

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: 2/19/20

Time: 9:30

Places: Vado Office

Event: Regular Board mtg

SIGNATURE	Print Name, Title, Company	Contact Information Phone Number	Email Address
	Patty Charles Projects LRG	575-233-5742 ext. 1021	patty.charles@lrgauthority.org
	MARTIN Lopez LWR	575 571 7628	martin.lopez@lrgauthority.org
	Phyllis J. Smith	575-642-7474	
	FURMAN SMITH	" 382-5982	
	Jose EVARIO LRG	575 618 0182	
	Brad Watts Watts CPA PC	915 792 0994	
	Henry Magallanes		hmag@newsworlding.org
	Nora Jacquelin	575 312 5610	
	Esper Holgado LRG PWWA	910-702-7852	
	Kaitlin Jackson PM	(575) 640-4330	Kaitlin.jackson@lrgauthority.org
	JOHN SCHRÖDER LRG PWWA Acc. Mgr.	575-233-5742	john.schroder@lrgauthority.org
	Karen Nichols	915 203 2057	karen.nichols@lrgauthority.org

LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY

Minutes —REGULAR BOARD OF DIRECTORS MEETING

9:30 a.m. Wednesday, February 19, 2020 at our Vado Office, 325 Holguin Road, Vado

Agendas are final 72 hours prior to the meeting and may be obtained at any LRGPWVA 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 McMullen called the meeting to order at 9:34 a.m., District #1 is vacant, 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, Projects Manager Karen Nichols, Projects Specialist Patricia Charles, Finance Manager Kathi Jackson, Accounting Assistant John Schroder. Guests in attendance were Brad Watts from Watts CPA-PC and Phyllis J. Smith and Nora Jacquez.
- II. **Pledge of Allegiance:** Mr. McMullen led the pledge of allegiance.
- III. **Motion to approve Agenda (VIII A. postponed, move IX. A. to follow V.):** Mrs. Holguin made the motion to approve the agenda with VIII A. postponed and move IX A to follow V. Mr. Evaro seconded the motion, the motion passed with all in favor.
- IV. **Approval of Minutes**
 - A. **Motion to approve the minutes of the January 15, 2020 Regular Board Meeting (send copy of signed Minutes to Tiffany for CDBG file).** Mr. Smith made the motion to approve the January 15, 2020 Regular Board Meeting minutes. Mr. Magallanez seconded the motion, the motion passed with all in favor.
- V. **Presentations: Audit Presentation - Brad Watts, CPA-PC:** Mr. Brad Watts was present to give the board a summary of the LRGPWVA FY2019 audit. He will go through the financial statements and touch on the highlights. Page 2 Shows the Independent Auditors Report, he feels the most important part of the audit is the opinion. The financial statements are fairly presented and all materials are complete. Page 5 includes the Balance Sheet it includes \$422,000.00 in unrestricted assets this year increased a bit 1.6 million from 1.5 million last year, this amount is stays pretty consistent. This amount included a HIDTA Grant for \$100,000.00. Capital Assets water system 63 million last year 61 million the increase is due to construction in progress Valle del Rio and a Water Treatment Project. The total Net Position is the same as last year. The Statement of Revenues shows 3.2 million in operating revenues from water & sewer. Expenses are similar year to year. Personnel is the largest expense and increased in 2019 due to a grant to HIDTA. Capital Contributions was up due to some grants received for the purchase of assets. The merger of High Valley brought in \$200,000.00 to Net Position. The next few pages are Notes to the Financial Statement, this is where the County Policies are listed as per the standards for entities like ours. Page 14 gives the breakdown of the cash accounts and balances it also shows the collateral pledge provided by the bank. Page 16 lists the Capital Assets. Page 20 lists Notes Payable the summary shows principal and interest maturities of long-term liabilities. Page 22 lists the Merger of High Valley MDWCA, \$200,000 capital assets and liabilities of \$6,000.00. In the supplementary information section is the actual budget, we are on budget. Page 25 has the breakdown of revenues by water, sewer and HIDTA. Ms. Nichols would like to see a reference

to this page somewhere in the first part of this report, Mr. Watts said he would include a page reference somewhere in the first part of this report. Next page is the Independent auditor's report on internal controls and compliance. This is where he would list any deficiencies in either area. There are none because there were no findings. Page 31 includes the schedule of expenditures of federal awards. An exit conference was conducted on November 18, 2019.

VI. Public Input: NONE

VII. Managers' Reports

- A. General Manager:** Mr. Lopez provided a written report and stood for questions. It was determined by the CPO (Kathi) that the Legal Services RFP is not required. The legal service expenses are below procurement amounts (threshold is \$60,000.00). The CDBG checking account has been opened as required by the program. RCAC is progressing with the rate study, we met on February 10th to review the potential for rate increase. Met with DAC Staff to discuss sewer billing agreement, there are some issues that came up that need to be worked out regarding how DAC bills their customers. Two trucks are scheduled to be delivered in late March and the other 3 should be delivered at the end of April. Mr. Lopez committed \$6,000.00 from our General Funds to extend the water line on Jacquez Road. It was decided that the line need to be extended in order to avoid damage from tractors. Our offices were closed on January 20th for MLK Holiday and February 17th for Presidents Day. He wanted to mention the Black History Month Celebration hosted by the Vado Historical Society to be held at 6 pm a the LRPWWA Vado Office site (325 Holguin Road) on February 27th. Mrs. Holguin invited everyone at the meeting to attend.
- B. Finance:** Ms. Jackson provided a written report and stood for questions. Revenues were \$201,380.63 and expenses were \$319,699.38. We show a deficit of \$118,318.75 but it is because of adjustments to USDA loan balances after we received their statements. Our balance is more like \$171,640.51. We have completed 500 register change outs and are planning on changing out another 500 in the next two weeks. Mr. Smith asked why computer maintenance is so high. Mr. Schroder said IT and Tyler annual and monthly fees are included and possibly a computer grant we received.
- C. Projects:** Ms. Nichols provided a written report and stood for questions. We have had several complaints on the Mesquite-Brazito sewer project some phone lines were cut. Contractor is finishing with main lines and is working on the road. Mesquite-Brazito sewer project 2 two easements and one real property are pending. Got comments back from USDA-RD should go out to bid soon. Ms. Nichols checked the Legislature page last night and found we received zero Capital Outlay funding for our Central Office Building, it was very disappointing. Ms. Holguin said we should create a map of our service area to show how many Colonia's we serve. This will give the legislators a better view of our needs. She wanted the board to know the work that was put into getting our needs known to the legislators. Valle Del Rio Water System Project was out to bid, but the Engineer used Vado's office address to receive bids. We do not have anyone to receive the bids at this office, so he will have to redo it. East Mesa Water System Improvements Project we are discussing purchasing a small tract of land next to the 3

sisters tank site. Ms. Jackson asked what the approximate cost would be for the track of land. Mr. Lopez said we would have to pay appraised value (approximate value 10K or less).

