



LOWER RIO GRANDE
Public Water Works Authority

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

www.LRGauthority.org

Sign In Sheet

Page 1 of 2

Date: February 21, 2024

Time: 9:00 am

Places: La Mesa Office

Event: Regular Board Mtg

SIGNATURE	Print Name, Title, Company	Phone Number	Email Address
	Martin Lopez LRG General Manager	575-233-5742 Ext. 1004	martin.lopez@lrgauthority.org
	Karen Nichols LRG Projects Manager	575-233-5742 Ext. 1018	karen.nichols@lrgauthority.org
	Patricia Charles LRG Projects Special.	575-233-5742 Ext. 1021	patty.charles@lrgauthority.org
	Kathi Jackson LRG Finance Manager	575-233-5742 Ext. 1005	kathi.jackson@lrgauthority.org
	John Schroder LRG Accounting Assistant	575-233-5742 Ext. 1006	john.schroder@lrgauthority.org
	Mike Lopez LRG Operations Manager	575-233-5742 Ext. 1011	mike.lopez@lrgauthority.org
absent	Espy Holguin – District 4 LRG Board Chair	575-644-9543	Espy.holguin@lrgauthority.org
	Glory Juarez – District 6 LRG Board Secretary	575-494-2750	glory.juarez@lrgauthority.org
	James Cadena – District 3 LRG Board Vice Chair	480-206-5930	James.cadena@lrgauthority.org
	Enrique Franco – District 2 LRG Board Director	575-649-1610	Enrique.franco@lrgauthority.org
	Juan Perez – District 5 LRG Board Member	575-520-4010	juan.perez@lrgauthority.org
absent	Josh Smith LRG Attorney	575-528-0500	
via zoom			
via zoom	 HDR Engineering		

LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY

Draft Minutes —REGULAR BOARD OF DIRECTORS MEETING

9:00 a.m. Wednesday, February 21, 2024 AT THE LA MESA OFFICE & ONLINE VIA ZOOM

Contact us at 575-233-5742 or board@LRGauthority.org for information, assistance, online meeting link, 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:** Mr. Cadena called the meeting to order and established quorum at 9:04 a.m. District #1 is vacant, **Mr. Franco** representing District #2 was present, **Mr. Cadena** representing District #3 was present, **Mrs. Holguin** representing District #4 was absent, **Juan L Perez** representing District # 5 was present, **Mrs. Juarez** representing District #6 was present, District #7 is vacant. Staff present were General Manager Martin Lopez, Projects Manager Karen Nichols, Projects Specialist Patricia Charles, Finance Manager Kathi Jackson, Operations Manager Mike Lopez. Guests present were Tyler Hopkins from Souder, Miller & Associates, Filiberto Castorena and Gabe Alvarado from HDR Engineering and Brad Watts from Watts CPA Public Accountant.
- II. **Pledge of Allegiance:** The pledge of allegiance was led by General Manager Martin Lopez
- III. **Swearing in and Oath of Office for newly Elected Board Members:** Mr. Lopez read the oath of office to Mr. Perez, who accepted the oath of office.
- IV. **Motion to approve Agenda:** Mrs. Juarez made the motion to approve the agenda. Mr. Franco seconded the motion, the motion passed with all in favor.
- V. **Approval of Minutes: Motion to approve the minutes for Regular Board Meeting on Jan. 17, 2024:** Mrs. Juarez made the motion to approve the minutes for the board meeting on January 17 2024. Mr. Franco seconded the motion, the motion passed with all in favor.
- VI. **Presentations:** none
- VII. **Public Input:** none
- VIII. **Managers' Reports**
 - A. **General Manager:** Mr. Lopez provided a written report and stood for questions. USDA Rural Partner Network will be having a Forum at the New Mexico Farm & Ranch Museum in La Cruces on March 12 from 8am to 4pm and a reception from 5-7 pm. We had some vandalism, which caused damage and theft at the Tierra Alta SCADA antenna site. He reported it to the insurance company and have already received reimbursement for the damages. We have finalized documentation for the refund of an ex-Butterfield Park MDWCA employee's annuity. Sleeping Joseph a proposed subdivision, south of Vado received permission from DAC Planning & Zoning to change zoning designation to potentially allow 50 houses be built. We have not been approached for water services yet. We have hired another Operations trainee and an office clerk; we are now fully staffed. DAC Commissioners Schaljo-Hernandez and Murillo will be hosting a community meeting at the Vado/Del Cerro Community Center tonight at 6 pm. Mr. Lopez plans to attend. Thursday,

February 22, 2024 there will be a Public Hearing for a Special Use Permit for a proposed Solar Farm on the East side of I-10 between Brazito and Mesquite. We have not been approached for water; we did have a few concerns regarding their water usage. These types of Projects use water only during construction. Our offices were closed on Monday February 19th for President's Day.

