



Date: February 17, 2021

Time: 9:30 a.m.

Places: Online Zoom meeting

Event: Regular Board Meeting

Name	Company Name	Contact Information Phone Number	Email Address
Karen Nichols	LRG- Projects Manager	575-233-5742 Ext1018	
Furman Smith	LRG- Board Vice Chair	575-382-5982	
Patricia Charles	LRG- Projects Specialist	575-233-5742 Ext1021	
Esperanza Holguin	LRG- Board Chair	575-644-9543	
Paul Smith	LRG- Board Director	505-710-4671	
John Schroder	LRG- Accounting Assistant	575-233-5742 Ext1006	
Martin Lopez	LRG- General Manager	575-233-5742 Ext1004	
Mike Lopez	LRG- Operations Manager	575-233-5742 Ext1011	
Kathi Jackson	LRG - Finance Manager	575-233-5742 Ext1005	
Henry Magallanez	LRG- Board Director	575-525-9683	
Joe Evaro	LRG-Board Director	575-618-0182	
Tyler Hopkins	Bohannon Huston	575-532-2670	
Lilla Reid	Souder Miller & Associates	575-647-0799	



Date: February 17, 2021

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Name	Company Name	Contact Information Phone Number	Email Address
Marty Howell	Souder, Miller & Associates	575-647-0799	
Brad Watts	Watts CPA, PC	915-799-0994	
Karl Pennock	RCAC	575-932-8222	
Josh Smith	LRG Attorney	575-528-0500	

LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY

Draft Minutes —REGULAR BOARD OF DIRECTORS MEETING

9:30 a.m. Wednesday, February 17, 2021 via Online Zoom Meeting

Contact us at 575-233-5742 or board@LRGauthority.org for information, assistance, or to subscribe to email board meeting reminders. Email the board address or dial extension 1021 or 1018 and leave a message if requesting phone or log-in information for online meetings. Agendas are final 72 hours prior to the meeting and may be obtained at any LRGPWWA Office or at www.LRGauthority.org/noticesavisos.html

- I. **Call to Order, Roll Call to Establish Quorum:** Vice Chair Mr. F Smith called the meeting to order at 9:35 a.m., Mr. P. Smith representing District #1 was present, District #2 is Vacant, Mr. Evaro representing District #3 was present, Mrs. Holguin representing District #4 was absent (she came in to the meeting at 9:54 a.m.), Mr. Magallanez representing District # 5 was present, District #6 is Vacant, Mr. F. Smith representing District #7 was present. Staff members present General Manager Martin Lopez, Projects Manager Karen Nichols, Projects Specialist Patricia Charles, Finance Manager Kathi Jackson, Accounting Assistant John Schroder, Operations Manager Mike Lopez, Attorney Josh Smith. Guests present Tyler Hopkins from Bohannon Huston, Lilla Reid & Marty Howell from Souder, Miller & Associates, Brad Watts from Watts CPA and Karl Pennock from RCAC.
- II. **Pledge of Allegiance – postponed due to online meeting**
- III. **Motion to approve Agenda – IXA. Audit** moved up to follow Brad Watts Audit Presentation
IXC. Authorize Rate Adjustment public meeting moved up to follow Karl Pennock’s RCAC Rate Study Presentation
Mr. Evaro made the motion to approve the Agenda, Mr. P. Smith seconded the motion the motion passed with all in favor.
- IV. **Approval of Minutes:**
 - A. **Motion to approve the minutes of the January 20, 2021 Regular Board Meeting:** Mr. P. Smith made the motion to approve the minutes for January 20, 2021 Regular Board Meeting. Mr. Evaro seconded the motion, the motion passed with all in favor.
- V. **Presentations:**
 - A. **Brad Watts, Audit Presentation:** Mr. Watts said on page 2 is the Unqualified opinion, which is the best opinion to receive. On page 5 is the Statement of Net Position there was an increase in the Capital assets from last year due to the Brazito Sewer Project and new equipment purchases. There was an increase in Current maturities of notes payable due to the RCAC loan which is due in 12 months. Notes payable had a decrease. There was an increase in Net investment in capital assets. There was an increase in Unrestricted assets, which is good because that money can be used for any company purpose. Expenditures stayed relatively the same as last year. On page 26 is the Independent auditors report, which lists any findings or issues. The current year findings were – none and the status of prior year findings were -none. The single audit report on Compliance was conducted on the Capital Contributions Federal (USDA) Grant money. There were no deficiencies identified in internal controls over compliance.
 - B. **Karl Pennock, RCAC Rate Study:** Ms. Nichols said Karl is with RCAC (Rural Community Assistance Corporation). He has been working with our staff on a rate study for LRGPWWA.

This is an update on his finding so far, LRGPWVA is growing at a rate of .5% annually and there are continuing infrastructure needs identified. Water system needs additional funding for new projects. Last rate increase was in 2014 phased in over 3 years. The current residential rates are the lowest in the area. Sewer system is growing with the addition of new connections and rates are considerably lower than other systems as well. His recommendation so far is to implement a 3% annual adjustment. Additional revenue needed to maintain operation and pay for needed infrastructure.

VI. Public Input

A. General Matters: 15 minutes are allotted for this item, 3 minutes per person

1. **Eric Castillo:** Mr. Castillo did not join the meeting to give public input, we had one other person who was interested in giving public input as well, but did not join the meeting.

VII. Managers' Reports:

A. General Manager: Mr. Lopez provided a written report and stood for questions. He met with DAC Staff to discuss a sewer billing agreement. This agreement will be on the March 2021 Agenda for both LRGPWVA Board and DAC BOCC Board. The target start date is July 1st billing. State Land Office easement W-37 (East Mesa well) is being renewed. Had a discussion with the Developer of a Proposed Commercial and Residential Project in East Mesa area, about possibly provided sewer service. We are considering the installation of Dash Camera for some of the fleet. We are providing our customers with information regarding the County's Emergency Rent & Utilities Assistance Program. We have a new payment method, payment by text via customer's cell phone. An intruder was caught at the East Mesa, Butterfield Park tank site by the Sheriff on February 11th, 2021. Our offices were closed on February 15, 2021 for President's Day. Mr. Evaro asked why we need dash cameras and do we need them in all vehicles. Mr. Lopez said they could help in case of accidents and could provide a reduction in insurance costs. The vehicles that would get dash cameras would be some of the Operations vehicles. Mr. P. Smith asked what the cost estimate was for the cameras. Ms. Jackson said the estimated cost per vehicle would be \$325.00 for camera purchase and \$35.00 per month each with a commitment of 2-3 years. Ms. Jackson said it is estimated that dash cameras would improve driving behaviors by 80%. Mr. Magallanez asked how many vehicles would be equipped with the cameras. Mr. Lopez said 8-10 vehicles would be equipped with cameras. Mrs. Holguin asked for an estimate of any insurance decreases. Mrs. Holguin would like a copy of the sewer billing agreement with DAC, before the next meeting. She would like the board members to have plenty of time to review it. Mr. Lopez said he would email a copy to the board members today. Ms. Jackson said LRGPWVA would be receiving 3% of the revenue from DAC for the sewer billing it will be another income source.

B. Finance: Ms. Jackson provided a written report and stood for questions. Mrs. Holguin congratulated the Finance Department for having no findings in the 2020 Audit. Ms. Jackson said Revenues were \$247,968.81 and expenses were \$318,870.03. Expenses were higher because we purchased a second mini excavator, LRGPWVA will be reimbursed for it by the State.

C. Projects: Ms. Nichols provided a written report and stood for questions. Mesquite Brazito Sewer Project 1 -final draw on funding has been submitted, project is complete. Project 2, is ready to bid

when we get the approval. South Valley Water Supply/Treatment Project- closing instructions have been requested from RD's Office of General Counsel (OGC). Water Master Plan is progressing nicely, Central Office Building – will be out to bid this Sunday, zoning issue was cleared up. Valle Del Rio- final change order is for 3 phase power and upgraded booster, pump skid and generator. East Mesa Water System Project- Design is complete, project interest form was submitted. Will begin the NMFA application process for Phase II design. High Valley Project 1 is complete, have revised final plans & Bid docs for phase II. Have a funding application nearly completed for phase III for new well building and booster skid. Colonia's application for phase III funding is about ready to submit. Mesquite Wetlands Closure dirt work is nearly complete, have a walk thru meeting this afternoon. Money left over will be used on fencing. Legislature reporting on bills have not been timely on the legislative website and parts of the Bill tracker are not being updated.

- D. Operations:** Mr. Lopez provided a written report and stood for questions. Mr. Lopez said there were many leaks due to the freezing temperatures. Mrs. Holguin wanted to congratulate Mike for his staff. She received a call at 6:30 this morning about a leak and within 10 minutes someone was out checking on it. Mr. Magallanez would like to see a water production report to show 5-7 years to show the increased and decreased in the long term. Mr. Lopez said he would have report ready for next board meeting.

VIII. Unfinished Business

- A. Appointment of Directors for Districts 2 & 6:** Postponed

IX. New Business

- A. Motion to approve LRGPWVA FY2020 Audit:** Mrs. Holguin congratulated staff for an outstanding Audit report. Mr. P. Smith made the motion to approve the FY2020 Audit. Mr. Evaro seconded the motion, the motion passed with all in favor.
- B. Motion to approve and adopt proposed amendment to Member-Customer Policies:** Mr. Lopez said he is requesting the change to give the Owner/Landlord authority to close or deactivate the renters account if and when the renters account becomes delinquent 90 days from bill date. The Owner/Landlord is ultimately responsible for any delinquent balance left on the renter's account. Mr. Magallanez made the motion to approve and adopt proposed amendment to Member-Customer Policies. Mr. Evaro seconded the motion, the motion passed with all in favor.
- C. Motion to authorize a public meeting for the proposed rate adjustment:** Mr. Lopez asked the board to authorize a public meeting on March 9th at 6:00 p.m. for the proposed rate adjustment. At this time Vice Chair Mr. F. Smith requested that Mrs. Holguin chair the rest of the meeting he was having audio difficulties, she agreed. Mr. F. Smith made the motion to authorize a public meeting for the proposed rate adjustment. Mr. Magallanez seconded the motion, the motion passed with all in favor.
- D. Motion to convene in closed session pursuant to NMSA 1978 10-15-1 H.7- threatened or pending litigation:** Mr. Magallanez made the motion to convene to closed session. Mr. P. Smith seconded the motion, the motion passed with all in favor.

- i. **Roll Call Vote:** District #1 (Mr. P. Smith) yes, #2 (Vacant) _____, #3 (Mr. Evaro) yes, #4 (Mrs. Holguin) yes, #5 (Mr. Magallanez) yes, #6 (Vacant) _____, #7 (Mr. F. Smith) yes
- ii. **Motion to reconvene in open session:** Mr. Magallanez made the motion to reconvene in open session. Mr. Evaro seconded the motion, the motion passed with all in favor.
- iii. **Statement by the Chair:** *The matters discussed in the closed meeting were limited only to those specified in the motion for closure.* Mrs. Holguin stated that the matters discussed in the closed meeting were limited only to those specified in the motion for closure.
- iv. **Motion, if any related to closed session matters:** Mr. Magallanez made the motion to authorize counsel and staff to contact other interested parties regarding possible declaratory judgment action concerning local zoning and planning authorities and to research and plan for litigation of the issue. Mr. Evaro seconded the motion, the motion passed with all in favor.

X. Other discussion and agenda items for next meeting at 9:30 a.m. Wednesday, March 17, 2021 at the East Mesa Office.

- A. **Have any Board Members participated in training? If so, please give us a copy of your certificate –** none provided
- B. **Reminder to Board Members whose terms are expiring this year, the elections will be November 2021.** A time line will be provided to board members at next board meeting.
- C. Motion to approve Alto De Las Flores O & M Contract
- D. Motion to approve DAC Sewer Billing Agreement

XI. Motion to Adjourn: Mr. F. Smith made the motion to adjourn the board meeting at 11:31 a.m. Mr. Evaro seconded the motion, the motion passed with all in favor.

