board of Directors (the “Governing Body”) of the Lower Rio Grande Public Water Works Authority, New Mexico (the “Governmental Unit”), met in a regular session in full conformity with the law and the rules and regulations of the Governing Body at 521 St. Valentine, La Mesa, New Mexico, being the meeting place of the Governing Body for the meeting held on the 20th day of February, 2019, at the hour of 9:30 a.m. Upon roll call, the following members were found to be present:

Present:

Mike McMullen, Board Chair
Furman Smith, Vice-Chair
Esperanza Holguin, Secretary
Henry Magallanes, Director
Joe Evaro, Director

Absent:

Raymundo Sanchez

Also Present:

Martin Lopez, General Manager
Mike Lopez, Operations Manager
Kathi Jackson, Finance Manager
Karen Nichols, Projects Manager
Patty Charles, Projects Specialist
John Schroder, Accounting Assistant
Brad Watts, CPA

Thereupon, there was officially filed with the Secretary a copy of a proposed Resolution in final form, as follows:

LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY,
DONA ANA COUNTY, NEW MEXICO
RESOLUTION NO. FY2019-25

A RESOLUTION AMENDING RESOLUTION NO. FY2019-21 ADOPTED JANUARY 16, 2019; SPECIFYING THAT THE \$1,729,692 AGGREGATE MAXIMUM PRINCIPAL AMOUNT OF THE OBLIGATION BY AND BETWEEN THE LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY AND THE NEW MEXICO FINANCE AUTHORITY SHALL CONSIST OF A LOAN OF NO MORE THAN \$432,423 AND A LOAN SUBSIDY OF NO MORE THAN \$1,297,269; RATIFYING ACTIONS HERETOFORE TAKEN; REPEALING ALL ACTION INCONSISTENT WITH THIS RESOLUTION; AND AUTHORIZING THE TAKING OF OTHER ACTIONS NOT INCONSISTENT WITH THIS RESOLUTION.

Capitalized terms used in the following recitals have the same meaning as defined in Article 1 of the Loan Agreement unless otherwise defined in the preambles or Section 1 of this Resolution, or unless the context requires a different meaning.

WHEREAS, the Lower Rio Grande Public Water Works Authority (the “Governmental Unit”) a legally and regularly created, established, organized and existing public water works authority under NMSA 1978, § 73-26-1, as amended, and the general laws of the State of New Mexico; and

WHEREAS, on January 16, 2019, Governmental Unit adopted Resolution FY2019-21 (the “Original Resolution”) authorizing the execution and delivery of a loan agreement by and between the Governmental Unit and the New Mexico Finance Authority (the “Finance Authority”) evidencing a special limited obligation to the Governmental Unit to pay a Maximum Principal Amount of no more than \$1,729,692; and

WHEREAS, the Original Resolution shall be amended to specify that the Maximum Principal Amount of \$1,729,692 shall consist of a loan from the Finance Authority of no more than \$432,423 and a Subsidy from the Finance Authority of no more than \$1,297,269; and

WHEREAS, the Governing Body intends to add and amend certain definitions and Section 5.A. of the Original Resolution; and

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE LOWER RIO GRANDE PUBLIC WATER WORKS ASSOCIATION:

Section 1. Amendment of Title. The title of the Original Resolution is hereby amended to state in its entirety as follows:

AUTHORIZING THE EXECUTION AND DELIVERY OF A LOAN AND SUBSIDY AGREEMENT (“LOAN AGREEMENT”) BY AND BETWEEN THE

LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY, DONA ANA COUNTY, NEW MEXICO (THE “GOVERNMENTAL UNIT”) AND THE NEW MEXICO FINANCE AUTHORITY, EVIDENCING A SPECIAL LIMITED OBLIGATION OF THE GOVERNMENTAL UNIT TO PAY A PRINCIPAL AMOUNT OF NO MORE THAN \$432,423, TOGETHER WITH INTEREST AND ADMINISTRATIVE FEES THEREON, AND TO ACCEPT A LOAN SUBSIDY OF NO MORE THAN \$1,297,269, FOR AN AGGREGATE MAXIMUM PRINCIPAL AMOUNT OF \$1,729,692, FOR THE PURPOSE OF FINANCING THE COSTS OF REHABILITATING A WATER STORAGE TANK, REPLACING WATER MAINS AND SERVICE LINES AND INSTALLING FIRE HYDRANTS; PROVIDING FOR THE PLEDGE AND PAYMENT OF THE PRINCIPAL, ADMINISTRATIVE FEES AND INTEREST DUE UNDER THE LOAN AGREEMENT SOLELY FROM THE NET REVENUES OF THE WATER SYSTEM OF THE GOVERNMENTAL UNIT; SETTING AN INTEREST RATE FOR THE LOAN; APPROVING THE FORM OF AND OTHER DETAILS CONCERNING THE LOAN 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 AGREEMENT.

Section 2. Amendment of Section 1, Definitions. The following definitions in Section 1 of the Original Resolution are added or amended to read as follows:

“Aggregate Forgiven Disbursements” means the amount of Subsidy provided in the form of principal forgiveness, and shall at any time after the Closing Date be equal to the product of the Subsidy times the Aggregate Disbursements, up to the Maximum Forgiven Principal.

“Aggregate Repayable Disbursements” means, at any time after the Closing Date, the Aggregate Disbursements less the Aggregate Forgiven Disbursements.

“Loan Agreement” means the loan and subsidy agreement and any amendments or supplements hereto, including the exhibits attached to the loan agreement.

“Maximum Forgiven Principal” means the maximum amount of loan subsidy available in the form of principal forgiveness, which is equal to seventy-five percent (75%) of the Maximum Principal Amount. The Maximum Forgiven Principal is \$1,297,269.

“Maximum Repayable Principal” means the maximum amount of Aggregate Repayable Disbursements repayable by the Governmental Unit pursuant to this Loan Agreement, and is equal to the Maximum Principal Amount less the Maximum Forgiven Principal. The Maximum Repayable Principal is \$432,423.

“Subsidy” means any subsidy in the form of principal forgiveness for the Governmental Unit, to be applied proportionally at the time of each Disbursement to the Governmental Unit, being seventy-five percent (75%) of such Disbursement.

Section 3. Amendment of Section 5.A., Loan Agreement – Authorization. Section 5.A., Authorization, shall be amended to read as follows:

A. Authorization. This Resolution has been adopted by the affirmative vote of at least a majority of the Governing Body. For the purpose of protecting the public health, conserving the property, and protecting the general welfare and prosperity of the public served by the Governmental Unit and acquiring and constructing the Project, it is hereby declared necessary that the Governmental Unit, pursuant to the DWSRLF Act, execute and deliver the Loan Agreement evidencing a special limited obligation of the Governmental Unit to pay a principal amount of \$432,423 and interest thereon, and to accept a loan subsidy in the amount of \$1,297,269, and the execution and delivery of the Loan Agreement is hereby authorized. The Governmental Unit shall use the proceeds of the Loan and Subsidy (i) to finance the acquisition and completion of the Project and (ii) to pay the Administrative Fee and the costs of issuance of the Bonds, if any. The Project will be owned by the Governmental Unit.

Section 4. Ratification. All actions not inconsistent with the provisions of the Original Resolution and this Resolution previously taken by the Governmental Unit for the purpose of entering into the Loan Agreement with the Finance Authority hereby are ratified, approved and confirmed.

Section 5. Repeal. All bylaws, orders, resolutions, and ordinances, 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 6. Effective Date. Upon due adoption of this Resolution, it shall be authenticated by the signatures of the Chairman and the Secretary of the Governmental Unit, and the title and general summary of the subject matter contained in this Resolution (set out in Section 7 below) shall be published in a newspaper which maintains an office and is of general circulation in the Governmental Unit, or posted in accordance with law, and said Resolution shall be in full force and effect thereafter, in accordance with law.