- D. Operations:** Mr. Mike Lopez provided a written report but was unable to attend the meeting. Mr. Martin Lopez said the water production report showed less usage this January than same time last year. Mrs. Smith asked if we were going to provide water to El Paso Electric on the East Mesa. Mr. Lopez said he was told they were going to try to use an old well they own in that area. A meter was installed because the information is needed on our yearly water audit.

VIII. Unfinished Business:

- A. Appointment of Director for Districts 1 & 2:** postponed

IX. New Business

- A. Motion to accept and approve FY2019 Audit:** Mrs. Holguin made the motion to accept and approve the FY2019 Audit. Mr. Smith seconded the motion, the motion passed with all in favor. Mrs. Holguin wanted to thank Ms. Jackson and Mr. Schroder for all their hard work.
- B. Motion to authorize application to NMFA Local Planning Fund for PER & EA for S. Valley Line Extensions Project:** Mr. Lopez said we want to request engineering services for feasibility of line extensions between Ft. Filmore to Forest. Ms. Nichols said there would be a match requirement of \$5,000.00 each for a total of \$10,000.00.
- C. Motion to adopt Resolution FY2020-15 Authorizing Disposal of Property:** Mr. Lopez had a meeting with the disposition committee this morning before the regular board meeting and it was recommended that we dispose of some property. Mr. Smith made the motion to adopt Resolution FY2020-15 Authorizing Disposal of Property. Mrs. Holguin 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 18, 2020 at the East Mesa Office.

- A. Have any Board Members participated in training? If so, please give us a copy of your certificate:** Mrs. Holguin attended the Colonia's Infrastructure Training on January 7, 2020 and also attended Colonia's Day in Santa Fe.
- B. Authorize public meetings for ICIP**
- C. Election of Officers**

XI. Motion to Adjourn: Mr. Smith made the motion to adjourn the meeting at 10:20 a.m. Mrs. Holguin seconded the motion, the motion passed with all in favor.

Minutes approved March 18, 2020

Michael McMullen, Chairman (District 6)

Furman Smith, Vice-Chairman (District 7)

Esperanza Holguin, Secretary (District 4)

VACANT
Director (District 1)

Joe Evaro, Director (District 3)

Henry Magallanez, Director (District 5)

VACANT
Director (District 2)

DRAFT

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Meeting Notice & Agenda—REGULAR BOARD OF DIRECTORS MEETING

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- I. Call to Order, Roll Call to Establish Quorum: District #1 (Vacant) __, #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. postponed, move IX. A. to follow V.)
- IV. Approval of Minutes
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- V. Presentations: Audit Presentation - Brad Watts, CPA-PC
- VI. Public Input—15 minutes are allotted for this item, 3 minutes per person
- VII. Managers' Reports
 - A. General Manager
 - B. Finance
 - C. Projects
 - D. Operations
- VIII. Unfinished Business
 - A. Appointment of Director for Districts 1 & 2 –postponed
- IX. New Business
 - A. Motion to accept and approve FY2019 Audit
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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.

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Esperanza Holguin, Secretary (District 4)

VACANT
Director (District 1)

Joe Evaro, Director (District 3)

Henry Magallanez, Director (District 5)

VACANT
Director (District 2)

LRGPWWA
Manager's Report
February 19, 2020

- Legal Services RFP not required as determined by LRGPWWA CPO (Kathi); legal service expenses below procurement amounts
- CDBG checking account has been opened as required by program
- RCAC is progressing with rate study, met on February 10th to review
- Met with DAC staff to discuss sewer billing agreement, which will required LRGPWWA Board and DAC BOCC approval
- Schedule for delivery of two truck is late March, other 3 with specialized equipment end of April
- Committed \$6,000 of General Funds to extend water on Jacquez Road
- Offices were closed on January 20th for MLK Holiday and February 17th for President Day
- Black History Month Celebration hosted by the Vado Historical Society to be held at 6 pm at the LRGPWWA Vado Office site (325 Holguin Road) meeting place on February 27th



Lower Rio Grande Public Water Works Authority

Income Statement

Group Summary

For Fiscal: FYE 2020 Period Ending: 01/31/2020

AcctNumber	Current Total Budget	MTD Activity	YTD Activity	Budget Remaining
Revenue				
40000 - Operating Revenue	2,865,000.00	178,389.57	1,877,138.78	987,861.22
40001 - Activation & Connection Fees-Sewer	4,000.00	0.00	425.01	3,574.99
40002 - Installation Fees	57,500.00	1,119.53	31,181.61	26,318.39
40003 - Activation & Connection Fees-Water	7,500.00	786.08	4,069.31	3,430.69
40005 - Backflow Testing	7,000.00	1,075.00	2,825.00	4,175.00
40006 - Tampering Fee/Line Breaks	0.00	120.28	7,747.22	-7,747.22
40007 - Delinquency Fee	100,000.00	6,850.00	50,000.00	50,000.00
40008 - Penalties-Water	0.00	5,817.14	54,126.39	-54,126.39
40009 - Membership Fees	0.00	350.00	3,800.00	-3,800.00
40010 - Impact Fees	40,000.00	3,703.94	19,104.60	20,895.40
40011 - Returned Check Fees	0.00	35.00	630.00	-630.00
40012 - Credit Card Fees	10,000.00	910.00	6,446.00	3,554.00
40013 - Miscellaneous Revenue	0.00	30.00	523.05	-523.05
40015 - Penalties-Sewer	4,500.00	530.83	4,091.57	408.43
40016 - Meter Test Fee	0.00	-5,117.77	-5,117.77	5,117.77
40017 - Hydrant Meter Rental Fee	15,000.00	0.00	1,500.00	13,500.00
40018 - Permit Fees	0.00	150.00	150.00	-150.00
40019 - DAC Trash Coupons	0.00	100.00	624.00	-624.00
40020 - Miscellaneous Revenue-Sewer	7,500.00	17.52	265.26	7,234.74
45000 - Tower Rent	0.00	750.00	2,750.00	-2,750.00
45001 - Billing Adjustments-Water	0.00	-2,539.67	-73,767.91	73,767.91
45005 - Fiscal Agent Fees	0.00	4,682.09	34,567.41	-34,567.41
45010 - Interest	0.00	67.22	454.25	-454.25
45015 - Copy/Fax	0.00	13.50	136.55	-136.55
45020 - Other Income	45,000.00	14.50	40,144.82	4,855.18
45025 - Contract Services	50,000.00	3,225.87	27,869.82	22,130.18
45030 - Transfers In	0.00	0.00	80,326.00	-80,326.00
49000 - Recovered Bad Debts	0.00	300.00	1,500.00	-1,500.00
Revenue Total:	3,213,000.00	201,380.63	2,173,510.97	1,039,489.03
Expense				
60001 - Transfer to Reserves	0.00	10,000.00	70,021.65	-70,021.65
60005 - Accounting Fees	0.00	0.00	216.84	-216.84
60010 - Audit	15,000.00	0.00	9,429.71	5,570.29
60020 - Bank Service Charges	15,000.00	1,616.46	9,981.89	5,018.11
60025 - Cash Short/Over	300.00	0.00	2.87	297.13
60026 - Computer Hardware	0.00	0.00	1,971.90	-1,971.90
60030 - Dues and Subscriptions	5,000.00	697.35	1,898.42	3,101.58
60035 - Engineering Fees	0.00	0.00	12,019.19	-12,019.19
60045 - Late Fees	1,000.00	0.00	0.00	1,000.00
60050 - Legal Fees	0.00	199.65	2,076.16	-2,076.16
60055 - Legal Notices	2,500.00	204.40	291.31	2,208.69
60060 - Licenses & Fees	5,000.00	136.62	5,353.31	-353.31
60065 - Meals	2,500.00	179.59	1,101.06	1,398.94
60075 - Permit Fees	1,500.00	0.00	450.00	1,050.00
60080 - Postage	30,500.00	89.05	1,219.64	29,280.36
60100 - Project Development	0.00	0.00	0.00	0.00
60115 - Talavera Expenses	0.00	0.00	0.00	0.00
60116 - Alto De Las Flores Expenses	0.00	0.00	0.00	0.00
60120 - Retirement Account Fees	2,500.00	1,362.89	5,475.16	-2,975.16
60125 - Easments & Leases	0.00	0.00	7,248.28	-7,248.28
60130 - Training	5,000.00	0.00	3,402.70	1,597.30
60140 - Travel:Airfare Per Diem	2,500.00	0.00	776.00	1,724.00
60150 - Travel:Lodging Per Diem	5,000.00	493.36	3,013.19	1,986.81
60155 - Travel:Meals Per Diem	2,500.00	0.00	628.53	1,871.47
60160 - Travel:Mileage/Parking Per Diem	1,500.00	0.00	555.83	944.17
60165 - Travel:Vehicle Rental Per Diem	0.00	0.00	241.47	-241.47