These minutes will be presented to the board for approval on the 17th Day of March, 2021 at a regular meeting of the Board of Directors:

SEAL:

Esperanza Holguin, Board Chair

Attest:

Joe Evaro, Secretary

LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY

Meeting Notice & Agenda—REGULAR BOARD OF DIRECTORS MEETING

9:30 a.m. Wednesday, February 17, 2021 via Online Zoom Meeting

Contact us at 575-233-5742 or board@LRGauthority.org for information, assistance, or to subscribe to email board meeting reminders. Email the board address or dial extension 1021 or 1018 and leave a message if requesting phone or log-in information for online meetings. Agendas are final 72 hours prior to the meeting and may be obtained at any LRGPWWA Office or at www.LRGauthority.org/noticesavisos.html

- I. Call to Order, Roll Call to Establish Quorum: District #1 (Mr. P. Smith) __, #2 (Vacant) __, #3 (Mr. Evaro) __, #4 (Mrs. Holguin) __, # 5 (Mr. Magallanez) __, #6 (Vacant) __, #7 (Mr. F. Smith) __
- II. Pledge of Allegiance – postponed due to online meeting
- III. Motion to approve Agenda – **IXA. Audit** moved up to follow Brad Watts Audit Presentation
IXC. Authorize Rate Adjustment public meeting moved up to follow Karl Pennock’s RCAC Rate Study Presentation
- IV. Approval of Minutes
 - A. Motion to approve the minutes of the January 20, 2021 Regular Board Meeting
- V. Presentations: A. Brad Watts, Audit Presentation
B. Karl Pennock, RCAC Rate Study
- VI. Public Input
 - A. General Matters: 15 minutes are allotted for this item, 3 minutes per person
 1. Eric Castillo
- VII. Managers’ Reports
 - A. General Manager
 - B. Finance
 - C. Projects
 - D. Operations
- VIII. Unfinished Business
 - A. Appointment of Directors for Districts 2 & 6 - Postponed
- IX. New Business
 - A. Motion to approve LRGPWWA FY2020 Audit
 - B. Motion to approve and adopt proposed amendment to Member-Customer Policies
 - C. Motion to authorize a public meeting for proposed rate adjustment

- D. Motion to convene in closed session pursuant to NMSA 1978 10-15-1 H.7- threatened or pending litigation
- i. Roll Call Vote: District #1 (Mr. P. Smith) ____, #2 (Vacant) ____, #3 (Mr. Evaro) ____, #4 (Mrs. Holguin) ____, #5 (Mr. Magallanez) ____, #6 (Vacant) ____, #7 (Mr. F. Smith) ____
 - ii. Motion to reconvene in open session.
 - iii. Statement by the Chair: ***The matters discussed in the closed meeting were limited only to those specified in the motion for closure.***
 - iv. Motion, if any related to closed session matters.
- X. Other discussion and agenda items for next meeting at 9:30 a.m. Wednesday, March 17, 2021 at the East Mesa Office.
- A. Have any Board Members participated in training? If so, please give us a copy of your certificate
 - B. Reminder to Board Members whose terms are expiring this year, the elections will be November 2021.

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 LRGPWVA 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 LRGPWVA 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 LRGPWVA, 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 LRGPWVA si es necesario un resumen u otro tipo de formato accesible.

LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY

Minutes —REGULAR BOARD OF DIRECTORS MEETING

9:30 a.m. Wednesday, January 20, 2021 via Online Zoom Meeting

Contact us at 575-233-5742 or board@LRGauthority.org for information, assistance, or to subscribe to email board meeting reminders. Email the board address or dial extension 1021 or 1018 and leave a message if requesting phone or log-in information for online meetings. Agendas are final 72 hours prior to the meeting and may be obtained at any LRGPWVA Office or at www.LRGauthority.org/noticesavisos.html

- I. **Call to Order, Roll Call to Establish Quorum:** Chair Mrs. Holguin called the meeting to order at 9:30 a.m., Mr. P. Smith representing District #1 was present, District #2 is vacant, Mr. Evaro representing District #3 was present, Mrs. Holguin representing District #4 was present, Mr. Magallanez representing # 5 was present, District #6 vacant, Mr. F. 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, Operations Manager Mike Lopez. Guests present were Lilla Reid from Souder Miller & Associates and Tyler Hopkins from Bohannon Huston.
- II. **Pledge of Allegiance – postponed due to online meeting**
- III. **Motion to approve Agenda:** Mr. F. Smith made the motion to approve the agenda. Mr. Evaro seconded the motion, the motion passed with all in favor.
- IV. **Approval of Minutes:**
 - A. **Motion to approve the minutes of the December 9, 2020 Regular Board Meeting:** Mr. Magallanez made the motion to approve the minutes for the December 9, 2020 Regular Board Meeting. Mr. P. Smith seconded the motion, the motion passed with all in favor.
- V. **Presentations:** None
- VI. **Public Input**
 - A. **General Matters: 15 minutes are allotted for this item, 3 minutes per person:** None
- VII. **Managers’ Reports**
 - A. **General Manager:** Mr. Lopez provided a written report and stood for questions. 5 of the Mesquite Office staff tested positive for COVID. They are all back at work. We are dealing with a check fraud situation in the amount of \$399.00. The Vendor, Sheriff’s Dept and Bank are investigating. The new office location is going in front of the Planning and Zoning Commission on January 28th for a “Zone Change”. The Annual Safety Inspection for the LRGPWVA facilities is underway. JJ Gutierrez is inspecting every facility to check for any safety issues. Renewed FCC License WQND926 (East Mesa SCADA) through January 4, 2031. Alto DE Las Flores O&M contract expires on April 20, 2021 we will need to get it on the agenda by March if Board and/or Alto want to continue. LRGPWVA needs to consider whether to make COVID vaccinations mandatory for employees when it becomes available and might have to add as an

agenda item. Mrs. Holguin would like to attend the Count meeting if it is also going to be on Zoom. Mr. Lopez said he will provide the Zoom- meeting link as soon as he gets the information. If more than three board members are going to attend, we will need to post a quorum notice.

- B. Projects:** Ms. Nichols provided a written report and stood for questions. Ms. Nichols asked Mr. Hopkins from Bohannon Huston to give the board members an update on the work they are providing. Mr. Hopkins said Mesquite-Brazito Sewer Project 1- construction is done, the final walk-thru will take place early next week. Last punch list items were minor, there will be no issue completing them. They received all the close out documents from the contractor, he will confirm this with Diana. They should be done in the next couple of weeks. Ms. Nichols said she thought the release of lien was not finalized. Mr. Hopkins said it has been resubmitted yesterday, hopefully there will be no additional issues. Mesquite-Brazito Sewer Project 2 requested an extension to close everything by the end of February. The last remaining item is the completion of the Right of Way Map, it will then be sent to Mr. Josh Smith for his opinion. Once they receive Mr. Smith's opinion they will resubmit to USDA for final approval and go to bid. Ms. Nichols said we will have to extend the RCAC Bridge Loan, which will cost us an extension fee. She hopes that by the time the Right of Way issue is resolved, that they will have sorted out the issue they had about our legal authority. Water Master Plan some operations things have been updated. Then they will look for some locations for additional water tanks. Once this is done, they want to meet with LRG to determine where the storage tanks will go. Ms. Nichols said DB Stephens is working on supplemental Well Siting Study and will provide Mr. Hopkins a copy of the study. He will then add to the Master Plan. Mesquite Wetlands Closure the dirt work has been completed. Waiting for approval from State Engineer's Office for the plugging of old wells and the new monitoring wells. Substantial completion is set for mid-April. A change order has been approved to haul additional soil to other LRG areas. Ms. Nichols said Central Office building the DAC P&Z hearing is set for Jan 28, 21, as soon as we get the meeting info. we will pass it along. Valle Del Rio Water system project is in suspension, we are working on a final change order that will be substantial. East Mesa Water Improvement project mostly complete waiting on the Well Siting Study. Project interest form has been submitted to NMED-DWB for DWSRLF funding after this we will begin the NMFA application process. Today on the agenda we have a resolution to apply for Colonia's funds for Phase II design. High Valley Phase I is pretty much complete. Will have a change order to use the remaining money on SCADA. Phase II Mrs. Reid said they are waiting on the Electrical Engineer to send some items; the package will then be ready before end of month. Ms. Nichols said there is a resolution to apply for Colonia's funds for Phase III on today's agenda. It will be for a Well house building, new booster pumps and some SCADA work. Stern Drive Extension Project it is complete and have submitted a Capital Outlay Request to extend the line further north by about 1850'. Legislative session started January 19th, and will be 60 days. The report on bills of interest is available at the Directors Only page. Representative Willie Madrid won re-election after the recount.
- C. Operations:** Mr. Lopez provided a written report and stood for questions. He reviewed the video for the Arroyo Well and will recommend it be acid washed, flushed and re-equipped. Waiting for a cost estimate. Well 6 near the Mesquite Office started pumping gravel. We will get 3 bids so we can pull the equipment and send a camera to see what is going on with it. This is one of our major wells so this work has to be done before the summer. Ms. Nichols said the

Well Siting Study has identified a better site for a new well in the East Mesa area. Mr. Lopez said LRG pumped 31.54 million gallons last year this year we pumped 31.46 million gallons.

- D. Finance:** Ms. Jackson provided a written report and stood for questions. Revenues for 2nd quarter we took in \$288,000.00 but spent \$349,000.00. Expenses are high because we paid off a couple of loans. LRG-4 Radio Read \$106,000 and Jacques Rd Water Extension Line \$8,848.00. As of the end of the 2nd Quarter we have exceeded revenue projections, we have taken in 64% of the projected revenue for the year. LRG has taken in 2.2 million for the year. LRG has spent about 55% of the budget, LRG is right in line with the budget.

VIII. Unfinished Business

- A. Appointment of Directors for Districts 2 & 6 - Postponed**

IX. New Business

- A. Motion to approve LRGPWWA FY2020 Audit:** the audit is still in review need to postponed for next meeting.
- B. Motion to adopt Resolution FY2021-12 CDBG Certifications & Commitments:** Mr. Lopez said these are the typical documents we need to adopt when we commit to receive funding from CDBG. It will pay for the Water Master Plan. Mr. F. Smith made the motion to adopt Resolution FY2021-12 CDBG Certifications & Commitments. Mr. P. Smith seconded the motion, the motion passed with all in favor.
- C. Motion to adopt Resolution FY2021-13 adopting FY2020 2nd Quarter Budget:** Ms. Jackson said this is the same information as reported during her Managers report, except that it is presented in the State Format. Mr. Magallanez made the motion to adopt Resolution FY2021-13 adopting FY2020 2nd quarter budget. Mr. Evaro seconded the motion, the motion passed with all in favor.
- D. Motion to adopt Resolution FY2021-14 authorizing High Valley Ph. III funding application:** Ms. Nichols said the application is for design and construction for a new booster pump, well building and new SCADA equipment. Mr. F. Smith made the motion to adopt Resolution FY2021-14 authorizing High Valley Ph. III funding application. Mr. Magallanez seconded the motion, the motion passed with all in favor.
- E. Motion to adopt Resolution FY2021-15 authorizing East Mesa Ph. II Design funding application:** Mr. Magallanez made the motion to adopt Resolution FY2021-15 authorizing East Mesa Ph. II Design funding. Mr. Evaro seconded the motion, the motion passed with all in favor.
- F. Motion to authorize staff and attorney to seek an amendment to NMSA 1978 73-26-1 to clarify the power of the LRGPWWA governing body to incur loans and execute mortgages and pledges of collateral:** Mr. Lopez submitted an amendment to LRG's statute to Senator

Cervantes and Representative Lara. This will specifically authorize LRG to incur loans, execute mortgages and pledge collateral. A question has come up about this so we wanted to add the new language to the statute. Mr. F. Smith made the motion to authorize staff and attorney to seek an amendment to NMSA 1978 73-26-1 to clarify the power of the LRGPWWA. Mr. P. Smith seconded the motion, the motion passed with all in favor.