- B. Finance:** Mr. Jackson provided a written report and stood for questions. Our revenues were \$623,959.24, which includes impact fees of \$243,000.00 that we have requested but have not received. Our actual revenue is approximately \$380,000.00. Our expenditures were \$383,150.92 we had a large expense on well issues, that Mike Lopez will expand on in his Operations report. We are still with in our budget with 3.1 million in revenues and 2.8 million in expense.
- C. Projects:** Ms. Nichols provided a written report and stood for questions. The sewer project is close to being finished. We are looking at 3 lift stations starting up today. Central Office Building completion date has been moved to May. Ms. Charles and I are working on two Colonias Applications the deadline is close. Legislative Session ended on the 15th the report on bills introduced and passed is posted on our board member web page. These are still subject to veto, including two of our Capital Outlay requests- one for \$50,000 for our Rincon Office and the other for \$250,000 for heavy equipment purchase, we were hoping to purchase a vactor truck with this money but it is still not enough money for that.
- D. Operations:** Mr. Lopez provided a written report and stood for questions. We had a problem with the force main from Brazito to Mesquite. We figured out that it was the chemicals we were using, it was creating a blockage so we discontinued using it for a bit to see what happens. The Talavera waters system lost a lot of water in their storage tanks. Our operators found three different issues and repaired them. We had a problem with our Chlorine equipment in La Mesa. The water was coming back into the system from the injection site, but our operators corrected the problem and there was no risk to the public. The well issues Ms. Jackson talked about are at Well#2 Butterfield Park. We had a crew put a camera in the tank and found that the screens were very plugged up and also found a big hole on the sleeve. We cleaned out the screens they are now a bit better. The parts have been ordered to make the repairs need to get this well in good running order. We will have to find some emergency money to get that well replaced. We produced 37.19 million gallons January this year and last January we produced 33.9 million gallons. Mr. Franco asked if we get bids for the installation of the well. Mr. Lopez said we typically get 3 or more sealed bids. Ms. Jackson said any project that costs over \$60,000.00 we have to go thru the formal procurement process. Mr. Lopez said first we need to get a strategy in place for the funding of the well, then tread lightly around any issues with Moon Gate or the City of Las Cruces.

IX. Unfinished Business: none

X. New Business

- A. Motion to approve FY2023 audit:** Mr. Lopez said he was informed about a one week and a half that our Audit was approved by the State. Ms. Jackson said the State now requires that the Auditor present the findings to the Board Members. Board Members were provided with a copy of the Audit and Mr. Brad Watts explained the findings to the Board Members. After the presentation Mr. Watts said they have one year left to prepare the audit for us, due to the State requirements. Mr. Cadena commended Staff for a job well done and all their hard work. Mrs. Juarez made the motion to approve the FY2023 audit. Mr. Franco seconded the motion, the motion passed with all in favor.

XI. Other discussion and agenda items for next meeting at 9:00 a.m. Wednesday, March 20, 2024 at our La Mesa Office and via Zoom.

A. Have any Board Members participated in training? If so, please give us a copy of your certificate:

Mr. Franco wanted to attend the last Board Member training, but was unable to attend due to Computer issues. We will notify him when this training comes around again.

B. Closing documents and Resolution for WPF-5968

Ms. Nichols said we will have two closing on next months agenda. We finally got permission from USDA Rural Development for additional indebtedness after waiting 6-7 months. Mr. Lopez said Talavera had its Sanitary Survey recently and the Operations Staff did a great job in keeping everything running well. The only finding was that they had not had the tank dove in 5 years. We are helping them get that done. High Valley and Valle Del Rio will be having their Sanitary Surveys done tomorrow, Thursday, February 22, 2024. Ms. Charles and Mr. Lopez worked on getting the Operations & Maintenance and the Emergency Response Plan updated.