60600 - Debit Service	148,000.00	9,810.66	168,686.22	-20,686.22
60625 - Interest paid to NMED	0.00	0.00	12,435.44	-12,435.44
60650 - Interest paid to NMFA	37,000.00	2,206.37	14,161.05	22,838.95
60675 - Interest paid to USDA	130,000.00	11,596.26	80,147.85	49,852.15
63000 - Regular Pay	1,074,100.00	103,199.02	585,133.43	488,966.57
63001 - Overtime	70,000.00	3,469.63	22,449.08	47,550.92
63006 - Holiday Pay	55,000.00	14,056.41	41,103.41	13,896.59
63007 - Sick Pay	60,000.00	9,595.68	35,248.75	24,751.25
63008 - Annual Leave Pay	0.00	9,863.22	49,449.93	-49,449.93
63010 - 401K 10% Company Contribution	3,000.00	0.00	0.00	3,000.00
63020 - 401K Employee Contribution	61,700.00	0.00	0.00	61,700.00
63030 - Accrued Leave	75,000.00	0.00	0.00	75,000.00
63040 - Administrative Labor	0.00	3,090.00	3,090.00	-3,090.00
63070 - Employee Benefits-401K Contrib	109,000.00	4,045.38	21,115.11	87,884.89
63100 - Insurance-Dental	18,000.00	1,096.82	7,483.08	10,516.92
63110 - Insurance-Health	272,000.00	23,762.30	153,389.79	118,610.21
63115 - Salaries: Insurance - Work Comp	20,000.00	0.00	6,721.00	13,279.00
63125 - Insurance: Life & Disability	21,000.00	745.12	10,544.70	10,455.30
63130 - Mileage	0.00	0.00	367.95	-367.95
63135 - Drug Testing	0.00	0.00	270.00	-270.00
63160 - Payroll Taxes-Medicare	19,860.00	2,032.70	10,634.05	9,225.95
63170 - Payroll Taxes-Social Security	77,440.00	8,691.44	45,469.81	31,970.19
63180 - Payroll Taxes-State Unemployment	0.00	0.00	25.00	-25.00
63200 - Vision Insurance	5,500.00	322.27	2,219.22	3,280.78
64100 - Sewer:DAC Waste Water Flow Charge	35,000.00	3,507.16	25,964.75	9,035.25
64200 - Sewer:Electricity-Sewer	9,000.00	587.18	5,479.71	3,520.29
64300 - Sewer:Lab & Chemicals-Sewer	42,000.00	0.00	2,105.47	39,894.53
65010 - Automobile Repairs & Maint.	40,000.00	1,282.08	15,684.89	24,315.11
65230 - Computer Maintenance	63,000.00	30,322.91	74,647.88	-11,647.88
65240 - Equipment Rental	2,500.00	0.00	1,262.52	1,237.48
65250 - Fuel	60,000.00	5,354.24	39,582.88	20,417.12
65255 - GPS Insights Charges	7,000.00	478.75	3,451.00	3,549.00
65270 - Lab Chemicals-Water	5,000.00	529.64	1,070.04	3,929.96
65275 - SCADA Maintenance Fee	2,000.00	0.00	0.00	2,000.00
65276 - Test Equipment Calibration	2,000.00	0.00	0.00	2,000.00
65277 - Generator Maintenance Contract	3,000.00	0.00	0.00	3,000.00
65278 - Meter Testing/Repair/Replacement	0.00	0.00	320.37	-320.37
65280 - Lab Chemicals-Water:Chemicals	35,000.00	982.65	18,156.89	16,843.11
65300 - Locates	6,000.00	0.00	1,281.38	4,718.62
65310 - Maint. & Repairs-Infrastructure	0.00	23.77	56,166.27	-56,166.27
65320 - Maint. & Repairs-Office	10,000.00	409.41	4,366.72	5,633.28
65330 - Maintenance & Repairs-Other	1,500.00	2,911.49	14,069.47	-12,569.47
65340 - Materials & Supplies	45,000.00	3,032.09	28,471.83	16,528.17
65345 - Non Inventory-Consumables	65,000.00	2,175.24	23,151.44	41,848.56
65350 - Office Supplies	2,500.00	885.51	5,356.46	-2,856.46
65360 - Printing and Copying	20,000.00	3,251.26	24,848.90	-4,848.90
65370 - Tool Furniture	5,000.00	740.49	6,097.07	-1,097.07
65390 - Uniforms-Employee	10,400.00	955.22	9,135.56	1,264.44
65490 - Cell Phone	20,000.00	3,314.60	13,235.69	6,764.31
65500 - Electricity-Lighting	6,000.00	437.35	3,129.98	2,870.02
65510 - Electricity-Offices	15,000.00	937.22	8,727.01	6,272.99
65520 - Electricity-Wells	211,000.00	14,653.65	115,578.72	95,421.28
65530 - Garbage Service	2,500.00	606.30	2,091.70	408.30
65540 - Natural Gas	3,000.00	230.96	986.34	2,013.66
65550 - Security/Alarm	6,700.00	0.00	1,168.20	5,531.80
65560 - Telephone	20,000.00	1,501.95	10,347.02	9,652.98
65561 - Telstar Maintenance Contract	7,000.00	0.00	0.00	7,000.00
65570 - Wastewater	2,000.00	185.32	1,293.04	706.96
66200 - Insurance-General Liability	75,000.00	16,894.00	67,506.63	7,493.37
66700 - Water Conservation Fee	20,000.00	946.29	9,614.65	10,385.35
Expense Total:	3,213,000.00	319,699.38	2,001,870.46	1,211,129.54
Total Surplus (Deficit):	0.00	-118,318.75	171,640.51	-171,640.51

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

LRG-11-02.2 – Mesquite-Brazito Sewer Project – Bohannon Huston, Inc. & File Construction – Construction – 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 – Eighth progress meeting was held on 2/3/20. 8th Contractor's pay applications is in process. First Change Order has been approved. Second one is pending to address additional time needed due to utility conflicts. Contractor has done some road work to address complaints, and is continuing to provide 2-week look-ahead schedules which are posted on the Projects & Planning page at our website.