G. Motion to authorize General Manager to sign the Petition to the Governor for funding to provide Broadband to our Rural Communities: <https://successdac.org/connectnm/>. Mr. Lopez said during a presentation provided by the SCCOG, Senator Hamblen requested the LRG sign a letter to Governor Lujan Grisham requesting funding be available for Broadband in the rural communities. Mr. P Smith made the motion to authorize General Manager to sign the Petition to the Governor for funding of Broadband to our rural communities. Mr. Evaro seconded the motion, the motion passed with a vote of 4-yes and 1-no. Vote went as follows: Mr. P. Smith yes, Mr. Evaro yes, Mrs. Holguin yes, Mr. Magallanez yes, Mr. F. Smith no.

X. Other discussion and agenda items for next meeting at 9:30 a.m. Wednesday, February 17, 2021 at the Vado Office.

A. Have any Board Members participated in training? If so, please give us a copy of your certificate. No board member participated in any training.

B. Reminder to Board Members whose terms are expiring this year, the elections will be November 2021.

XI. Motion to Adjourn: Mr. Smith made the motion to adjourn the board meeting at 10:36 a.m., Mr. Evaro seconded the motion, the motion passed with all in favor.

These minutes will be presented to the board for approval on the 17th Day of February, 2021 at a regular meeting of the Board of Directors:

SEAL:

Esperanza Holguin, Board Chair

Attest:

Joe Evaro, Secretary

LRGPWWA
Manager's Report
February 17, 2021

- Met with DAC staff to discuss sewer billing agreement, which will require LRGPWWA Board and DAC BOCC approval-will be on agenda in March for both Boards (target is July 1st billing)
- State Land Office easement W-37 (East Mesa well) is being renewal
- Discussion with Developer on East Mesa for possibly extending sewer service to their conceptual project, Discharge Plan for lagoons is set for renewal March 2022
- Considering the installation of Dash Camera for some of the Fleet
- Providing customers with information to the County's Emergency Rent & Utilities Assistance Program (Offices and Website)
- New payment method by text via customer's cell phone
- Intruder caught at East Mesa (Butterfield Park tank site) by Sherriff on February 11th. Not tampered, but did locate white powder on truck and backhoe-not believed to drugs by deputies
- Offices were closed on February 15th for President Day



Lower Rio Grande Public Water Works Authority

Income Statement

Group Summary

For Fiscal: FYE 2021 Period Ending: 01/31/2021

		Current			Budget
		Total Budget	MTD Activity	YTD Activity	Remaining
AcctNumber					
Revenue					
40000 - Operating Revenue		2,990,000.00	199,772.40	1,989,235.61	1,000,764.39
40002 - Installation Fees		105,000.00	7,895.57	64,956.99	40,043.01
40003 - Activation & Connection Fees-Water		5,000.00	500.00	2,100.00	2,900.00
40005 - Backflow Testing		7,000.00	0.00	6,075.00	925.00
40006 - Tampering Fee/Line Breaks		0.00	1,500.00	2,062.40	-2,062.40
40007 - Delinquency Fee		50,000.00	5,850.00	60,800.00	-10,800.00
40008 - Penalties-Water		50,000.00	7,857.16	56,354.79	-6,354.79
40009 - Membership Fees		5,000.00	950.00	5,250.00	-250.00
40010 - Impact Fees		40,000.00	11,547.69	150,027.04	-110,027.04
40011 - Returned Check Fees		0.00	0.00	115.00	-115.00
40012 - Credit Card Fees		8,000.00	1,248.00	8,244.00	-244.00
40013 - Miscellaneous Revenue		0.00	10.00	140.00	-140.00
40015 - Penalties-Sewer		4,500.00	656.39	3,643.32	856.68
40016 - Meter Test Fee		0.00	0.00	-219.55	219.55
40017 - Hydrant Meter Rental Fee		5,000.00	0.00	1,500.00	3,500.00
40019 - DAC Trash Coupons		1,000.00	32.00	502.00	498.00
40020 - Miscellaneous Revenue-Sewer		2,500.00	60.83	2,356.94	143.06
45000 - Tower Rent		5,000.00	500.00	3,500.00	1,500.00
45001 - Billing Adjustments-Water		0.00	0.00	-2,259.53	2,259.53
45005 - Fiscal Agent Fees		50,000.00	4,851.70	35,781.98	14,218.02
45010 - Interest		0.00	26.14	161.13	-161.13
45015 - Copy/Fax		0.00	6.25	71.00	-71.00
45020 - Other Income		45,000.00	867.85	7,715.99	37,284.01
45022 - Annual Farm Rental		5,000.00	0.00	0.00	5,000.00
45025 - Contract Services		40,000.00	3,736.83	27,167.53	12,832.47
45030 - Transfers In		0.00	0.00	56,920.00	-56,920.00
49000 - Recovered Bad Debts		0.00	100.00	1,600.00	-1,600.00
Revenue Total:		3,418,000.00	247,968.81	2,483,801.64	934,198.36
Expense					
60001 - Transfers to Reserves		0.00	10,000.00	70,000.00	-70,000.00
60005 - Accounting Fees		500.00	0.00	0.00	500.00
60010 - Audit		14,000.00	0.00	9,356.13	4,643.87
60020 - Bank Service Charges		15,000.00	2,439.35	17,441.04	-2,441.04
60025 - Cash Short/Over		500.00	9.15	-9,686.94	10,186.94
60026 - Computer Hardware		10,000.00	0.00	6,021.67	3,978.33
60030 - Dues and Subscriptions		3,000.00	778.00	5,623.04	-2,623.04
60035 - Engineering Fees		10,000.00	0.00	3,928.97	6,071.03

60045 - Late Fees	1,000.00	0.00	39.54	960.46
60050 - Legal Fees	5,000.00	0.00	2,850.88	2,149.12
60055 - Legal Notices	2,500.00	0.00	0.00	2,500.00
60060 - Licenses & Fees	6,000.00	250.00	5,730.59	269.41
60065 - Meals	2,500.00	0.00	17.93	2,482.07
60075 - Permit Fees	1,500.00	0.00	825.00	675.00
60080 - Postage	3,000.00	8.00	939.64	2,060.36
60090 - Professional Fees-Other	10,000.00	0.00	-6,563.43	16,563.43
60100 - Project Development	0.00	10,745.11	40,753.81	-40,753.81
60120 - Retirement Account Fees	6,500.00	1,342.95	5,339.75	1,160.25
60125 - Easements & Leases	10,000.00	0.00	0.00	10,000.00
60130 - Training	5,000.00	85.57	1,641.11	3,358.89
60140 - Travel:Airfare Per Diem	3,000.00	0.00	0.00	3,000.00
60150 - Travel:Lodging Per Diem	4,000.00	0.00	0.00	4,000.00
60155 - Travel:Meals Per Diem	2,000.00	0.00	0.00	2,000.00
60160 - Travel:Mileage/Parking Per Diem	1,500.00	0.00	0.00	1,500.00
60165 - Travel:Vehicle Rental Per Diem	1,000.00	0.00	0.00	1,000.00
60600 - Debit Service	148,000.00	8,923.32	209,192.63	-61,192.63
60625 - Interest paid to NMED	14,000.00	0.00	0.00	14,000.00
60650 - Interest paid to NMFA	37,000.00	2,347.49	16,062.69	20,937.31
60675 - Interest paid to USDA	125,000.00	11,596.26	93,116.29	31,883.71
63000 - Regular Pay	1,120,000.00	73,433.73	610,316.12	509,683.88
63001 - Overtime	54,500.00	2,386.62	20,359.87	34,140.13
63006 - Holiday Pay	56,500.00	10,259.08	43,947.68	12,552.32
63007 - Sick Pay	50,000.00	7,904.52	40,568.23	9,431.77
63008 - Annual Leave Pay	118,000.00	8,725.68	60,961.28	57,038.72
63010 - 401K 10% Company Contribution	5,000.00	0.00	0.00	5,000.00
63020 - 401K Employee Contribution	2,000.00	0.00	0.00	2,000.00
63040 - Administrative Labor	5,000.00	0.00	0.00	5,000.00
63060 - Contract Labor	0.00	0.00	649.88	-649.88
63070 - Employee Benefits-401K Contrib	168,500.00	2,932.01	21,826.14	146,673.86
63100 - Insurance-Dental	12,500.00	537.67	7,591.70	4,908.30
63110 - Insurance-Health	250,000.00	11,727.94	155,933.40	94,066.60
63115 - Salaries: Insurance - Work Comp	15,000.00	1,382.00	6,197.00	8,803.00
63125 - Insurance: Life & Disability	12,500.00	46.70	56.76	12,443.24
63130 - Mileage	1,500.00	0.00	0.00	1,500.00
63135 - Drug Testing	500.00	0.00	300.00	200.00
63160 - Payroll Taxes-Medicare	20,500.00	1,489.28	11,254.26	9,245.74
63170 - Payroll Taxes-Social Security	80,500.00	6,367.91	48,121.44	32,378.56
63180 - Payroll Taxes-State Unemployment	0.00	984.00	984.00	-984.00
63195 - Taxes, Liability, Insurance: Cobra Fee	0.00	75.00	460.00	-460.00
63200 - Vision Insurance	4,000.00	169.83	2,267.88	1,732.12
64100 - Sewer:DAC Waste Water Flow Charge	50,000.00	5,296.99	32,887.90	17,112.10
64200 - Sewer:Electricity-Sewer	9,000.00	1,680.30	9,189.60	-189.60
64300 - Sewer:Lab & Chemicals-Sewer	10,000.00	2,882.05	11,448.67	-1,448.67
64500 - Sewer:Supplies & Materials	28,500.00	0.00	45.87	28,454.13
64501 - Pre Paid Tank Site Lease	0.00	375.00	1,625.00	-1,625.00

65010 - Automobile Repairs & Maint.	30,000.00	3,513.99	35,764.76	-5,764.76
65230 - Computer Maintenance	70,000.00	6,944.52	50,955.48	19,044.52
65240 - Equipment Rental	2,500.00	0.00	320.06	2,179.94
65250 - Fuel	60,000.00	0.00	25,715.09	34,284.91
65255 - GPS Insights Charges	7,000.00	533.60	4,436.64	2,563.36
65260 - Kitchen & Cleaning Supplies	1,000.00	0.00	0.00	1,000.00
65270 - Lab Chemicals-Water	5,000.00	0.00	687.49	4,312.51
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	20,000.00	0.00	0.00	20,000.00
65280 - Lab Chemicals-Water:Chemicals	35,000.00	2,649.81	23,445.93	11,554.07
65300 - Locates	2,500.00	0.00	0.00	2,500.00
65310 - Maint. & Repairs-Infrastructure	65,000.00	1,219.99	88,416.33	-23,416.33
65320 - Maint. & Repairs-Office	12,500.00	1,589.07	10,663.17	1,836.83
65330 - Maintenance & Repairs-Other	16,500.00	55,701.86	85,660.82	-69,160.82
65340 - Materials & Supplies	50,000.00	5,599.64	27,332.90	22,667.10
65345 - Non Inventory-Consumables	50,000.00	1,372.21	23,542.78	26,457.22
65350 - Office Supplies	10,000.00	769.51	8,495.53	1,504.47
65360 - Printing and Copying	47,500.00	3,949.08	27,100.86	20,399.14
65370 - Tool Furniture	10,000.00	4,146.60	19,798.51	-9,798.51
65390 - Uniforms-Employee	15,000.00	632.34	7,709.41	7,290.59
65490 - Cell Phone	20,000.00	1,522.08	12,385.96	7,614.04
65500 - Electricity-Lighting	6,000.00	555.37	3,899.10	2,100.90
65510 - Electricity-Offices	15,000.00	1,162.22	9,155.34	5,844.66
65520 - Electricity-Wells	200,000.00	16,350.89	126,159.51	73,840.49
65530 - Garbage Service	3,000.00	256.08	1,573.56	1,426.44
65540 - Natural Gas	3,000.00	183.71	1,212.33	1,787.67
65550 - Security/Alarm	5,000.00	216.63	879.50	4,120.50
65560 - Telephone	20,000.00	1,609.55	14,307.59	5,692.41
65561 - Telstar Maintenance Contract	7,000.00	0.00	0.00	7,000.00
65570 - Wastewater	2,000.00	190.06	1,325.68	674.32
66200 - Insurance-General Liability	90,000.00	20,075.99	62,658.00	27,342.00
66700 - Water Conservation Fee	15,000.00	943.72	10,425.43	4,574.57
Expense Total:	3,418,000.00	318,870.03	2,243,650.78	1,174,349.22
Total Surplus (Deficit):	0.00	-70,901.22	240,150.86	-240,150.86

**LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY
PROJECTS REPORT – 2/17/2021**

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 – Final draw on funding has been submitted. Project is complete.