XII. Motion to Adjourn: Mr. Franco made the motion to adjourn the board meeting at 9:45 a.m.

These minutes will be presented to the board for approval on the 20th Day of March, 2024 at a regular meeting of the Board of Directors:

SEAL:

Esperanza Holguin, Board Chair

Attest:

Glory Juarez, Secretary

LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY

Meeting Notice & Agenda—REGULAR BOARD OF DIRECTORS MEETING

9:00 a.m. Wednesday, February 21, 2024 AT THE LA MESA OFFICE & ONLINE VIA ZOOM

Contact us at 575-233-5742 or board@LRGauthority.org for information, assistance, online meeting link, 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 is vacant, **Mr. Franco** _____ (District #2), **Mr. Cadena** _____ (District #3), **Mrs. Holguin** _____ (District #4), **Juan L Perez** _____ (District # 5), **Mrs. Juarez** _____ (District #6), District #7 is vacant.
- II. Pledge of Allegiance
- III. Swearing in and Oath of Office for newly Elected Board Members
 1. Mr. Juan Perez – District #5
- IV. Motion to approve Agenda
- V. Approval of Minutes: Motion to approve the minutes for Regular Board Meeting on Jan. 17, 2024
- VI. Presentations: none
- VII. Public Input: 3 minutes per person
- VIII. Managers' Reports
 - A. General Manager
 - B. Finance
 - C. Projects
 - D. Operations
- IX. Unfinished Business- none
- X. New Business
 - A. Motion to approve FY2023 audit
- XI. Other discussion and agenda items for next meeting at 9:00 a.m. Wednesday, March 20, 2024 at our La Mesa Office and via Zoom.
 - A. Have any Board Members participated in training? If so, please give us a copy of your certificate
 - B. Closing documents and Resolution for WPF-5968
- XII. Motion to Adjourn

If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aide or service to attend or participate in the hearing or meeting, please contact the LRGPWWA office at 575-233-5742, PO Box 2646, Anthony NM 88021 OR 215 Bryant St., Mesquite NM at least one week prior to the meeting or as soon as possible. Public documents, including the agenda and minutes, can be provided in various accessible formats. Please contact the LRGPWWA office if a summary or other type of accessible format is needed.

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



www.LRGauthority.org

LOWER RIO GRANDE

Public Water Works Authority

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

Oath of Office

I, **Juan Perez**, do solemnly swear that I will support the Constitution of the United States and the Constitution and the laws of the State of New Mexico and that I will faithfully and impartially discharge the duties of the office of Director of the Lower Rio Grande Public Water Works Authority, on which I am about to enter, to the best of my abilities, so help me God.

District 6 Term ends December 31, 2025

Signature

Subscribed and Sworn to me on this
21st day of February, 2024

Signature

Title

My commission/term
expires _____

LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY

Minutes —REGULAR BOARD OF DIRECTORS MEETING

9:00 a.m. Wednesday, January 17, 2024 AT THE LA MESA OFFICE & ONLINE VIA ZOOM

Contact us at 575-233-5742 or board@LRGauthority.org for information, assistance, online meeting link, 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:** Mrs. Holguin called the meeting to order at 9:02 a.m. District #1 is vacant, **Mr. Franco** representing District #2 was present, **Mr. Cadena** representing District #3 was present, **Mrs. Holguin** representing District #4 was present, District # 5 is vacant, **Mrs. Juarez** representing District #6 was present via Zoom, District #7 is vacant. Staff members present were General Manager Martin Lopez, Projects Manager Karen Nichols, Projects Specialist Patricia Charles, Finance Manager Kathi Jackson, Accounting Assistant John Schroder and Operations Manager Mike Lopez. Guest present were Marty Howell with Souder, Miller & Associates, Filiberto Castorena with HDR Engineering and Juan Perez community member.
- II. **Pledge of Allegiance:** The pledge of allegiance was led by General Manager Martin Lopez.
 - A. **Swearing in and Oath of Office for newly Elected Board Members:** Mr. Lopez read the oath of office to Mr. Franco and Mrs. Juarez, they both accepted the oath of office.
 1. Mr. Enrique Franco – District #2
 2. Mrs. Glory Juarez – District #6
- III. **Election of LRGPWWA Board Officers:** Mr. Cadena made the motion to keep the board officers as they are currently Mrs. Holguin Board Chair, Mr. Cadena Board Vice Chair and Mrs. Juarez, Secretary. Mr. Franco seconded the motion, the motion passed with all in favor.
- IV. **Motion to approve Agenda:** Mr. Cadena made the motion to approve the agenda. Mr. Franco seconded the motion, the motion passed with all in favor.
- V. **Approval of Minutes: Motion to approve the minutes for Regular Board Meeting on Dec. 13, 2023:** Mr. Cadena made the motion to approve the minutes for the board meeting on Dec. 13, 2023. Mr. Franco seconded the motion, the motion passed with all in favor.
- VI. **Presentations:** none
- VII. **Public Input:** none
- VIII. **Managers' Reports**
 - A. **General Manager:** Mr. Lopez provided a written report and stood for questions. The solar farm is going to start their installation this summer. He is having the attorney draft a prorated agreement for the renter versus a yearly agreement. Agreement will also have language which will allow for the use of the water rights on other farm land. NMRWA will be conducting an energy audit at the Butterfield Park water system it will start on February 22, 2024. JJ Gutierrez from our staff is

conducting our annual safety inspection for Workmen Compensation Insurance. We are still coordinating in the inspection/observation of three Subdivisions 2 in Berino and 1 in Vado. We will have 200-300 homes coming on line in the next few years. DAC will be paving Tres Caballo Road in Mesquite, we are coordinating to insure LRGPWWA water and sewer lines are not impacted. We got authorization from LRG board to use design funds to install fiber optic internet to the East Mesa location and we did get approval for the use of those funds from Colonias.