LRG-17-01 – Mesquite-Brazito Sewer Project 2 – Bohannon Huston, Inc. – Design Stage – USDA-RD LOC \$15,030,780 –18th Request for Funds from RCAC bridge loan has been submitted. BHI has submitted response to USDA comments on final plans & spec. Two easements pending and one real property are pending, Josh is taking care of these. Waiting on DAC comments.

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: We are working with RCAC for a construction loan. 95% Contract Documents have been submitted and are in review at NMED-DWB. Extension of Time has been submitted to NM OSE for the well.

LRG-17-01 – Water Master Plan – WTB #252: Grant Agreement has been signed and sent back to Ms. Goolsby at SCCOG for submittal to CDBG. NM DFA approval for the RFP is still pending.

LRG-17-02 – Central Office Building – Wilson & Co. - DW-4213 \$3,285,619: NMED-CPB comments on contract received, architect will respond.

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: Phase II project is out to bid.

LRG-17-03 –East Mesa Water System Improvements Project – NMFA 3803-PG & 3804-PG, 4915-CIF – Design – DBSA is working on 60% design. We are discussing purchasing a small tract of land next to the 3 Sisters tank site for the project with the property owner.

LRG-18-01 – High Valley Water System Improvements Project – NMFA 4645-CIF18, 4915-CIF – Design & Construction – Souder, Miller & Assoc. – CPB approval of Engineering Services Amendment #4 and final contract documents is still pending. Engineer addressed NMED-CPB comments and resubmitted on 11/12/19, additional comments were received 1/2/20 and addressed on 1/31/20.

LRG-18-01 Ph. II – High Valley Water System Improvements Ph. II Project – NMFA 4916-CIF \$630,384 Grant, \$111,244 Loan – Design & Construction – Souder, Miller & Assoc. – Funding closed 9/27/19, engineering agreement was re-submitted to NMED-CPB on 12/11/19 and is pending approval.

LRG-18-02 – Stern Drive Waterline Extension Project – Design/Build – SMA - \$150,000 SAP – Notice of Award and Notice to Proceed were issued to Highland Enterprises, and the construction is complete, final pay app has been submitted. Engineer provided an estimate of cost to extend the line all the way up to Mesquite Mercantile since they expressed an interest in contributing the necessary funds in excess of what remain in the SAP in order to do that, but it was higher than they willing to invest, so SMA will submit a contract amendment to design the Stern Drive extension all the way to Yucca Road.

LRG-18-03 – Jacquez Waterline Extension Project – Design/Build - \$50,000 SAP – Wilson & Co. – Construction is nearly complete, and we expect to use remaining funds to add about 200’ more pipeline.

LRG-19-09 – S. Valley Service Area Line Extensions - SMA – Authorization to apply to NMED Local Government Planning Fund for PER funding is on today’s agenda.

LRG-20-01 – Mesquite Wetlands Closure – Plan/Design - BHI - \$250,000 SAP: Project kick-off was held on 10/15/19. Engineering contract was approved by NMED-CPB, survey & geotech work have been scheduled.

Other projects:

2020 Legislature: 2020 Legislative Report is located on the Directors Only page and will continue to be updated thru the Pocket Veto Date. Capital Outlay Request for furniture, fixtures, equipment, and construction cost overruns has been submitted thru the Legislature website and by email to our legislators along with Reauthorization Requests to modify the scope of the 2019 Mini-Excavator and Jacquez Road SAP grants. Martin & I were in Santa Fe on the 28th to meet with our legislators, and Patty, Martin, Espy & I attended Colonia’s Day on February 13th. The session ends tomorrow at noon.

Infrastructure Capital Improvements Plan 2021-2025: Complete, submitted, and approved.

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. No bins have been sent out for shredding in the past month.

Website and Email – Notices and Minutes pages are up to date.

Training – Patty attended the Colonia’s Infrastructure Trust Fund training on 1/7/20 in Las Cruces. Patty also attended UMI (Utility Management Institute) Training in San Antonio Feb 4-7, 2020

Lower Rio Grande Water Users Organization – nothing new to report

As Needed Engineering Services - Currently we have two active Task Orders: BHI for Berry Patch Road plan review and construction oversight. Huitt Zollars Task Order for NM DOT permits for 3 new service installations has been issued, and they had to re-submit permit applications because they did not indicate the ROW on the map.

Collection & Lien Procedures - 213 first notifications, 124 certified letters have been sent and 87 liens have been filed to date. 19 liens have been released following payment in full of the account.

Water Audits –The Water Audit team met on 2/11/20 to review policies & procedures and status of data collection. It was decided to do the 2019 audits in-house.

NMED-CPB Infrastructure Development Report for 2019 – This report was added to the Directors web page, and all of our state funded projects are included.

Lower Rio Grande PWWA

Operators Report

February 19 , 2019

System Problems and Repairs.

- Backflow inspections are Current. (Mesquite District)
- For the month of January, we were issued 445 work and service orders.
- For the month of December, we were issued 311 work and service orders.
- For the month of January, we installed 3 new water service connections.
- We did not have any main or service line breaks at Alto De Los Flores.
- We did not have any main or service line breaks at the East Mesa.
- We did not have any main or service line breaks at Talavera MDWCA.
- We were issued two violations from the environment department, one was for a non-sampling Bac-T at Valle del Rio, which we did sample but the name on the form was not complete.
- Our operators have been very busy manually reading water meters where the battery has gone dead.