LRG-17-01 – Mesquite-Brazito Sewer Project 2 – Bohannon Huston, Inc. – Design Stage – USDA-RD LOC \$15,030,780 (\$6,189,000 Loan/\$8,030,000 Grant) –25th Request for Funds from RCAC bridge loan has been submitted. BHI is finalizing the ROW map. USDA-RD will request closing instructions once the final LOC documents are submitted.

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: RCAC loan was approved, and loan commitment has been extended. Contract Documents have been approved by USDA-RD and NMED-DWB. Extension of Time has been submitted to NM OSE for the well. RD approval to bid and closing on RCAC construction loan are pending, closing instructions have been requested from OGC, and all LOC items have been submitted as of early August 2020. USDA-RD OGC had questions concerning the LRGPWWA’s authority to engage in mortgages and loans, and our attorney has responded. We are still waiting for RD’s Office of General Counsel to issue closing instructions.

LRG-17-01 – Water Master Plan – BHI - WTB #252/CDBG 19-C-NR-I-06-G-100 \$50,000 + \$60,000 LRG funds: Sixth draw on funding has been submitted.

LRG-17-02 – Central Office Building – Wilson & Co. - DW-4213 \$3,285,619: Wilson & Co. has addressed all NMED-CPB comments, construction phase contract amendment and authorization to bid are pending. Dona Ana County P&Z approved zone change on 1/28/21. Resolution of the NM DOT permit issue is still pending.

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: Partial substantial completion walk through was held 10/15/20. Change Order #2 was approved and contractor’s claim regarding hydrant location was settled with that. Change Order #3 is in preparation.

LRG-17-03 –East Mesa Water System Improvements Project – NMFA 3803-PG & 3804-PG \$93,307, 4915-CIF \$207,608 Loan/\$39544 Grant/\$9,562 Match – Design – Project Interest Form has been submitted to NMED-DWB for DWSRLF funding, and required documents have been submitted. After DWB review, we will begin the NMFA application process. Colonia’s application is in process.

LRG-18-01 – High Valley Water System Improvements Project – NMFA 4645-CIF18 \$29,172 Grant/\$116,688 Loan, 3354-CIF \$5,000 Grant/\$45,000 Loan – Plan, Design & Construction – Souder, Miller & Assoc. – Close-out documents have been received. Change Order to spend remaining funds on SCADA was approved

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. –NMED-CPB comments on 90% design were received 11/17/20, and SMA responded on 2/8/21. Colonia’s application for Phase III funding is about ready to submit.

LRG-18-02 – Stern Drive Waterline Extension Project – Design/Build – SMA - \$150,000 SAP – Project is complete, and Capital Outlay Request has been submitted to extend the line further north by about 1850’.

LRG-19-09 – S. Valley Service Area Line Extensions - SMA – Authorization to apply to NMED Local Government Planning Fund for PER funding was approved by the board, but due to NMFA restrictions, we cannot apply until December and January. We requested that SMA provide a proposed Task Order to look at the feasibility, see where there is interest from potential new customers, and determine whether a PER is needed.

LRG-20-01 – Mesquite Wetlands Closure – Plan/Design - BHI - \$250,000 SAP: Pay App. #1 has been submitted by the contractor. Dirt work is nearly complete.

LRG-21-01 – Vado Area Water System Improvements – Plan/Design/Construct – SMA - \$139,000 SAP 20-E4038-GFR – Reauthorized SAP from Jacquez Road will be used to rehab one or two bore-crossings and install some new valves in the Vado system. Contract proposal from SMA is pending.

Other projects:

NM 2021 Legislature: Representative Willie Madrid won re-election after the recount. Session started January 19th, and will be 60 days. Legislative Report on bills of interest is available at the Directors Only page. Capital Outlay Request for \$240k for Stern Drive Line Extension Project and \$950k for the Central Operations Facility. Bill updates have not been timely on the legislative website, and parts of the Bill Tracker are not being updated.

Infrastructure Capital Improvements Plan 2022-2026: ICIP is final, has been submitted to NM DFA, corrected, and approved. Final document is posted on the Projects & Planning page at our website.

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. One bin was sent out for shredding in the past month.

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

Training – Patty and I attended a webinar on 2/10/21 - Update on COVID-19 Vaccination for Essential Workers

As Needed Engineering Services - Currently we have two active Task Orders: Souder, Miller & Associates for two NM DOT permits for new services and Cobb-Fendly for one NM DOT permit for a new service connect. One additional Task Order is pending with Cobb-Fendly for a second NM DOT permit.

Collection & Lien Procedures - 226 first notifications, 119 certified letters have been sent and 83 liens have been filed to date. 14 liens have been released following payment in full of the account.

Water Audits –Sent out a request to staff to finalize 2020 water audit data on 1/29/21. Will begin scheduling water audits for 2020 next month.

Rate Study – Met with Karl Pennock on 2/11/21 to review. Presentation is on today’s agenda.

Cyber Security Assessment – Work session notes were provided by RCAC on 11/2/20, follow-up meeting to be scheduled.

Lower Rio Grande PWWA

Operators Report

February 17, 2021

System Problems and Repairs.

- Backflow inspections are Current. (Mesquite District)
- For the month of January, we were issued 211 work and service orders.
- For the month of December, we were issued 257 work and service orders, most were register change outs.
- For the month of January, we installed 5 new water service connections in the South Valley.
- We had 2 main line break at Alto De Las Flores.
- We had three main line breaks at the East Mesa.
- We had no main or service line breaks at Talavera MDWCA.
- We had five Main line breaks in South valley area.
- Alto de Las Flores construction is getting close to a final completion all that is left for the most part is the booster station.
- Arroyo well is still down, I am waiting for quotes to brush, bail and re-equip.

- Well #6 by the Mesquite office has been pumping small gravel, I'm waiting for three quotes to pull the pump and motor and camera to check the casing.

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

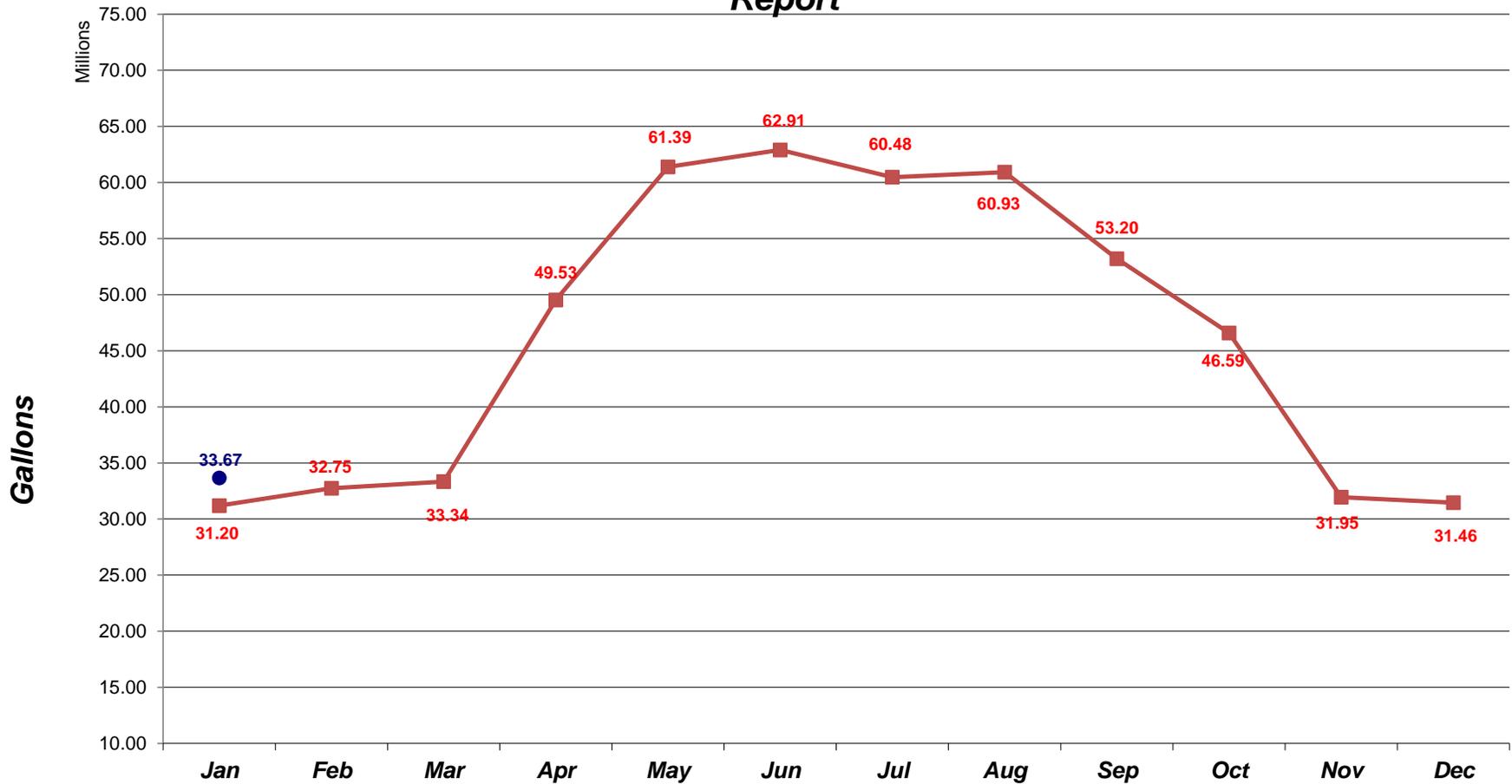
Mesquite district Wetlands: The three monitoring wells have been drilled and are ready to sample.

Mesquite and Organ Sewer Reports. The Organ and the Mesquite Wastewater reports are due on February 1st, 2021. However I sent them on January 4, 2021.

Chlorine: No problems.