- B. Projects:** Ms. Nichols provided a written report and stood for questions. Mesquite-Brazito Sewer Project 2 should be completed by March working with Smithco was great to work with. We don't have enough money left to purchase an additional lift station, but we could use the funds to purchase a new vactor truck. We have not heard from USDA RD regarding the purchase of the vactor truck. We are still waiting for letters of permission for additional debt for last year's WTB and Colonias Projects. Central Office Building Project- we had a meeting yesterday on site. We are meeting every two weeks and are looking forward to inviting Board Members to the site in about a month. There are still some issues with the Contractor, they wanted to back out of some of the road work. They were told they could not, because this work is part of the Project and it is in the contract. South Valley Water Supply & Treatment Project is almost complete, we are working on a punch list. Ms. Jackson said the work on the Asset Management Plan is ongoing. Legislature started yesterday it will be a 30-day session. Her report will be updated regularly and posted on the Directors Only website. We had 3 Capital Outlay requests submitted; one is for \$500,000.00 to replace the Rincon building which was badly damaged last year.
- C. Operations:** Mr. Lopez provided a written report and stood for questions. We had a total of 6 new water service installations; 4 in the South Valley area, 1 in the East Mesa area and 1 in the Rincon area. We had a very bad leak in the Talavera area, it took 3 days to fix the leak. December's water production was at 33.04 million gallons a bit less then Novembers, which was 36 million gallons.
- D. Finance:** Ms. Jackson provided a written report and stood for questions. Revenue was \$375,970.00 quarter activity was \$1,222,030.25. Expenses were \$391,384.85 quarter activity was \$1,120,493.91. We are at 59% production budget; a point of concern is the repairs needed on the vehicle. She received an email yesterday from NM HYDRA to inform her that the Financial Director had retired. She does not see any problems, but hopes we can continue working with them.

IX. Unfinished Business

A. Appointment of Directors for Vacant Districts 1,5 & 7

- 1. Letter of Interest from Juan Perez for District 5:** Mr. Perez attended our meeting and was asked to speak about himself. He said he would be a real asset to LRGPWWA. Mr. Cadena made the motion to appoint Mr. Perez as a board member representing District 5, which expires Dec 31, 2025. Mr. Franco seconded the motion, the motion passed with all in favor.

X. New Business

- A. Motion to adopt Resolution #FY2024-15 Adopting Amended ICIP for FY2025-2029:** Mr. Lopez said the ICIP had already been approved. But he was asked to add the Rincon building to the ICIP. Mr. Cadena made the motion to adopt Resolution #FY2024-15 adopting amended ICIP. Mr. Franco seconded the motion, the motion passed with all in favor.

- B. Motion to adopt Resolution #FY2024-16 Adopting 2nd Quarter Budget:** Mr. Cadena made the motion to adopt Resolution #FY2024-16 adopting 2nd quarter budget. Mr. Franco seconded the motion, the motion passed with all in favor.

- C. Motion to adopt Resolution #FY2024-17 Authorizing Application to Colonias Infrastructure Fund for Mesquite Lift Stations Rehab Project:** Mr. Lopez said the 5 million dollars Colonias funding we received the year before last has all been spent. This application is for rehab of 10 lift stations that were part of the original Project, but are now more than 10 years old and are starting to fail and are in need of rehab. Mr. Cadena made the motion to adopt Resolution #FY2024-17 authorizing application to Colonias Infrastructure Fund for the Mesquite lift stations. Mr. Franco seconded the motion, the motion passed with all in favor.

- D. Motion to adopt Resolution #FY2024-18 Authorizing Application to Colonias Infrastructure Fund for High Valley Waterline Replacement Project:** a correction is needed to the title of this Resolution. Mr. Cadenas made the motion to adopt Resolution #FY2024-18 with the correction. Mr. Franco seconded the motion, the motion passed with all in favor.

- E. Audit Approval:** this item was postponed as the audit has not been approved by the State

- F. Amend the Board of Directors Schedule of Board Meetings 2023-2024. June 2024 meeting is on 19th which is Juneteenth day (Holiday):** Mrs. Holguin asked the board members which date they would like to move the meeting to June 12 or June 26. The board members selected June 26. Mr. Cadena made the motion to amend the Board of Directors Schedule of Board Meetings 2023-2024 to update the June meeting from the 19th to the 26th. Mr. Franco seconded the motion, the motion passed with all in favor.