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

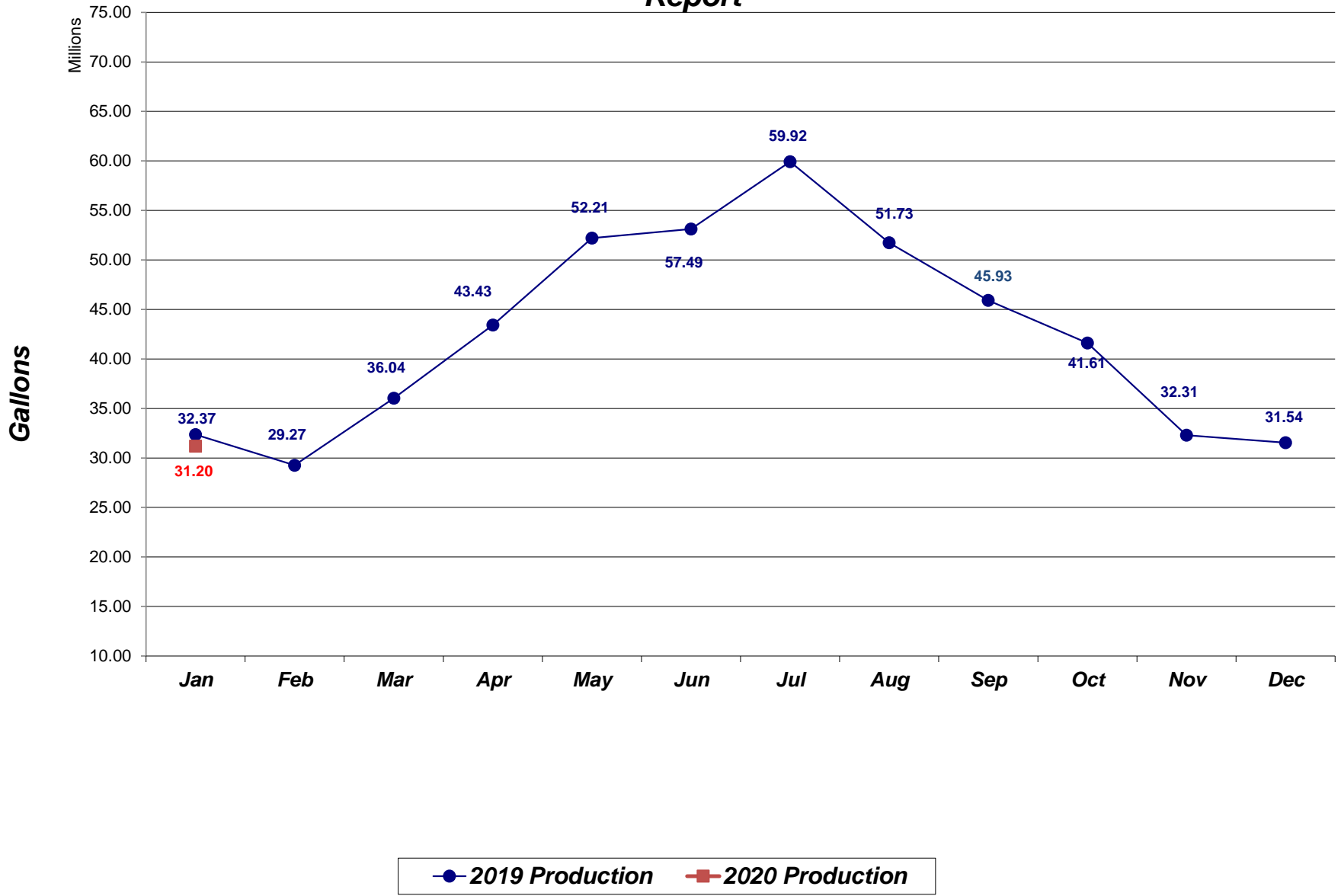
Mesquite district Wetlands: NMED is going to require us to drill 3 monitoring wells as the existing are dry.

Mesquite and Organ Sewer Reports. The Organ and the Mesquite wastewater reports were due and were sent before January 1st.

Chlorine: No problems.

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

Lower Rio Grande PWWA Water Production Report





www.LRGauthority.org

LOWER RIO GRANDE

Public Water Works Authority

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

Resolution #FY2020-15

Approving Disposal of Property

Whereas, the Lower Rio Grande Public Water Works Authority Board of Directors Property Disposal Committee has recommended disposal of property described in the attached Property Disposition Committee minutes: and

Whereas, the LRGPWWA Board of Directors hereby approves the committee recommendation;

Now therefore, be it resolved, the Board of Directors adopts and passes this resolution to approve the Property Disposal Committee recommendation and authorizes the General Manager to carry out the disposal of property described in the committee minutes.

PASSED, APPROVED AND ADOPTED: February 19, 2020

Mike McMullen, Chairman

Seal:

Esperanza Holguin, Secretary



LOWER RIO GRANDE

Public Water Works Authority

Findings of the LRGPWWA Disposition Committee

As per NM Statute 13-6-1, we the undersigned find that the listed vehicles are no longer in usable condition and we wish/plan to sell them by way of negotiated sale.

Vehicle/Equipment	VIN or Serial Number	Mileage or Hours
2003 Ford SRW F-250 truck	Vin# 1FDNF20L53EA86502	179,056

Mike McMullen

February 19, 2020

Date

Furman Smith

February 19, 2020

Date

Joe Evaro

February 19, 2020

Date

State of New Mexico
Lower Rio Grande Public
Water Works Authority

*Basic Financial Statements and
Required Supplementary Information
For the Year Ended June 30, 2019
and Independent Auditor's Report*

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

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JUNE 30, 2019**

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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
Jose Evaro
Henry Magallanez

Chairman
Vice-Chairman
Secretary
Director
Director

ADMINISTRATIVE OFFICIALS

Martin Lopez
Kathi Jackson

General Manager
Finance Manager

WATTS CPA, P.C.

INDEPENDENT AUDITOR'S REPORT

To Brian S. Colon, New Mexico State Auditor and
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, 2019, 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, 2019, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2019, 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, 2019 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 18, 2019 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 18, 2019

BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF NET POSITION
JUNE 30, 2019**

ASSETS:

Current Assets

Cash and cash equivalents	\$ 422,143
Accounts receivable	695,647
Grant receivables	422,758
Inventory	60,203
Prepaid expenses	11,556

Total current assets 1,612,307

Noncurrent assets

Restricted cash	
Customer deposits	112,779
Construction account	686,176
Loan reserve	77,968

Capital assets, net of accumulated depreciation 62,201,568

Total noncurrent assets 63,078,491

Total assets \$ 64,690,798

LIABILITIES:

Current Liabilities:

Accounts payable vendors	\$ 102,129
Accounts payable construction	338,197
Gross receipts tax payable	10,384
Accrued payroll	142,437
Accrued interest expense	18,134
Customer meter deposits	112,779
Accrued compensated absences	73,654
Current maturities of notes payable	224,901

Total current liabilities 1,022,615

Noncurrent Liabilities:

Notes payable 7,142,687

Total liabilities 8,165,302

NET POSITION:

Net investment in capital assets	54,833,980
Restricted for debt service	77,968
Restricted for capital projects	686,176
Unrestricted	927,372