Section 7. 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:

[Form of Summary of Resolution for Publication.]

Lower Rio Grande Public Water Works Authority, Dona Ana County, New Mexico
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. FY2019-25, duly adopted and approved by the Governing Body of the Lower Rio Grande Public Water Works Authority, Dona Ana County, New Mexico (the “Governmental Unit”), on February 20, 2019. Complete copies of the Resolution are available for public inspection during normal and regular business hours in the office of the Secretary, 325 Holguin Road, Vado, New Mexico 88072.

The title of the Resolution is:

LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY,
DONA ANA COUNTY, NEW MEXICO
RESOLUTION NO. FY2019-25

A RESOLUTION AMENDING RESOLUTION NO. FY2019-21 ADOPTED JANUARY 16, 2019; SPECIFYING THAT THE \$1,729,692 AGGREGATE MAXIMUM PRINCIPAL AMOUNT OF THE OBLIGATION BY AND BETWEEN THE LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY AND THE NEW MEXICO FINANCE AUTHORITY SHALL CONSIST OF A LOAN OF NO MORE THAN \$432,423 AND A LOAN SUBSIDY OF NO MORE THAN \$1,297,269; RATIFYING ACTIONS HERETOFORE TAKEN; REPEALING ALL ACTION INCONSISTENT WITH THIS RESOLUTION; AND AUTHORIZING THE TAKING OF OTHER ACTIONS NOT INCONSISTENT WITH THIS RESOLUTION.

The title sets forth a general summary of the subject matter contained in the Resolution.
This notice constitutes compliance with NMSA 1978, § 6-14-6.

[End of Form of Summary for Publication.]

Section 8. Execution of Agreements. The Governmental Unit through its Governing Body agrees to authorize and execute all such agreements with the Finance Authority as are necessary to consummate the Loan contemplated herein and consistent with the terms and conditions of the Loan Agreement, the Original Resolution and this Resolution.

PASSED, APPROVED AND ADOPTED THIS 20TH DAY OF FEBRUARY, 2019.

LOWER RIO GRANDE PUBLIC WATER
WORKS AUTHORITY, DONA ANA COUNTY,
NEW MEXICO

By _____
Mike McMullen, Chairman

[SEAL]

ATTEST:

By _____
Esperanza Holguin, Secretary

[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 said Resolution, upon being put to a vote, was passed and adopted on the following recorded vote:

Those Voting Aye: Mike McMullen

Furman Smith

Esperanza Holguin

Henry Magallanes

Joe Evaro

Those Voting Nay: _____

Those Absent: Raymundo Sanchez

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

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

LOWER RIO GRANDE PUBLIC WATER
WORKS AUTHORITY, DONA ANA COUNTY,
NEW MEXICO

By _____
Mike McMullen, Chairman

[SEAL]

ATTEST:

By _____
Esperanza Holguin, Secretary

[Remainder of page intentionally left blank.]

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

I, Esperanza Holguin, the duly appointed, qualified, and acting Secretary of the Lower Rio Grande Public Water Works Authority, Dona Ana County, New Mexico (the “Governmental Unit”), 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 (the “Governing Body”), constituting the governing body of the Governmental Unit, had and taken at a duly called regular meeting held 521 St. Valentine, La Mesa, New Mexico, on February 20, 2019, at the hour of 9:30 a.m., insofar as the same relate to the adoption of the Resolution amending Resolution No. FY2019-21, copies of which are 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 through 10-15-4, as amended, including, the Governing Body’s Open Meetings Resolution No. FY2018-18 presently in effect.

IN WITNESS WHEREOF, I have hereunto set my hand as of this 22nd day of February, 2019.

LOWER RIO GRANDE PUBLIC WATER
WORKS AUTHORITY, DONA ANA COUNTY,
NEW MEXICO

(SEAL)

By _____
Esperanza Holguin, Secretary

EXHIBIT "A"

Notice and Agenda of Meeting