- XI. Other discussion and agenda items for next meeting at 9:00 a.m. Wednesday, February 21, 2024 at our La Mesa Office and via Zoom.**
 - A.** Have any Board Members participated in training? If so, please give us a copy of your certificate
 - B.** Oath of Office for newly appointed Board Member Juan Perez

- XII. Motion to Adjourn:** Mr. Cadena made the motion to adjourn the meeting at 9:58 a.m.

These minutes will be presented to the board for approval on the 21st Day of February, 2024 at a regular meeting of the Board of Directors:

SEAL:

Esperanza Holguin, Board Chair

Attest:

Glory Juarez, Secretary

LRGPWWA
Manager's Report
February 21, 2024

- USDA Rural Partner Network will be having a Forum at the New Mexico Farm and Ranch Muesum in Las Cruces on March 12 from 8am to 4pm
- All documentation has been submitted to the Insurance for a claim to damage and theft at the Tierra Alta SCACA (antenna) site
- Final documentation has been finalized including refund of an ex-Butterfield Park MDWCA employee annuity, which LRGPWWA assumed as part of the merger in 2012
- Proposed Subdivision (Sleeping Joseph), South of Vado received permission from Planning and Zoning to change Zoning Designation to potentially allow 50 houses
- Have hired another Operations trainee and office clerk, we are now fully staffed
- DAC Commissioners Schaljo-Hernandez and Murillo will be hosting a Community Meeting at the Vado/Del Cerro Community Central on February 21 (tonight) at 6 pm
- Public Hearing for a Special Use Permit for a proposed Solar Farm on the East side of I-10 between Brazito and Mesquite on Thursday the 22nd of February
- Offices were closed on February 19th for President's Day



Income Statement

Lower Rio Grande Public Water Works Authority

Group Summary

For Fiscal: FYE 2024 Period Ending: 01/31/2024

AcctNumber	Current Total Budget	MTD Activity	YTD Activity	Budget Remaining
Revenue				
40000 - Operating Revenue	3,835,000.00	239,317.68	2,367,573.58	1,467,426.42
40002 - Installation Fees	80,000.00	2,090.06	63,365.74	16,634.26
40003 - Activation & Connection Fees-Wa	20,000.00	2,500.00	13,900.00	6,100.00
40005 - Backflow Testing	7,500.00	875.00	5,275.00	2,225.00
40006 - Tampering Fee/Line Breaks	4,500.00	1,305.31	4,046.39	453.61
40007 - Delinquency Fee	70,000.00	8,800.00	53,200.00	16,800.00
40008 - Penalties-Water	80,000.00	8,605.62	67,686.06	12,313.94
40009 - Membership Fees	6,500.00	450.00	3,500.00	3,000.00
40010 - Impact Fees	50,000.00	243,211.70	339,716.11	-289,716.11
40011 - Returned Check Fees	525.00	0.00	315.00	210.00
40012 - Credit Card Fees	15,000.00	1,594.00	10,886.00	4,114.00
40013 - Miscellaneous Revenue	250.00	0.00	-823.18	1,073.18
40015 - Penalties-Sewer	21,000.00	2,475.40	17,825.11	3,174.89
40017 - Hydrant Meter Rental Fee	3,500.00	500.00	2,250.00	1,250.00
40018 - Permit Fees	750.00	0.00	0.00	750.00
40019 - DAC Trash Coupons	600.00	50.00	396.00	204.00
40020 - Miscellaneous Revenue-Sewer	750.00	71.28	504.12	245.88
40025 - DAC Sewer Revenue	50,000.00	2,603.83	20,783.12	29,216.88
45000 - Tower Rent	5,250.00	500.00	3,500.00	1,750.00
45001 - Billing Adjustments-Water	0.00	0.00	-5,996.64	5,996.64
45005 - Fiscal Agent Fees	52,500.00	5,734.23	38,272.51	14,227.49
45010 - Interest	500.00	60.23	383.33	116.67
45015 - Copy/Fax	100.00	15.00	45.00	55.00
45020 - Other Income	52,500.00	0.00	34,084.55	18,415.45
45022 - Annual Farm Rental	0.00	0.00	3,500.00	-3,500.00
45025 - Contract Services	0.00	3,099.90	33,048.19	-33,048.19
45030 - Transfers In	525,000.00	100,000.00	100,000.00	425,000.00
49000 - Recovered Bad Debts	1,500.00	100.00	200.00	1,300.00
Revenue Total:	4,883,225.00	623,959.24	3,177,435.99	1,705,789.01
Expense				
60001 - Transfers to Reserve	0.00	10,000.00	290,303.09	-290,303.09
60005 - Accounting Fees	500.00	0.00	100.00	400.00
60010 - Audit	14,000.00	0.00	9,333.88	4,666.12
60020 - Bank Service Charges	35,000.00	3,788.22	27,570.95	7,429.05
60025 - Cash Short/Over	500.00	0.00	454.94	45.06
60026 - Computer Hardware	10,000.00	0.00	2,701.26	7,298.74
60030 - Dues and Subscriptions	3,250.00	0.00	2,428.00	822.00
60035 - Engineering Fees	60,000.00	2,447.62	20,911.78	39,088.22
60045 - Late Fees	500.00	0.00	82.79	417.21
60050 - Legal Fees	10,000.00	0.00	1,621.89	8,378.11