Total net position 56,525,496

Total liabilities and net position \$ 64,690,798

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, 2019**

Operating Revenues:	
Charges for services	\$ 3,218,656
Other revenues	94,553
	<hr/>
Total operating revenues	3,313,209
Operating Expenses:	
Salaries and wages	3,348,481
Employee benefits	442,588
Materials, supplies, tools and chemicals	170,650
Office expenses	339,827
Miscellaneous	9,022
Bank charges	71,154
Insurance	68,714
Maintenance and repairs	257,577
Professional fees	24,186
Travel and entertainment	11,798
Depreciation	1,693,358
Utilities	227,615
	<hr/>
Total operating expenses	6,664,970
Operating loss	<hr/> (3,351,761)
Non-Operating Revenues (Expenses):	
Grant revenue	2,150,096
Interest income	503
Rental income	25,593
Other income	122,215
Interest expense	(194,698)
	<hr/>
Total non-operating revenues	2,103,709
Loss before capital contributions	<hr/> (1,248,052)
Capital Contributions:	
Grant revenues:	
State	363,340
Federal	311,366
	<hr/>
Total capital contributions	674,706
Change in net position	(573,346)
Net position - beginning of year, prior to merger	56,898,181
Merger of High Valley MDWCA	200,661
	<hr/>
Net position - beginning of year, after merger	57,098,842
Net position - end of year	<hr/> <u>\$ 56,525,496</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, 2019**

Cash Flows From Operating Activities:	
Cash received from customers	\$ 3,403,608
Cash payments to employees for services	(3,267,933)
Cash payments to vendors for goods and services	<u>(1,595,284)</u>
Net cash used in operating activities	<u>(1,459,609)</u>
Cash Flows From Capital and Related Financing Activities:	
Purchase and construction of capital assets	(2,643,510)
Payments on notes payable	(3,426,294)
Payments for interest on notes payable	(194,698)
Proceeds from capital grants	2,765,431
Proceeds from capital loans	<u>5,387,133</u>
Net cash used in capital and related financing activities	<u>1,888,062</u>
Cash Flows From Investing Activities	
Interest received	<u>503</u>
Net cash provided by investing activities	<u>503</u>
Cash Flows From Noncapital Financing Activities:	
Miscellaneous income	<u>147,808</u>
Net cash provided by noncapital financing activities	<u>147,808</u>
Net increase in cash and cash equivalents	576,764
Cash and cash equivalents, beginning of year	<u>722,302</u>
Cash and cash equivalents, end of year	<u>\$ 1,299,066</u>
CASH ENDING:	
Cash	\$ 422,143
Restricted cash	<u>876,923</u>
Total cash reported in statement of net position	<u>\$ 1,299,066</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (3,351,761)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,693,358
Change in:	
Accounts receivable	97,831
Inventory	(9,923)
Prepaid expenses and insurance	1,867
Accounts payable and accrued liabilities	106,528
Meter deposits	<u>2,491</u>
Total adjustments	<u>1,892,152</u>
Net cash used in operating activities	<u>\$ (1,459,609)</u>
Noncash transactions:	
Merger of High Valley MDWCA	<u>\$ 200,661</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, 2019**

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 2019 the High Valley MDWCA was merged into 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 \$686,176. The Authority also has restricted cash in the amount of \$112,779 that has been classified as restricted for customer deposits and \$77,968 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, 2019, the Authority implemented the following new accounting pronouncements which did not have a material effect on the Authority's financial statements:

- *GASB Statement No. 83, Certain Asset Retirement Obligations*
- *GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

The following pronouncements have been issued, but are not yet effective for the year ended June 30, 2019.

- *GASB Statement No. 84, Fiduciary Activities*
- *GASB Statement No. 87, Leases*
- *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)*
- *GASB Statement No. 91, Conduit Debt Obligations*

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, 2019.

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, 2019, \$1,112,564 of the Authority's bank balance of \$1,362,564 was exposed to custodial credit risk. However, all of the \$1,112,564 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, 2019. Bank accounts were collateralized as follows:

Total deposits in bank	\$ 1,362,564
Less FDIC coverage	<u>(250,000)</u>
Uninsured public funds	1,112,564
Pledged Collateral held by the pledging bank's trust department or agent in the Authority's name	<u>2,305,952</u>
Uninsured and uncollateralized	<u>\$ -</u>

As of June 30, 2019, the Authority's bank balances were exposed to custodial credit risk. The amount above identified as uninsured of \$1,112,564 is subject to custodial credit risk. This 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 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	\$ 233,503
Reserve	Demand	686,176
Debt Service	Demand	360,426
Brazito Sewer	Demand	795
Brazito Sewer #2	Demand	958
NM HIDTA	Demand	78,936
South Valley Water	Demand	<u>1,770</u>
Total amounts of deposits		1,362,564
FDIC Coverage		<u>250,000</u>
Total uninsured public funds		1,112,564
Pledged collateral held by the pledging bank's trust department or agent in the Authority's name		<u>2,305,952</u>
Uninsured and uncollateralized		<u>\$ -</u>
50% pledged collateral requirement		\$ 556,282
Total pledged collateral		<u>2,305,952</u>
Pledged collateral exceeding the requirements		<u>\$ 1,749,670</u>

A description of the pledged collateral as of June 30, 2019 is as follows:

Description	CUSIP#	Maturity	Market Value
Citizen's Bank:			
FFCB	N/A	03/22/27	\$ 1,528,643
FHLB	N/A	03/08/2024	<u>777,309</u>
Total Citizen's Bank			<u>\$ 2,305,952</u>

The bank account reconciliations as of June 30, 2019 are as follows:

Account	Account Type	Balance per Bank	Deposits in Transit	Outstanding Checks	Reconciled Balance
Operating	Demand	\$ 233,503	\$ 20,205	\$ 79,720	\$ 173,988
Reserve	Demand	686,176	-	-	686,176
Debt Service	Demand	360,426	-	-	360,426
Brazito Sewer Project	Demand	795	-	4,764	(3,969)
Brazito Sewer Project #2	Demand	958	-	-	958
NM HIDTA	Demand	78,936	-	78,109	827
South Valley Water	Demand	<u>1,770</u>	<u>-</u>	<u>-</u>	<u>1,770</u>
Total amounts of deposits		<u>\$ 1,362,564</u>	<u>\$ 20,205</u>	<u>\$ 162,593</u>	1,220,176
Cash held by RCAC - Loan reserve					35,326
Cash held by NMFA - Loan reserve					42,642
Petty cash & returned items					<u>922</u>
Total cash					<u>\$ 1,299,066</u>
Total as Reported in the Financial Statements: Statement of Net Position:					
Cash and cash equivalent					\$ 422,143
Restricted cash					<u>876,923</u>
Total cash per financial statements					<u>\$ 1,299,066</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 \$695,647.