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

Lower Rio Grande PWWA Water Production Report



—●— 2021 Production —■— 2020 Production

State of New Mexico
Lower Rio Grande Public
Water Works Authority

*Basic Financial Statements and
Required Supplementary Information
For the Year Ended June 30, 2020
and Independent Auditor's Report*

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

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JUNE 30, 2020**

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

BOARD OF DIRECTORS

BOARD OF DIRECTORS

Esperanza Holguin
Furman Smith
Jose Evaro
Paul Smith
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. Colón, 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, 2020, 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, 2020, 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, 2020, 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, 2020 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 20, 2020 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 20, 2020

BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF NET POSITION
JUNE 30, 2020**

ASSETS:

Current Assets

Cash and cash equivalents	\$ 563,496
Accounts receivable	1,089,016
Grant receivables	96,453
Inventory	55,892
Prepaid expenses	11,556

Total current assets 1,816,413

Noncurrent assets

Restricted cash	
Customer deposits	85,407
Construction account	306,665
Loan reserve	57,984

Capital assets, net of accumulated depreciation 68,068,663

Total noncurrent assets 68,518,719

Total assets \$ 70,335,132

LIABILITIES:

Current Liabilities:

Accounts payable vendors	\$ 111,331
Accounts payable construction	11,398
Gross receipts tax payable	11,271
Accrued payroll	153,966
Accrued interest expense	18,134
Customer meter deposits	85,407
Accrued compensated absences	73,654
Current maturities of notes payable	1,357,344

Total current liabilities 1,822,505

Noncurrent Liabilities:

Notes payable 6,234,087

Total liabilities 8,056,592

NET POSITION:

Net investment in capital assets	60,477,232
Restricted for debt service	57,984
Restricted for capital projects	306,665
Unrestricted	1,436,659

Total net position 62,278,540

Total liabilities and net position \$ 70,335,132

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, 2020**

Operating Revenues:	
Charges for services	\$ 3,587,682
Other revenues	<u>121,559</u>
Total operating revenues	<u>3,709,241</u>
Operating Expenses:	
Salaries and wages	3,346,243
Employee benefits	546,104
Materials, supplies, tools and chemicals	165,371
Office expenses	239,950
Miscellaneous	16,438
Bank charges	18,705
Insurance	114,665
Maintenance and repairs	172,509
Professional fees	57,185
Travel and entertainment	8,048
Depreciation	1,725,162
Utilities	<u>227,178</u>
Total operating expenses	<u>6,637,558</u>
Operating loss	<u>(2,928,317)</u>
Non-Operating Revenues (Expenses):	
Grant revenue (See note 9)	2,039,036
Interest income	645
Rental income	27,593
Other income	97,702
Interest expense	<u>(216,615)</u>
Total non-operating revenues	<u>1,948,361</u>
Loss before capital contributions	<u>(979,956)</u>
Capital Contributions:	
Grant revenues:	
State	319,362
Federal	<u>6,413,638</u>
Total capital contributions	<u>6,733,000</u>
Change in net position	<u>5,753,044</u>
Net position - beginning of year	<u>56,525,496</u>
Net position - end of year	<u>\$ 62,278,540</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, 2020**

Cash Flows From Operating Activities:	
Cash received from customers	\$ 3,292,811
Cash payments to employees for services	(3,334,714)
Cash payments to vendors for goods and services	<u>(1,882,862)</u>
Net cash used in operating activities	<u>(1,924,765)</u>
Cash Flows From Capital and Related Financing Activities:	
Purchase and construction of capital assets	(7,592,258)
Payments on notes payable	(285,798)
Payments for interest on notes payable	(216,615)
Proceeds from capital grants	9,098,341
Proceeds from capital loans	<u>509,641</u>
Net cash provided by capital and related financing activities	<u>1,513,311</u>
Cash Flows From Investing Activities	
Interest received	<u>645</u>
Net cash provided by investing activities	<u>645</u>
Cash Flows From Noncapital Financing Activities:	
Miscellaneous income	<u>125,295</u>
Net cash provided by noncapital financing activities	<u>125,295</u>
Net decrease in cash and cash equivalents	(285,514)
Cash and cash equivalents, beginning of year	<u>1,299,066</u>
Cash and cash equivalents, end of year	<u>\$ 1,013,552</u>
CASH ENDING:	
Cash	\$ 563,496
Restricted cash	<u>450,056</u>
Total cash reported in statement of net position	<u>\$ 1,013,552</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (2,928,317)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,725,162
Change in:	
Accounts receivable	(393,369)
Inventory	4,311
Accounts payable and accrued liabilities	(305,180)
Meter deposits	<u>(27,372)</u>
Total adjustments	<u>1,003,552</u>
Net cash used in operating activities	<u>\$ (1,924,765)</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, 2020**

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 \$306,665. The Authority also has restricted cash in the amount of \$85,407 that has been classified as restricted for customer deposits and \$57,984 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, 2020, the Authority implemented the following new accounting pronouncements which did not have a material effect on the Authority's financial statements:

- *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 following pronouncements have been issued, but are not yet effective for the year ended June 30, 2020.

- *GASB Statement No.92, Omnibus 2020*
- *GASB Statement No. 93, Replacement of Interback Offered Rates*
- *GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- *GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance*
- *GASB Statement No. 96, Subscription-Based Information Technology Arrangements*
- *GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred*

Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32

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, 2020.

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, 2020, \$727,852 of the Authority's bank balance of \$977,852 was exposed to custodial credit risk. However, all of the \$727,852 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, 2020.

Bank accounts were collateralized as follows:

Total deposits in bank	\$ 977,852
Less FDIC coverage	<u>(250,000)</u>
Uninsured public funds	727,852
Pledged Collateral held by the pledging bank's trust department or agent in the Authority's name	<u>2,496,734</u>
Uninsured and uncollateralized	<u>\$ -</u>

As of June 30, 2020, the Authority's bank balances were exposed to custodial credit risk. The amount above identified as uninsured of \$727,852 is subject to custodial credit risk. This in the risk that in the event of bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk.

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

Account	Account Type	Citizens Bank
Operating	Demand	\$ 183,027
Reserve	Demand	306,665
Debt Service	Demand	480,668
Brazito Sewer	Demand	2,130
Brazito Sewer #2	Demand	3,426
NM HIDTA	Demand	827
South Valley Water	Demand	353
CDBG	Demand	<u>756</u>
Total amounts of deposits		977,852
FDIC Coverage		<u>250,000</u>
Total uninsured public funds		727,852
Pledged collateral held by the pledging bank's trust department or agent in the Authority's name		<u>2,496,734</u>
Uninsured and uncollateralized		<u>\$ -</u>
50% pledged collateral requirement		\$ 363,926
Total pledged collateral		<u>2,496,734</u>
Pledged collateral exceeding the requirements		<u>\$ 2,132,808</u>

A description of the pledged collateral as of June 30, 2020 is as follows:

Description	CUSIP#	Maturity	Market Value
Citizen's Bank:			
FFCB	N/A	03/22/27	\$ 1,682,392
FHLB	N/A	03/08/2024	<u>814,342</u>
Total Citizen's Bank			<u>\$ 2,496,734</u>

The bank account reconciliations as of June 30, 2020 are as follows:

Account	Account Type	Balance per Bank	Deposits in Transit	Outstanding Checks	Reconciled Balance
Operating	Demand	\$ 183,027	\$ 7,792	\$ 31,065	\$ 159,754
Reserve	Demand	306,665	-	-	306,665
Debt Service	Demand	480,668	-	-	480,668
Brazito Sewer Project	Demand	2,130	-	-	2,130
Brazito Sewer Project #2	Demand	3,426	-	-	3,426
NM HIDTA	Demand	827	-	-	827
South Valley Water	Demand	353	-	-	353
CDBG	Demand	<u>756</u>	<u>-</u>	<u>-</u>	<u>756</u>
Total amounts of deposits		<u>\$ 977,852</u>	<u>\$ 7,792</u>	<u>\$ 31,065</u>	954,579
Cash held by RCAC - Loan reserve					15,342
Cash held by NMFA - Loan reserve					42,642
Petty cash & returned items					<u>989</u>
Total cash					<u>\$ 1,013,552</u>
Total as Reported in the Financial Statements:					
Statement of Net Position:					
Cash and cash equivalent					\$ 563,496
Restricted cash					<u>450,056</u>
Total cash per financial statements					<u>\$ 1,013,552</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 \$1,089,016.

5. CAPITAL ASSETS

The following is a summary of capital assets and changes occurring during the year ended June 30, 2020. 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	\$ 1,036,024	\$ -	\$ -	\$ -	\$ 1,036,024
Water rights	17,645,030	-	-	-	17,645,030
Construction in progress	<u>2,905,996</u>	<u>-</u>	<u>7,203,248</u>	<u>-</u>	<u>10,109,244</u>
Total capital assets, not being depreciated	<u>21,587,050</u>	<u>-</u>	<u>7,203,248</u>	<u>-</u>	<u>28,790,298</u>
Business-type capital assets, being depreciated					
Buildings and improvements	2,340,074	-	-	-	2,340,074
Land improvements	346,389	-	-	-	346,389
Water and sewer plant/system	53,891,935	-	32,200	-	53,924,135
Furniture, fixtures, and equipment	506,346	-	112,510	-	618,856
Transportation equipment	<u>1,135,569</u>	<u>-</u>	<u>244,299</u>	<u>-</u>	<u>1,379,868</u>
Total business-type capital assets, being depreciated	<u>58,220,313</u>	<u>-</u>	<u>389,009</u>	<u>-</u>	<u>58,609,322</u>
Less accumulated depreciation for:					
Buildings and improvements	2,598,833	-	1,725,162	-	4,323,995
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>17,605,795</u>	<u>-</u>	<u>1,725,162</u>	<u>-</u>	<u>19,330,957</u>
Total capital assets being depreciated, net	<u>40,614,518</u>	<u>-</u>	<u>(1,336,153)</u>	<u>-</u>	<u>39,278,365</u>
Business-type capital assets, net	<u>\$62,201,568</u>	<u>\$ -</u>	<u>\$ 5,867,095</u>	<u>\$ -</u>	<u>\$68,068,663</u>

Depreciation expense for the year ended June 30, 2020 totaled \$1,725,162.

6. LONG TERM OBLIGATIONS

During the year ended June 30, 2020, 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)	\$ 1,727,083	\$ 319,159	\$ 151,363	\$ 1,894,879	\$ 110,370
United States Department of Agriculture Loans (USDA)	4,157,221	-	113,678	4,043,543	75,160
New Mexico Environmental Department (NMED)	523,598	-	20,757	502,841	21,646
Rural Community Assistance Corporation (RCAC)	<u>959,686</u>	<u>190,482</u>	<u>-</u>	<u>1,150,168</u>	<u>1,150,168</u>
Total notes payable	<u>\$ 7,367,588</u>	<u>\$ 509,641</u>	<u>\$ 285,798</u>	<u>\$ 7,591,431</u>	<u>\$ 1,357,344</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.	\$ 614,180
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.	264,966
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.	106,402

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.	28,077
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.	108,564
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.	298,483
NMFA CIF-4915: On August 23, 2019, the Authority executed a loan/grant agreement with the New Mexico Finance Authority in the amount of \$247,152. The Authority received ten percent (10%) of its fundig as a loan. The proceeds were used for the E Mesa Water System Improvements Ph I. The loan matures on June 1, 2041. There is no interest rate for this loan. Principal payments are paid annually.	24,293
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.	4,048
NMFA CIF-4917: On September 27, 2019, the Authority executed a loan/grant agreement with the New Mexico Finance Authority in the amount of \$88,480. The Authority received ten percent (10%) of its fundig as a loan. The proceeds were used for the Jacquez road waterline extension. The loan matures on June 1, 2041. There is no interest rate for this loan. Principal payments are paid annually.	8,848
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.	437,018
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.	2,067,235
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.	412,638
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.	606,066
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.	88,797
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.	185,952
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.	352,620
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.	150,144
USDA 91-02: On August 31, 2000, Butterfield Park MDWC and MSHA 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.	180,091

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. 502,841

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. 1,150,168

Total debt	7,591,431
Less current portion of long-term debt	1,357,344
Total long-term debt	\$ 6,234,087

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

Years Ending	Interest	Principal
June 30, 2021	\$ 235,023	\$ 1,357,344
June 30, 2022	228,845	237,469
June 30, 2023	224,743	213,391
June 30, 2024	220,483	217,543
June 30, 2025	216,054	221,854
June 30, 2026 - 2030	1,007,343	1,180,258
June 30, 2031 - 2035	649,095	1,094,924
June 30, 2036 - 2040	464,004	1,070,269
June 30, 2041 - 2045	263,286	704,186
June 30, 2046 - 2050	147,305	783,446
June 30, 2051 - 2055	34,053	450,916
June 30, 2056 - 2059	4,051	59,831
Total	\$ 3,694,285	\$ 7,591,431

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, 2020 employees had balances of 1,951 sick leave hours with a value of \$26,521 and 4,167 vacation hours with a value of \$47,133. 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>\$ 6,476</u>	<u>\$ 6,476</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, 2020 was \$84,401.

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. The Authority received grant revenue totaling \$2,039,036 under the grant agreement for the year ended June 30, 2020. See page 24 for a break out of the HIDTA revenue and expenses from the other functions.