60055 - Legal Notices	500.00	362.04	417.74	82.26
60060 - Licenses & Fees	16,000.00	1,250.00	12,304.26	3,695.74
60065 - Meals	3,000.00	42.33	544.68	2,455.32
60075 - Permit Fees	10,000.00	0.00	496.00	9,504.00
60080 - Postage	3,250.00	19.32	861.97	2,388.03
60090 - Professional Fees-Other	20,000.00	0.00	0.00	20,000.00
60100 - Project Development	0.00	0.00	7.54	-7.54
60120 - Retirement Account Fees	20,000.00	6,231.01	17,727.54	2,272.46
60125 - Easements & Leases	10,000.00	702.13	702.13	9,297.87
60130 - Training	7,200.00	30.00	4,540.47	2,659.53
60140 - Travel:Airfare Per Diem	3,000.00	0.00	0.00	3,000.00
60150 - Travel:Lodging Per Diem	7,000.00	0.00	6,984.06	15.94
60155 - Travel:Meals Per Diem	2,000.00	0.00	741.42	1,258.58
60160 - Travel:Mileage/Parking Per Diem	500.00	0.00	1,783.86	-1,283.86
60165 - Travel:Vehicle Rental Per Diem	1,500.00	0.00	0.00	1,500.00
60600 - Debit Service	515,000.00	17,346.03	152,047.46	362,952.54
60625 - Interest paid to NMED	15,000.00	0.00	0.00	15,000.00
60650 - Interest paid to NMFA	0.00	5,536.15	19,954.17	-19,954.17
60675 - Interest paid to USDA	270,000.00	27,241.22	193,969.57	76,030.43
63000 - Regular Pay	1,342,500.00	84,524.34	662,646.96	679,853.04
63001 - Overtime	46,225.00	4,279.65	31,582.29	14,642.71
63006 - Holiday Pay	80,000.00	11,523.48	51,188.04	28,811.96
63007 - Sick Pay	75,000.00	8,484.95	44,975.58	30,024.42
63008 - Annual Leave Pay	125,000.00	8,272.19	78,801.20	46,198.80
63010 - 401K 10% Company Contribution	5,250.00	0.00	0.00	5,250.00
63020 - 401K Employee Contribution	2,100.00	0.00	0.00	2,100.00
63040 - Administrative Labor	5,500.00	0.00	0.00	5,500.00
63070 - Employee Benefits-401K Contrib	190,000.00	3,354.12	25,108.07	164,891.93
63100 - Insurance-Dental	13,000.00	3,468.12	24,408.83	-11,408.83
63110 - Insurance-Health	310,000.00	32,239.58	208,808.60	101,191.40
63115 - Salaries: Insurance - Work Comp	15,750.00	10,487.00	19,314.00	-3,564.00
63125 - Insurance: Life & Disability	20,000.00	1,818.60	13,280.74	6,719.26
63130 - Mileage	1,500.00	0.00	534.49	965.51
63135 - Drug Testing	1,000.00	0.00	315.00	685.00
63160 - Payroll Taxes-Medicare	25,625.00	1,730.60	12,836.18	12,788.82
63170 - Payroll Taxes-Social Security	95,525.00	7,399.83	54,885.39	40,639.61
63180 - Payroll Taxes-State Unemployment	10,000.00	0.00	3,896.33	6,103.67
63195 - Taxes, Liability, Insurance: Cobra	1,000.00	75.00	535.00	465.00
63200 - Vision Insurance	4,500.00	325.48	2,268.77	2,231.23
64100 - Sewer:DAC Waste Water Flow Cf	52,500.00	5,621.86	36,452.36	16,047.64
64200 - Sewer:Electricity-Sewer	24,450.00	990.10	7,808.67	16,641.33
64300 - Sewer:Lab & Chemicals-Sewer	26,375.00	0.00	9,972.74	16,402.26
64500 - Sewer:Supplies & Materials	35,000.00	0.00	0.00	35,000.00
64501 - Pre Paid Tank Site Lease	2,000.00	0.00	8,109.00	-6,109.00
65010 - Automobile Repairs & Maint.	65,000.00	7,664.98	69,218.05	-4,218.05
65230 - Computer Maintenance	100,000.00	4,348.36	59,393.48	40,606.52
65240 - Equipment Rental	5,000.00	0.00	322.85	4,677.15
65250 - Fuel	100,000.00	5,829.05	56,240.23	43,759.77
65255 - GPS Insights Charges	7,500.00	630.40	3,782.40	3,717.60
65260 - Kitchen & Cleaning Supplies	1,000.00	0.00	0.00	1,000.00