5. CAPITAL ASSETS

The following is a summary of capital assets and changes occurring during the year ended June 30, 2019. 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	\$ 16,269	\$ 282,879	\$ -	\$ 1,036,024
Water rights	17,353,252	-	291,778	-	17,645,030
Construction in progress	<u>2,720,252</u>	<u>(1,714,887)</u>	<u>1,900,631</u>	<u>-</u>	<u>2,905,996</u>
Total capital assets, not being depreciated	<u>20,810,380</u>	<u>(1,698,618)</u>	<u>2,475,288</u>	<u>-</u>	<u>21,587,050</u>
Business-type capital assets, being depreciated					
Buildings and improvements	2,289,574	50,500	-	-	2,340,074
Land improvements	325,631	-	20,758	-	346,389
Water and sewer plant/system	51,785,434	1,954,543	151,958	-	53,891,935
Furniture, fixtures, and equipment	506,346	-	-	-	506,346
Transportation equipment	<u>1,002,451</u>	<u>-</u>	<u>133,118</u>	<u>-</u>	<u>1,135,569</u>
Total business-type capital assets, being depreciated	<u>55,909,436</u>	<u>2,005,043</u>	<u>305,834</u>	<u>-</u>	<u>58,220,313</u>
Less accumulated depreciation for:					
Buildings and improvements	662,099	243,376	1,693,358	-	2,598,833
Land improvements	134,634	-	-	-	134,634
Water and sewer plant/system	14,073,534	-	-	-	14,073,534
Furniture, fixtures, and equipment	166,151	-	-	-	166,151
Transportation equipment	<u>632,643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>632,643</u>
Total accumulated depreciation	<u>15,669,061</u>	<u>243,376</u>	<u>1,693,358</u>	<u>-</u>	<u>17,605,795</u>
Total capital assets being depreciated, net	<u>40,240,375</u>	<u>1,761,667</u>	<u>(1,387,524)</u>	<u>-</u>	<u>40,614,518</u>
Business-type capital assets, net	<u>\$61,050,755</u>	<u>\$ 63,049</u>	<u>\$ 1,087,764</u>	<u>\$ -</u>	<u>\$62,201,568</u>

Depreciation expense for the year ended June 30, 2019 totaled \$1,693,358.

6. LONG TERM OBLIGATIONS

During the year ended June 30, 2019, 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)	\$ 1,568,984	\$ 268,567	\$ 110,468	\$ 1,727,083	\$ 130,933
United States Department of Agriculture Loans (USDA)	3,837,767	357,000	37,546	4,157,221	72,824
New Mexico Environmental Department (NMED)	-	523,598	-	523,598	21,144
Rural Community Assistance Corporation (RCAC)	-	959,686	-	959,686	-
	<u>-</u>	<u>959,686</u>	<u>-</u>	<u>959,686</u>	<u>-</u>
Total notes payable	<u>\$ 5,406,751</u>	<u>\$ 2,108,851</u>	<u>\$ 148,014</u>	<u>\$ 7,367,588</u>	<u>\$ 224,901</u>

NMFA Loans: The Authority has entered into ten 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.	\$ 633,439
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.	286,632
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.	112,562

NMFA DW-4796: On February 22, 2019, the Authority executed a loan agreement with the New Mexico Finance Authority in the amount of \$1,729,692 (however only \$8,409 has been drawn down to date). The proceeds were used for the design and construction of Valle Del Rio Phase 2. The loan matures May 1, 2041. The blended interest rate over the term of the loan is 0.250%. Principal payments are paid annually. 8,409

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. 116,915

NMFA DW-4213: On October 26, 2018, the Authority executed a loan agreement with the New Mexico Finance Authority in the amount of \$3,285,288 compose of \$600,000 disadvantage component loan and \$2,685,288 market component (however only \$35,207 has been drawn down to date). The proceeds were used for the admin building project. The disadvantaged component with a .25% interest and matures on May 1, 2040 and a market component with a 2.00% interest and matures on May 2050. Principal payments are paid annually. 35,207

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. 80,326

NMFA CIF-4645: On October 26, 2018, the Authority executed a loan agreement with the New Mexico Finance Authority in the amount of \$29,172 (however only \$973 has been drawn down to date). The proceeds were used for the High Valley water improvements. The loan matures on June 1, 2040. There is no interest rate for this loan. Principal payments are paid annually. 973

NMFA CIF-3354: The loan was assumed by the Authority when High Valley was merged. The proceeds were used for water system improvements. The loan matures on August 2019. There is no interest rate for this loan. Principal payments are paid annually. 5,000

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 (on February 23, 2018 a loan amendment for \$150,000 was added to the loan for a total of \$450,927) however only \$447,620 has been drawn down to date. The proceeds were used for the purchase of the Valle Del Rio water system. The loan matures on May 1, 2038. The blended interest rate over the term of the loan is 0.250%. Principal payments are paid annually. 447,620

USDA Loans: The Authority has entered into nine 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.	\$ 2,133,131
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.	422,390
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.	621,589
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.	90,901
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.	191,339
USDA 91-15: On July 23, 2018, the Authority executed a promissory note with the United States Department of Agriculture in the amount of \$357,000. The proceeds were used for the sewer project improvements. The note matures on July 1, 2059 and accrues an interest rate of 3.25% per annum. Installments are paid monthly.	357,000
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.	153,319
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.	187,552

NMED Loans: The Authority has entered into one loan agreements with the New Mexico Environmental Department, wherein the Authority has pledged revenue derived from operations to cover debt service. This revenue is not subject to intercept agreements. The NMED loan is as follows:

NMED RIP00024: On September 27, 2018, the Authority executed a promissory note with the New Mexico Environment Department in the amount of \$533,379. The proceeds were used for purchase of land and water rights. The note matures on September 27, 2038 and accrues an interest rate of 2.375% per annum. Installments are paid yearly. 523,598

RCAC Loans: The Authority has entered into ten loan agreements with Rural Community Assistance Corporation, a non for profit corporation, wherein the Authority has pledged revenue derived from operations to cover debt service. This revenue is not subject to intercept agreements. The RCAC loan is follows:

0925-LRWA-022: On August 21, 2018, the Authority executed a promissory note with Rural Community Assistance Corporation in the amount of \$1,427,273. The proceeds were used for the sewer system project improvements. All principal and all accrued and unpaid interest is due and payable not later than (1) the close of Borrower's grant and loan for construction of water system improvements from the United States Department of Agriculture Rural Development, or (2) September 1, 2020 maturity date, whichever is earlier. The accrues an interest rate of 5% per annum. Installments are paid monthly. 959,686

Total debt	7,367,588
Less current portion of long-term debt	224,901
Total long-term debt	\$ 7,142,687

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

Years Ending	Interest	Principal
June 30, 2020	183,838	224,901
June 30, 2021	225,499	1,141,278
June 30, 2022	173,640	184,394
June 30, 2023	169,607	188,322
June 30, 2024	165,416	192,404
June 30, 2025 - 2029	758,036	1,029,215
June 30, 2030 - 2034	624,468	1,104,365
June 30, 2035 - 2039	462,400	1,083,793
June 30, 2040 - 2044	327,790	741,343
June 30, 2045 - 2049	171,260	771,259
June 30, 2050 - 2054	51,505	632,754
June 30, 2055 - 2059	6,238	73,560
Total	\$ 3,319,697	\$ 7,367,588

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, 2019 employees had balances of 1,602 sick leave hours with a value of \$24,271 and 3,541 vacation hours with a value of \$49,382. Upon termination, all accumulated vacation 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>\$ 163,781</u>	<u>\$ 163,781</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, 2019 was \$87,801.