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 up to 10% of the employee’s wages towards the profit sharing option and is determined on an annual basis. For the fiscal year ended June 30, 2020, the Authority contributed \$107,192.

11. SUBSEQUENT REVIEW

Lower Rio Grande Public Water Works Authority has evaluated subsequent events through November 20, 2020, which is the date the financial statements were available to be issued.

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, 2020**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Favorable (Unfavorable)
RECEIPTS:				
Operating revenues:				
Charges for services	\$ 3,118,000	\$ 3,118,000	\$ 3,587,682	\$ 469,682
Other revenues	95,000	95,000	121,559	26,559
Non-operating revenues				
Other revenue	-	-	125,295	125,295
Interest income	-	-	645	645
Grants and loans	659,000	659,000	8,772,036	8,113,036
Total receipts	3,872,000	3,872,000	12,607,217	8,735,217
DISBURSEMENTS:				
Operating expenses:				
Accounting & administration	104,000	104,000	98,000	6,000
Salaries & benefits	1,980,000	1,980,000	1,875,048	104,952
Sewer system	348,000	348,000	53,783	294,217
Materials & supplies	653,500	653,500	483,712	169,788
Utilities	471,500	471,500	361,278	110,222
Non-operating disbursements				
Debt payments - principal	148,000	148,000	285,798	(137,798)
Debt payments - interest	167,000	167,000	216,615	(49,615)
Total disbursements	3,872,000	3,872,000	3,374,234	497,766
Excess receipts over (under) disbursements	-	-	9,232,983	9,232,983
Beginning unrestricted cash			11,084,185	
Ending unrestricted cash			\$ 20,317,168	
Reconciliation of budgetary basis to GAAP basis:				
Net excess receipts over (under) disbursements budgetary basis			\$ 9,232,983	
Depreciation			(1,725,162)	
HIDTA program			(2,040,575)	
Principal payments on debt			285,798	
Change in net position GAAP basis			\$ 5,753,044	

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
FUNCTION
FOR THE YEAR ENDED JUNE 30, 2020**

	Water	Sewer	HIDTA	Total
Operating Revenues:				
Charges for services	\$ 3,369,429	\$ 218,253	\$ -	\$ 3,587,682
Other revenues	120,112	1,447	-	121,559
	<u>3,489,541</u>	<u>219,700</u>	<u>-</u>	<u>3,709,241</u>
Total operating revenues				
Operating Expenses:				
Salaries and wages	1,275,668	30,000	2,040,575	3,346,243
Employee benefits	500,014	46,090	-	546,104
Materials, supplies, tools and chemicals	153,510	11,861	-	165,371
Office expenses	183,592	56,358	-	239,950
Miscellaneous	14,794	1,644	-	16,438
Bank charges	16,835	1,870	-	18,705
Insurance	103,199	11,466	-	114,665
Maintenance and repairs	150,164	22,345	-	172,509
Professional fees	51,466	5,719	-	57,185
Travel and entertainment	7,469	579	-	8,048
Depreciation	1,410,664	314,498	-	1,725,162
Utilities	215,112	12,066	-	227,178
	<u>4,082,487</u>	<u>514,496</u>	<u>2,040,575</u>	<u>6,637,558</u>
Total operating expenses				
Operating loss	<u>(592,946)</u>	<u>(294,796)</u>	<u>(2,040,575)</u>	<u>(2,928,317)</u>
Non-Operating Revenues (Expenses):				
Grant revenue	-	-	2,039,036	2,039,036
Interest income	645	-	-	645
Rental income	27,593	-	-	27,593
Other income	97,702	-	-	97,702
Interest expense	(192,323)	(24,292)	-	(216,615)
	<u>(66,383)</u>	<u>(24,292)</u>	<u>2,039,036</u>	<u>1,948,361</u>
Total non-operating revenues (expenses)				
Loss before capital contributions	<u>(659,329)</u>	<u>(319,088)</u>	<u>(1,539)</u>	<u>(979,956)</u>
Capital Contributions:				
Grant revenues:				
State	319,362	-	-	319,362
Federal	6,413,638	-	-	6,413,638
	<u>6,733,000</u>	<u>-</u>	<u>-</u>	<u>6,733,000</u>
Total capital contributions				
Change in net position	6,073,671	(319,088)	(1,539)	5,753,044
Net position - beginning of year	<u>57,408,371</u>	<u>(950,791)</u>	<u>67,916</u>	<u>56,525,496</u>
Net position - end of year	<u>\$ 63,482,042</u>	<u>\$ (1,269,879)</u>	<u>\$ 66,377</u>	<u>\$ 62,278,540</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. Colón, 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, 2020, 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 20, 2020.

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 20, 2020

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. Colón, 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, 2020. 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, 2020.

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 20, 2020

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

<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	\$ 269,892	\$ -	\$ -
Total U.S Environmental Protection Agency		<u>\$ 269,892</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	\$ 2,040,575	\$ -	\$ -
Total Executive Office of the President		<u>\$ 2,040,575</u>	<u>\$ -</u>	<u>\$ -</u>
U.S. Department of Agriculture				
Water and Waste Disposal Systems for Rural Communities*	10.760	\$ 6,143,746	\$ -	\$ -
Total U.S. Department of Agriculture		<u>\$ 6,143,746</u>	<u>\$ -</u>	<u>\$ -</u>
Total Federal Financial Assistance		<u>\$ 8,454,213</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, 2020**

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, 2020. 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.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2020**

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
10.760	Water and Waste Disposal Systems for Rural Communities

- | | |
|---|-----|
| 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, 2020**

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, 2020**

An exit conference was conducted on November 20, 2020 with the following individuals in attendance:

Lower Rio Grande Public Water Works Authority

Esperanza Holguin

Martin Lopez

Kathi Jackson

John Schroder

Karen Nichols

Board Chairman

General Manager

Finance Manager

Accounting Assistant

Projects Manager

Watts CPA, P.C.

Brad Watts

Shareholder

Financial Statement Preparation

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



LOWER RIO GRANDE

Public Water Works Authority

325 Holguin Road Box C Vado, New Mexico 88072 (575) 233-5742

have each renter come in and complete a Renter's Application for water/sewer service. Both the Member and the renter must sign the Application. All renters must first pay a Renter's Deposit before service is made available. The deposit shall be refunded when the renter leaves, provided that the renter submits a Renter's Exit Form, account balance and any pending charges are paid in full. Upon receiving Renter's Exit Form, the Authority will obtain a final meter reading, issue a prorated final bill, apply the Renter's Deposit to the account balance, and refund any credit balance to the Renter. When opening a renter account, the member/owner will have no authority over the renter's account unless it becomes delinquent and 90 days from the bill date, after which the LRGPWWA will notify the member/owner and the member/owner will have the authority to close or deactivate the account.

- E. Water Rights and Fees.** New Members or current Members requesting additional service connections will be required to provide water rights transferable to the Authority or pay a fee associated with the acquisition of additional water rights.

2. WATER/SEWER SERVICE.

- A. Water/Sewer Service Ready to be Connected.** Once the application process has been completed by the property owner and the application has been approved by the Authority and all applicable fees have been paid in full, hook-up will be installed by a certified operator employed by the Authority consisting of a water metering facility at the main water line easement or a sewer line stub-out will at the collection line easement, whichever is applicable. An Authority water meter connection is required for sewer connection.
- B. Shut-off Valve.** Each water metering facility shall have a shut-off valve on the Member/customer-side of the meter. This valve shall be installed and maintained by the Member/customer. The intent of the valve is for the Member/customer to be able to shut off and reopen their service in the event of an emergency or when they make repairs on their service lines within their property. After normal business hours, the Authority shall assess a fee to open or close the service when requested by the Member and/or customers.



LOWER RIO GRANDE

Public Water Works Authority

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is available, as defined in “Water/Sewer Service”. The Authority shall bill the membership **monthly** for water/sewer service from actual meter readings and/or at the rates set forth on the approved water/sewer rate schedule attached to this Policy. All water metered as used by the member shall be subject to the rate schedule, including water leaked from a member’s line.

- C. Payment of Water/Sewer Service Bills.** Bills for water/sewer service are due and payable at the location indicated on the bill or at the location determined by the Board of Directors. Payment of a bill is due on the **due date** and becomes **overdue at 3:00 p.m. on that date**. To be timely, payments must be received in the Authority’s offices on or before **3:00 p.m. on the due date** to avoid overdue penalties. Payments made by check shall not be held. All checks received shall be deposited. For fees associated with returned checks, bank drafts, credit cards, debit cards and phone payments, see Attachment 2 Schedule of Rates & Fees.
- D. Overdue Accounts.** Overdue amounts are assessed a **penalty of 15% of the amount due per month**. Failure to pay for water/sewer service will result in disconnection of water service SEE below.
- E. Delinquent Accounts/Notification & Disconnection of Service.** Accounts become delinquent and subject to disconnection of water forty-five (45) days after the billing date. **Delinquent notice is outlined in the printed bill, no further notice will be provided.** Payment to the account which does not pay the delinquency in full will be insufficient to avoid disconnection unless arrangements for a payment plan have been approved in writing by the Customer Service Specialist at the request of the member prior to water being shut off. The Customer Service Specialist has discretion regarding whether to agree to a payment plan. **In addition, for a renter account, the member/owner will have no authority over the renter's account unless it becomes delinquent and 90 days from the bill date, after which the LRGPWWA will notify the member/owner and the member/owner will have the authority to close or deactivate the account.**
- F. Negotiation of Payment Agreement.** To avoid disconnection of services, the Customer Service Specialist and a current customer and/or Member may



LOWER RIO GRANDE

Public Water Works Authority

325 Holguin Road Box C Vado, New Mexico 88072 (575) 233-5742

negotiate a monthly payment schedule for the delinquent amount, provided that at the time of the agreement, the customer and/or Member shall pay as an initial deposit fifty percent (50%) of the overdue amount.

If services are disconnected, the Customer Service Specialist and the customer and/or Member may still negotiate a monthly payment schedule for the delinquent amount. Services will be reinstated provided that the current account holder and/or member pay the delinquency fee and fifty percent (50%) of the overdue amount.

G. Non-Sufficient Funds/Delinquent Accounts. If a payment by check or bank draft is returned for non-sufficient funds, the balance due plus Non-Sufficient_Funds Fee, and any other applicable fees shall be added to the account, which thereafter will be required to be paid in cash.

H. Disconnection of Water Service. Any water service which has been disconnected due to a delinquent account shall not be reconnected until the account has been paid in full.

The delinquency fee is applied after the delinquency date has occurred and the disconnection list is generated, which is forty-five (45) days after billing date and whether services have or have not been physically terminated through closing, locking or removing of water meter.

I. Delinquent Accounts. When an account balance reaches sixty (60) days, the customer will be required to pay a deposit (See Schedule of Rates & Fees- Attachment #2) which will be refundable after the account balance has been kept current for a period of twelve (12) consecutive months. **In addition, for a renter account, the member/owner will have no authority over the renter's account unless it becomes delinquent and 90 days from the bill date, after which the LRGPWWA will notify the member/owner and the member/owner will have the authority to close or deactivate the account.**



RCAC

**Lower Rio Grande PWWA Rate
Presentation
February 17, 2021**



WE ARE ONE

REGIONAL WATER & WASTEWATER AUTHORITY

Created in NM Statute by five founding Mutual Domestic Associations, strengthened by those who joined afterward, providing economies of scale for our systems and a stronger voice for our communities.