65270 - Lab Chemicals-Water	5,500.00	0.00	809.08	4,690.92
65275 - SCADA Maintenance Fee	1,225.00	48.04	1,068.90	156.10
65276 - Test Equipment Calibration	2,500.00	0.00	0.00	2,500.00
65277 - Generator Maintenance Contract	4,500.00	0.00	5,470.79	-970.79
65278 - Meter Testing/Repair/Replacemer	10,000.00	26.63	6,248.63	3,751.37
65280 - Lab Chemicals-Water:Chemicals	50,000.00	7,749.21	36,792.90	13,207.10
65300 - Locates	4,000.00	833.96	2,339.96	1,660.04
65310 - Maint. & Repairs-Infrastructure	77,500.00	27,520.39	73,333.09	4,166.91
65320 - Maint. & Repairs-Office	27,500.00	0.00	24,931.19	2,568.81
65330 - Maintenance & Repairs-Other	195,000.00	2,446.08	20,831.41	174,168.59
65340 - Materials & Supplies	100,000.00	5,145.01	81,573.37	18,426.63
65345 - Non Inventory-Consumables	52,000.00	3,693.89	14,991.36	37,008.64
65350 - Office Supplies	15,000.00	2,657.12	8,462.46	6,537.54
65360 - Printing and Copying	60,000.00	4,648.69	35,424.32	24,575.68
65370 - Tool Furniture	15,000.00	21.96	5,965.52	9,034.48
65390 - Uniforms-Employee	18,000.00	5,014.46	13,964.95	4,035.05
65490 - Cell Phone	21,000.00	2,745.47	18,536.57	2,463.43
65500 - Electricity-Lighting	6,500.00	377.51	3,197.76	3,302.24
65510 - Electricity-Offices	15,000.00	1,518.10	8,542.84	6,457.16
65520 - Electricity-Wells	210,000.00	11,547.10	127,764.18	82,235.82
65530 - Garbage Service	3,500.00	314.23	1,793.42	1,706.58
65540 - Natural Gas	3,000.00	381.73	1,431.46	1,568.54
65550 - Security/Alarm	5,000.00	0.00	894.33	4,105.67
65560 - Telephone	25,000.00	1,836.72	12,700.95	12,299.05
65561 - Telstar Maintenance Contract	8,000.00	0.00	364.23	7,635.77
65570 - Wastewater	2,500.00	194.78	1,667.42	832.58
66200 - Insurance-General Liability	100,000.00	24,918.00	94,531.15	5,468.85
66700 - Water Conservation Fee	20,000.00	1,448.08	11,090.21	8,909.79
Expense Total:	4,883,225.00	383,150.92	2,869,999.15	2,013,225.85
Total Surplus (Deficit):	0.00	240,808.32	307,436.84	-307,436.84

**LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY
PROJECTS REPORT – 2/21/2024**

LRG-17-01 – Mesquite-Brazito Sewer Project 2 – Bohannon Huston, Inc./Smithco Construction – Construction Stage – USDA-RD LOC \$17,073,000 (\$6,189,000 Loan/\$8,030,000 Grant, \$2,854,000 additional grant) –Contractor is hooking up customers. Project meeting was held 2/1/24. Estimate of Funds #12 has been submitted. Meeting with RD to discuss use of remaining project funds was held 12/21/23, we are still clarifying RD's response.

LRG-11-05 – South Valley Water Supply & Treatment Project WTB #252 Planning USDA-RD Construction Funds– Bohannon Huston - Construction stage - \$1,174,00,000 RD Loan and \$4,629,000 Grant RD Funds: 15 draws have been submitted for RD funds. Final Change Order #7 is executed along with an amendment to the engineering agreement adding 60 days. NMED-DWB has issued a certificate of project completion.