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, 2019, the Authority contributed \$98,041.

11. SUBSEQUENT REVIEW

Lower Rio Grande Public Water Works Authority has evaluated subsequent events through November 18, 2019, which is the date the financial statements were available to be issued.

12. MERGER OF HIGH VALLEY MDWCA

On March 22, 2018, the High Valley MDWCA and the Authority entered into a plan of merger so that the members of High Valley MDWCA will have sustainable and reliable water, supplies, be able to leverage state and federal funding for required improvement and emergency projects and to protect the health and safety of its members. The merger became effective July 1, 2018. The merger consisted of the following amounts:

Assets:	
Capital assets, net	<u>\$ 207,049</u>
Liabilities:	
Current liabilities	<u>\$ 6,388</u>
Net Position:	
Investment in capital assets	<u>\$ 200,661</u>

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, 2019**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Favorable (Unfavorable)
RECEIPTS:				
Operating revenues:				
Charges for services	\$ 2,864,600	\$ 2,967,100	\$ 3,218,656	\$ 251,556
Other revenues	255,400	600,047	94,553	(505,494)
Non-operating revenues				
Other revenue	-	-	147,808	147,808
Interest income	600	445	503	58
Grants and loans	-	-	2,824,802	2,824,802
	<u>3,120,600</u>	<u>3,567,592</u>	<u>6,286,322</u>	<u>2,718,730</u>
Total receipts				
DISBURSEMENTS:				
Operating expenses:				
Accounting & administration	124,300	128,900	116,360	12,540
Salaries & benefits	1,638,000	1,934,450	1,706,630	227,820
Sewer system	99,000	90,100	60,037	30,063
Materials & supplies	512,700	697,892	651,050	46,842
Utilities	326,500	306,200	271,767	34,433
Taxes & insurance	104,500	64,350	83,811	(19,461)
Non-operating disbursements				
Debt payments - principal	148,000	149,000	148,014	986
Debt payments - interest	167,000	196,100	194,698	1,402
	<u>3,120,000</u>	<u>3,566,992</u>	<u>3,232,367</u>	<u>334,625</u>
Total disbursements				
Excess receipts over (under) disbursements	<u>600</u>	<u>600</u>	<u>3,053,955</u>	<u>3,053,955</u>
Beginning unrestricted cash			<u>8,030,230</u>	
Ending unrestricted cash			<u>\$ 11,084,185</u>	
Reconciliation of budgetary basis to GAAP basis:				
Net excess receipts over (under) disbursements budgetary basis			\$ 3,053,955	
Depreciation			(1,693,358)	
HIDTA program			(2,081,957)	
Principal payments on debt			148,014	
Change in net position GAAP basis			<u>\$ (573,346)</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, 2019**

	Water	Sewer	HIDTA	Total
Operating Revenues:				
Charges for services	\$ 2,979,801	\$ 238,855	\$ -	\$ 3,218,656
Other revenues	94,744	(191)	-	94,553
Total operating revenues	<u>3,074,545</u>	<u>238,664</u>	<u>-</u>	<u>3,313,209</u>
Operating Expenses:				
Salaries and wages	1,236,523	30,000	2,081,958	3,348,481
Employee benefits	436,888	5,700	-	442,588
Materials, supplies, tools and chemicals	150,878	19,772	-	170,650
Office expenses	274,690	65,137	-	339,827
Miscellaneous	8,120	902	-	9,022
Bank charges	16,697	54,457	-	71,154
Insurance	61,843	6,871	-	68,714
Maintenance and repairs	233,471	24,106	-	257,577
Professional fees	21,767	2,419	-	24,186
Travel and entertainment	10,682	1,116	-	11,798
Depreciation	1,378,860	314,498	-	1,693,358
Utilities	216,803	10,812	-	227,615
Total operating expenses	<u>4,047,222</u>	<u>535,790</u>	<u>2,081,958</u>	<u>6,664,970</u>
Operating loss	<u>(972,677)</u>	<u>(297,126)</u>	<u>(2,081,958)</u>	<u>(3,351,761)</u>
Non-Operating Revenues (Expenses):				
Grant revenue	-	-	2,150,096	2,150,096
Interest income	503	-	-	503
Rental income	25,593	-	-	25,593
Other income	122,215	-	-	122,215
Interest expense	(176,256)	(18,442)	-	(194,698)
Total non-operating revenues (expenses)	<u>(27,945)</u>	<u>(18,442)</u>	<u>2,150,096</u>	<u>2,103,709</u>
Loss before capital contributions	<u>(1,000,622)</u>	<u>(315,568)</u>	<u>68,138</u>	<u>(1,248,052)</u>
Capital Contributions:				
Grant revenues:				
State	363,340	-	-	363,340
Federal	311,366	-	-	311,366
Total capital contributions	<u>674,706</u>	<u>-</u>	<u>-</u>	<u>674,706</u>
Change in net position	(325,916)	(315,568)	68,138	(573,346)
Net position - beginning of year	<u>57,734,287</u>	<u>(635,223)</u>	<u>(222)</u>	<u>57,098,842</u>
Net position - end of year	<u>\$ 57,408,371</u>	<u>\$ (950,791)</u>	<u>\$ 67,916</u>	<u>\$ 56,525,496</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***

To Brian S. Colon, New Mexico State Auditor and
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, 2019, 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 18, 2019.

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 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 18, 2019

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

To Brian S. Colon, New Mexico State Auditor and
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, 2019. 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, 2019.

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 18, 2019

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

<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	\$ 576,240	\$ -	\$ -
Total U.S Environmental Protection Agency		<u>\$ 576,240</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	\$ 2,081,957	\$ -	\$ -
Total Executive Office of the President		<u>\$ 2,081,957</u>	<u>\$ -</u>	<u>\$ -</u>
U.S. Department of Agriculture				
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 37,000	\$ -	\$ -
Water and Waste Disposal Loans and Grants	10.770	396,522	-	-
Total U.S. Department of Agriculture		<u>\$ 433,522</u>	<u>\$ -</u>	<u>\$ -</u>
Total Federal Financial Assistance		<u>\$ 3,091,719</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**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the Lower Rio Grande Public Water Works Authority under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

Note 2 Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. 10% de minimus Indirect Cost Rate

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

Note 4. Federally Funded Insurance

The Authority has no federally funded insurance.

Note 5. Federal Loan Balances

The Authority has a federal loan balance of \$357,000 under CFDA #10.770 Water and Waste Disposal Loans and Grants program.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

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:

CFDA Number	Federal Program
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? | Yes |

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

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, 2019**

An exit conference was conducted on November 18, 2019 with the following individuals in attendance:

Lower Rio Grande Public Water Works Authority

Mike McMullen
Martin Lopez
Kathi Jackson
John Schroder

Board Chairman
General Manager
Finance Manager
Accounting Assistant

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.