WE ARE MANY

16 Rural Southern New Mexico Communities

11 Former Mutual Domestic Water Associations & 1 Private System

2 Wastewater Systems

4 Separate Service Areas

7 Voting Districts

4 House & 4 Senate NM Legislative Districts

General Observations

- Growing (~0.5% annually).
- Well managed (25 loans fully paid, received funding of \$52M including \$37M in grants)
- Continuing infrastructure needs

FY22-26 ICIP

Infrastructure Capital Improvement Plan FY 2022-2026

Lower Rio Grande Public Water Works Authority Project Summary

ID	Year	Rank	Project Title	Category	Funded to date	2022	2023	2024	2025	2026	Total Project Cost	Amount Not Yet Funded	Phase?
22905	2022	001	Water System Rehabilitation & Improvements	Water - Water Supply	435,632	2,315,941	3,479,347	3,275,671	0	0	9,506,591	9,070,959	Yes
30435	2022	002	Central Operations Facility	Facilities - Administrative Facilities	3,285,619	834,661	0	0	0	0	4,120,280	834,661	No
21301	2022	003	Authority Riozito Sewer Project	Water - Wastewater	22,993,860	4,812,137	0	0	0	0	27,805,996	4,812,137	No
34026	2022	004	System-Wide Information Technology Standardization	Equipment - Other	67,000	1,080,000	150,000	100,000	250,000	0	1,647,000	1,580,000	Yes
19248	2022	005	Authority Interconnect Looping Project	Water - Water Supply	0	100,000	0	0	0	0	100,000	100,000	No
25937	2022	006	40 Year Water Plan Update	Water - Water Supply	0	75,000	0	0	0	0	75,000	75,000	No
25920	2022	007	Water Rights Purchase	Water - Water Rights	0	1,800,000	0	0	0	0	1,800,000	1,800,000	Yes
25096	2022	008	Heavy Equipment Purchase	Equipment - Other	220,000	571,000	100,000	100,000	100,000	100,000	1,191,000	971,000	Yes
30449	2022	009	Contaminant Removal Facilities and Equipment	Water - Water Supply	0	600,000	600,000	600,000	0	0	1,800,000	1,800,000	Yes
21300	2023	001	Water Supply and Treatment Plant	Water - Water Supply	961,684	0	5,000,000	500,000	0	0	6,461,684	5,500,000	No
34438	2023	002	Close Wetlands	Water - Wastewater	250,000	0	150,000	0	0	0	400,000	150,000	No
22906	2023	003	Light Equipment Purchase	Equipment - Other	160,145	0	160,000	90,000	90,000	80,000	580,145	420,000	Yes
27612	2025	001	Green Projects	Other - Other	0	0	0	0	100,000	0	100,000	100,000	No
34436	2025	002	Water Audit	Water - Water Supply	0	0	0	0	50,000	0	50,000	50,000	No
30447	2025	003	Water Master Plan	Water - Water Supply	110,000	0	0	0	50,000	0	160,000	50,000	No

WATER FUND



LRGPWWA Water System Observations

- Additional funding needed for new projects
- Last rate increase in 2014 phased in over 3 years
- Current residential rates comparable to other systems

Major Water Projects

- South Valley Water Supply & Treatment (\$4,966,400)
- Central Office Building (\$3,285,619)
- Valle Del Rio Water System Project (\$1,197,708)
- East Mesa Water System Improvements (\$7,884,617)
- High Valley Water System Improvements (\$1,408,498)

Selected Area Water Rates

System Name	# Connections	Residential (6K Gallons)	Commercial (6K Gallons)
LRGPWWA	5022	\$33.82	\$45.90*
Elephant Butte	1062	\$46.77	\$42.21
Anthony W&SD	2996	\$34.38	\$39.84*
Silver City	7257	\$34.79	\$34.79
2020 Average Rate (N-5)	5000-10000	\$39.86 = Average rate per connection	

*Small Commercial Rate

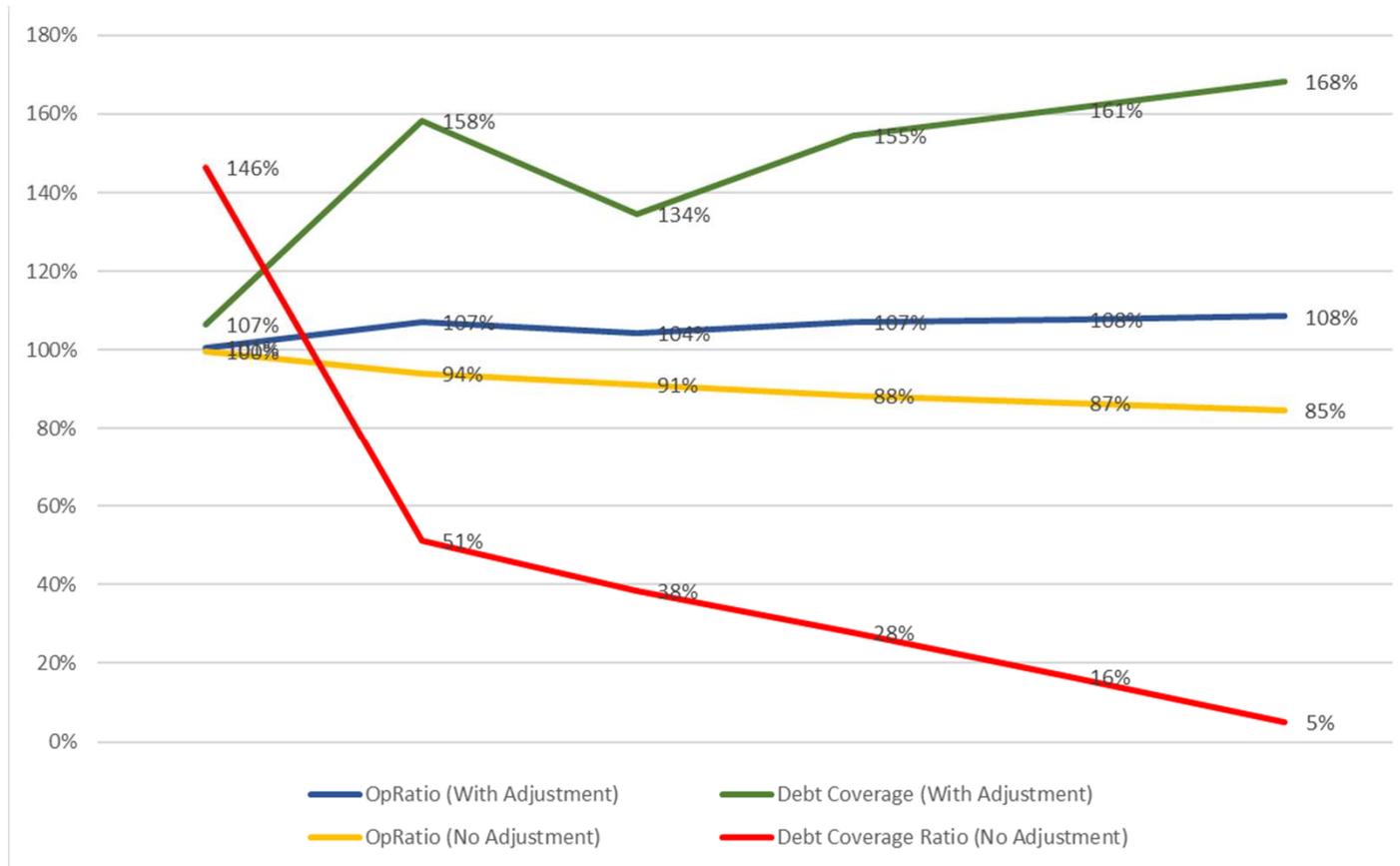
5-Year Water Revenue Forecast (3% Adjustment with 10% in FY22 and FY23)

	FY20	FY21	FY22	FY23	FY24	FY25	FY26
REVENUE							
Water Sales	\$ 2,772,623.13	\$ 2,850,000.00	\$ 2,950,177.50	\$ 3,261,421.23	\$ 3,605,501.17	\$ 3,732,234.53	\$ 3,863,422.58
Other Operating Revenue	\$ 208,747.90	\$ 105,000.00	\$ 105,000.00	\$ 105,000.00	\$ 105,000.00	\$ 105,000.00	\$ 105,000.00
Number of Customers	4975	5022	5047	5073	5098	5123	5149
Combined Water Sales	\$2,981,371.03	\$2,955,000.00	\$3,266,752.50	\$3,611,394.89	\$3,738,335.42	\$3,869,737.91	\$4,005,759.20
Percent Revenue Increase	0%	3%	10%	10%	3%	3%	3%
Additional Revenue from Rate Increase Adjustment		\$ 85,500.00	\$ 295,017.75	\$ 326,142.12	\$ 108,165.03	\$ 111,967.04	\$ 115,902.68
		(\$56,430.00)	(\$147,508.88)	(\$163,071.06)	(\$54,082.52)	(\$55,983.52)	(\$57,951.34)
Total Operating Revenue	\$ 2,981,371.03	\$ 2,984,070.00	\$ 3,414,261.38	\$3,448,323.83	\$3,684,252.90	\$3,813,754.39	\$3,947,807.86
New Connections & Water Rights	\$ 88,775.75	\$ 70,000.00	\$ 70,000.00	\$ 70,000.00	\$ 70,000.00	\$ 70,000.00	\$ 70,000.00
Other Non -Operating Revenue	\$ 215,511.43	\$ 171,000.00	\$ 171,000.00	\$ 171,000.00	\$ 171,000.00	\$ 171,000.00	\$ 171,000.00
Total Revenue	\$3,285,658.21	\$3,225,070.00	\$3,655,261.38	\$3,689,323.83	\$3,925,252.90	\$4,054,754.39	\$4,188,807.86
Base Operating Expenses	\$ 2,653,328.56	\$ 2,917,000.00	\$ 3,004,510.00	\$ 3,094,645.30	\$ 3,187,484.66	\$ 3,283,109.20	\$ 3,381,602.47
Additional Operating Expenses						\$ -	\$ -
Existing Annual Debt Service	\$ 178,768.62	\$ 279,000.00	\$ 370,791.17	\$ 370,791.17	\$ 370,791.17	\$ 370,791.17	\$ 370,791.17
USDA Loan - S. Valley Improvements		\$ 10,041.00	\$ 40,164.00	\$ 40,164.00	\$ 40,164.00	\$ 41,368.92	\$ 42,609.99
E. Mesa Water Improvements (Phase 1)				\$31,329.71	\$31,329.71	\$31,329.71	\$31,329.71
E. Mesa Water Improvements (Phase 2)					\$35,116.20	\$35,116.20	\$35,116.20
High Valley Improvements (Phase 3)					\$5,210.83	\$5,210.83	\$5,210.83
Total Operating Expenses & Debt	\$2,832,097.18	\$3,206,041.00	\$3,415,465.17	\$3,536,930.18	\$3,664,885.74	\$3,761,715.20	\$3,861,449.55
NET SYSTEM REVENUE	\$ 453,561.03	\$ 19,029.00	\$ 239,796.20	\$ 152,393.64	\$ 260,367.16	\$ 293,039.19	\$ 327,358.31
Plus: Beginning Cash Balance		\$ 881,534.84	\$789,776.41	\$885,685.63	\$804,877.55	\$821,389.98	\$870,574.44
Net Position Before Reserves	\$ 453,561.03	\$ 900,563.84	\$1,029,572.61	\$1,038,079.28	\$1,065,244.71	\$1,114,429.17	\$1,197,932.75
RESERVES and TRANSFERS							
Existing SLA		\$ 109,783.33	\$ 109,783.33	\$ 109,783.33	\$ 109,783.33	\$ 109,783.33	\$ 109,783.33
SLA - South Valley Project			\$ 25,754.25	\$ 103,017.00	\$ 103,017.00	\$ 103,017.00	\$ 103,017.00
SLA - E. Mesa (Phase 1)				\$ 12,052.00	\$ 12,052.00	\$ 12,052.00	\$ 12,052.00
SLA - E. Mesa (Phase 2)					\$ 10,653.00	\$ 10,653.00	\$ 10,653.00
SLA - High Valley (Phases 1-3)			\$ 4,333.00	\$ 4,333.00	\$ 4,333.00	\$ 4,333.00	\$ 4,333.00
Debt Reserve -S. Valley Improvements		\$ 1,004.10	\$ 4,016.40	\$ 4,016.40	\$ 4,016.40	\$ 4,016.40	\$ 4,016.40
Other Reserves				\$ -			
Total Reserves	\$ -	\$ 110,787.43	\$ 143,886.98	\$ 233,201.73	\$ 243,854.73	\$ 243,854.73	\$ 243,854.73
Net Position After Reserves		\$ 789,776.41	\$ 885,685.63	\$ 804,877.55	\$ 821,389.98	\$870,574.44	\$954,078.02
Operating Ratio (With Adjustment)		101%	107%	104%	107%	108%	108%
% Debt Coverage Ratio (With Adjustment)		107%	158%	134%	155%	161%	168%

5-Year Water Revenue Forecast (No Rate Adjustment)

	FY20	FY21	FY22	FY23	FY24	FY25	FY26
REVENUE							
Water Sales	\$ 2,772,623.13	\$ 2,850,000.00	\$ 2,864,250.00	\$ 2,878,571.25	\$ 2,892,964.11	\$ 2,907,428.93	\$ 2,921,966.07
Other Operating Revenue	\$ 208,747.90	\$ 105,000.00	\$ 105,000.00	\$ 105,000.00	\$ 105,000.00	\$ 105,000.00	\$ 105,000.00
Number of Customers	4975	5022	5047	5073	5098	5123	5149
Combined Water Sales	\$ 2,981,371.03	\$ 2,955,000.00	\$ 2,969,775.00	\$ 2,984,623.88	\$ 2,999,546.99	\$ 3,014,544.73	\$ 3,029,617.45
Percent Revenue Increase	0%	0%	0%	0%	0%	0%	0%
Additional Revenue from Rate Increase Adjustment		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Operating Revenue	\$ 2,981,371.03	\$ 2,955,000.00	\$ 2,969,775.00	\$ 2,984,623.88	\$ 2,999,546.99	\$ 3,014,544.73	\$ 3,029,617.45
New Connections & Water Rights	\$ 88,775.75	\$ 70,000.00	\$ 70,000.00	\$ 70,000.00	\$ 70,000.00	\$ 70,000.00	\$ 70,000.00
Other Non -Operating Revenue	\$ 215,511.43	\$ 171,000.00	\$ 171,000.00	\$ 171,000.00	\$ 171,000.00	\$ 171,000.00	\$ 171,000.00
Total Revenue	\$ 3,285,658.21	\$ 3,196,000.00	\$ 3,210,775.00	\$ 3,225,623.88	\$ 3,240,546.99	\$ 3,255,544.73	\$ 3,270,617.45
Base Operating Expenses	\$ 2,653,328.56	\$ 2,917,000.00	\$ 3,004,510.00	\$ 3,094,645.30	\$ 3,187,484.66	\$ 3,283,109.20	\$ 3,381,602.47
Additional Operating Expenses						\$ -	\$ -
Existing Annual Debt Service	\$ 178,768.62	\$ 279,000.00	\$ 370,791.17	\$ 370,791.17	\$ 370,791.17	\$ 370,791.17	\$ 370,791.17
USDA Loan - S. Valley Improvements		\$ 10,041.00	\$ 40,164.00	\$ 40,164.00	\$ 40,164.00	\$ 41,368.92	\$ 42,609.99
E. Mesa Water Improvements (Phase 1)				\$ 31,329.71	\$ 31,329.71	\$ 31,329.71	\$ 31,329.71
E. Mesa Water Improvements (Phase 2)					\$ 35,116.20	\$ 35,116.20	\$ 35,116.20
High Valley Improvements (Phase 3)					\$ 5,210.83	\$ 5,210.83	\$ 5,210.83
Total Operating Expenses & Debt	\$ 2,832,097.18	\$ 3,206,041.00	\$ 3,415,465.17	\$ 3,536,930.18	\$ 3,664,885.74	\$ 3,761,715.20	\$ 3,861,449.55
NET SYSTEM REVENUE	\$ 453,561.03	\$ (10,041.00)	\$ (204,690.17)	\$ (311,306.31)	\$ (424,338.75)	\$ (506,170.47)	\$ (590,832.09)
Plus: Beginning Cash Balance		\$ 881,534.84	\$ 760,706.41	\$ 412,129.26	(\$ 132,378.78)	(\$ 800,572.26)	(\$ 1,550,597.46)
Net Position Before Reserves	\$ 453,561.03	\$ 871,493.84	\$ 556,016.24	\$ 100,822.95	\$ (556,717.53)	\$ (1,306,742.73)	\$ (2,141,429.55)
RESERVES and TRANSFERS							
Existing SLA		\$ 109,783.33	\$ 109,783.33	\$ 109,783.33	\$ 109,783.33	\$ 109,783.33	\$ 109,783.33
SLA - South Valley Project			\$ 25,754.25	\$ 103,017.00	\$ 103,017.00	\$ 103,017.00	\$ 103,017.00
SLA - E. Mesa (Phase 1)				\$ 12,052.00	\$ 12,052.00	\$ 12,052.00	\$ 12,052.00
SLA - E. Mesa (Phase 2)					\$ 10,653.00	\$ 10,653.00	\$ 10,653.00
SLA - High Valley (Phases 1-3)			\$ 4,333.00	\$ 4,333.00	\$ 4,333.00	\$ 4,333.00	\$ 4,333.00
Debt Reserve -S. Valley Improvements		\$ 1,004.10	\$ 4,016.40	\$ 4,016.40	\$ 4,016.40	\$ 4,016.40	\$ 4,016.40
Other Reserves				\$ -			
Total Reserves	\$ -	\$ 110,787.43	\$ 143,886.98	\$ 233,201.73	\$ 243,854.73	\$ 243,854.73	\$ 243,854.73
Net Position After Reserves		\$ 760,706.41	\$ 412,129.26	\$ (132,378.78)	\$ (800,572.26)	\$ (1,550,597.46)	\$ (2,385,284.28)
Operating Ratio (No Adjustment)		100%	94%	91%	88%	87%	85%
% Debt Coverage Ratio (No Adjustment)		97%	50%	30%	11%	-6%	-23%

Comparison of Rate Scenarios



Cash Balance on 6/30/20 = \$881,534

Projected Cash Balance on 6/30/25 (w/adjustments): \$870,574.44

Projected Cash Balance on 6/30/25 (w/o adjustments): **-\$1,550,597.46**



Key Assumptions

- Large project grant component (60-80%)
- Low interest rates (1.5%-2.5%)
- 30-40 loan period
- 0.5% annual growth rate in connections
- No growth in non-operating revenue
- 3% annual increase in expenses excluding debt

Impact of 3% Adjustment on Current Residential Water Rates

Monthly Usage (Gallons)	Current Rate	3% Adjustment	Monthly Increase
3,000	\$23.35	\$24.05	\$0.70
6,000	\$33.82	\$34.83	\$1.01
15,000	\$74.09	\$76.31	\$2.22
50,000	\$295.49	\$304.35	\$8.86

Recommendations

- Implement 3% annual adjustment to help keep pace with revenue needs
- Complete formal rate study incorporating additional information (Fall/Winter 2021)
- Evaluate system fees and other system revenue

SEWER FUND



Sewer Fund Observations

- Growing with large increase in new connections expected
- Rates considerably lower than other systems
- Major infrastructure needs identified:
 - Brazito Sewer Project Phase 1 (\$8,598,408)
 - Brazito Sewer Project Phase 2 (\$14,219,040)

Selected Area Sewer Rates

System Name	# Connections	Residential (6K Gallons)	Commercial (6K Gallons)
LRGPWWA	570*	\$22.50	29.25
Dona Ana County	NA	\$51.22	97.22
Anthony W&SD	2584	\$35.01	\$40.59
2020 Sewer Rate Survey Average (N=13)	1000-5000	Average rate per connection = \$33.62	

*Over 1100 connections anticipated with completion of Brazito Sewer Project

5-Year Sewer Revenue Forecast

	FY20	FY21	FY22	FY23	FY24	FY25	FY26
REVENUE							
Sewer Sales	\$ 141,142.38	\$145,376.65	\$313,768.84	\$660,889.83	\$684,120.11	\$708,166.93	\$733,059.00
Other Operating Revenue	\$ 5,766.83	\$ 4,500.00	\$ 6,474.95	\$ 10,028.06	\$ 10,078.20	\$ 10,128.59	\$ 10,179.23
Number of Connections Served	499	499	718	1112	1118	1123	1129
Combined Sewer Sales	\$146,909.21	\$149,876.65	\$320,243.79	\$670,917.89	\$694,198.31	\$718,295.52	\$743,238.23
Percent Rate Increase	0%	3%	50%	36%	3%	3%	3%
Adjustment		(\$3,175.70)	(\$84,196.10)	(\$173,560.49)	(\$11,615.14)	(\$12,023.41)	(\$12,446.03)
Non Operating Revenue		\$54,750.00	\$98,500.00	\$1,390.00	\$1,396.95	\$1,403.93	\$1,410.95
Total Operating Revenue	\$146,909.21	\$201,450.95	\$334,547.70	\$498,747.39	\$683,980.12	\$707,676.04	\$732,203.15
Total Revenue	\$ 146,909.21	\$ 201,450.95	\$ 334,547.70	\$ 498,747.39	\$ 683,980.12	\$ 707,676.04	\$ 732,203.15
Base Operating Expenses	\$ 98,141.45	\$ 101,085.69	\$ 104,118.26	\$ 107,241.81	\$ 110,459.07	\$ 113,772.84	\$ 117,186.02
Additional Operating Expenses			\$ 36,011.00	\$ 64,199.00	\$ 66,124.97	\$ 68,108.72	\$ 70,151.98
Existing Annual Debt Service	\$ 50,939.00	\$ 45,000.00	\$ 70,695.84	\$ 70,695.84	\$ 70,695.84	\$ 70,695.84	\$ 70,695.84
USDA Project-Phase 2			\$ 255,492.00	\$ 255,492.00	\$ 255,492.00	\$ 255,492.00	\$ 255,492.00
Other Projects				\$0.00	\$0.00	\$0.00	\$0.00
Total Operating Expenses & Debt	\$ 149,080.45	\$ 146,085.69	\$ 466,317.10	\$ 497,628.65	\$ 502,771.87	\$ 508,069.39	\$ 513,525.84
Net System Revenue	\$ (2,171.24)	\$ 55,365.25	\$ (131,769.40)	\$ 1,118.75	\$ 181,208.24	\$ 199,606.65	\$ 218,677.31
Plus: Beginning Cash Balance		\$0.00	\$30,365.25	(\$151,953.35)	(\$261,291.80)	(\$190,540.76)	(\$101,391.31)
Net Position Before Reserves	\$ (2,171.24)	\$ 55,365.25	\$ (101,404.15)	\$ (150,834.60)	\$ (80,083.56)	\$ 9,065.89	\$ 117,286.00
RESERVES and TRANSFERS							
Existing SLA	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00
SLA-Brazito (Phase 2)		\$ -	\$ -	\$ 59,908.00	\$ 59,908.00	\$ 59,908.00	\$ 59,908.00
Debt Reserve - Existing							
Debt Reserve - Brazito (Phase 2)			\$ 25,549.20	\$ 25,549.20	\$ 25,549.20	\$ 25,549.20	\$ 25,549.20
Other Reserves				\$ -	\$ -	\$ -	\$ -
Total Reserves	\$ 25,000.00	\$ 25,000.00	\$ 50,549.20	\$ 110,457.20	\$ 110,457.20	\$ 110,457.20	\$ 110,457.20
Net Position After Reserves	\$ (27,171.24)	\$ 30,365.25	\$ (151,953.35)	\$ (261,291.80)	\$ (190,540.76)	(\$101,391.31)	\$6,828.80

Key Assumptions

- Brazito Sewer Project Phase 2 in operation by FY23
- 1112 connections by FY23
- 3% annual increase in expenses excluding debt

Calculated Average Monthly Rate per Connection (FY23) = \$49.53

Recommendations

- Implement 3% annual adjustment
- Complete formal rate study incorporating additional information (2021)
- Evaluate system fees and other system revenue

Summary

- Additional revenue needed to maintain operation and pay for needed infrastructure (especially sewer)
- 3% initial rate adjustment identified
- Complete formal rate studies for water and sewer

Questions