LRG-17-02 – Central Office Building – Wilson & Co. - DW-4213 \$3,586,286.00 - SAP 21-F2723-STB \$1,200,000: Metal building is erected and interior work is ongoing. Construction schedule is updated to reflect completion in May of 24. Modular building is assembled on-site and interior work is ongoing. The contractor has been subject to liquidated damages since 10/22/253. 33 DW Requisitions have been submitted and 11 SAP Requests for Payment. 2021 \$1.2 million SAP is fully expended. On-site progress meetings are scheduled weekly on Monday afternoons.

Forty-Year Water Plan – CE&M – complete – needs update for new mergers after Brazito combine & commingle: Currently only includes the initial five systems. BHI will be submitting a proposed Task Order.

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/Morrow Enterprises, Inc.: Funding deadline was extended to 5/1/24. The building for the new booster skid is on order, the contractor finalizing quote for the electrical work.

Water Treatment – Move Deserts Sands Skid to VDR – Design & Construction - \$250,000 SAP 22-G2330-STB – SMA – Engineering Agreement was approved and NOO issued on 2/9/23. DR #4 has been submitted. Design work is underway. Application for additional funding has been submitted to NM WTB and received legislative authorization. Readiness application has been submitted.

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, 5535-CIF \$67,487 Loan incl. Match/\$269,910 Grant, DW-5631 \$1,338,660 Loan/\$2,788,875 Grant – Ph I Construction, Ph II Design –Requisition for final payment to the well driller has been submitted and the remainder of the Phase I Project is out to bid. Phase II easement work is complete and we are discussing uses for about \$7,800 remaining funds.

LRG-18-01 Ph. II – High Valley Water System Improvements Ph. II & III Project – NMFA 4916-CIF \$630,384 Grant, \$111,244 Loan – Design & Construction – Souder, Miller & Assoc. – Once the generator and booster skid can be moved from Valle Del Rio, the project will be complete.

LRG-18-02 – Stern Drive Waterline Extension Project – Design/Build – SMA - \$150,000 SAP - \$2,352,800 WTB –WTB award letter has been received. We finally received the additional debt permission from RD and have submitted the Readiness items. Closing resolution for this funding package is on today's agenda.

LRG-19-09 – S. Valley Service Area Line Extensions - SMA – See the Stern Drive Project for information.

LRG-23-01 – Water Asset Management Plan – BHI - PG-6037 – up to \$50k – Planning Grant was awarded 1/26/23. BHI has set the project up on Tracker and Kathi and I have been uploading document. Kick off meeting was held 2/22/23. Met with AMP software companies on 4/13 & 4/14/23. BHI work is ongoing.

LRG-23-02 – Wastewater Asset Management Plan – BHI - PG-6038 – up to \$50k – Planning Grant was awarded 1/26/23. BHI has set the project up on Tracker and Kathi and I have been uploading document. Kick off meeting was held 2/22/23. Met with AMP software companies on 4/13 & 4/14/23. BHI work is ongoing.

On-Call Engineering Services – BHI has Task Orders for support for the Regional Project, BLM permit renewals, NM SLO and discharge permit renewals, subdivision reviews, and voting district and service area map updates. SMA has Task Orders for the Stern Drive Project and High Valley Project, and three new NM DOT permits.

Other projects:

NM 2024 Legislature: Three Capital Outlay Requests have been submitted: \$500k for Rincon Office Building (also submitted to the Governor’s Office), \$560k for Light Equipment (pickups and backhoe), and \$571k for a Vactor Truck. Legislative Report on bills of interest is available on the Directors Only web page and will be updated through the pocket veto date. The capital outlay bill approved \$500,000 for our Rincon office building and \$250,000 for heavy equipment, and the governor has not yet signed it, so line-item vetoes are still possible. Session ended 2/15/24.

Infrastructure Capital Improvements Plan 2025-2029: Has been submitted to NM DFA and updated to include new building to replace the damaged one in Rincon.

Reporting to Funding Agencies: Quarterly CIF Reports were submitted for the 4th Quarter; SAP monthly reporting on Capital Outlay begins this month on the new website, and US Census Construction reporting is up to date.

Funding Applications: Patty and I are working on Colonias applications for the Mesquite Lift Station Project and High Valley Waterline Replacement Project.

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. Capital Outlay reporting is due by the end of the month.

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

Training – Nothing to report.

Collection & Lien Procedures - 309 first notifications, 306 certified letters have been sent and 131 liens have been filed to date. 53 liens have been released following payment in full of the account.

Water Audits – Data collection has been finalized for 2023 and we’ll be getting started on the audits soon.

Rate Study – First half of increase has been implemented, second will be effective 3/1/24, board is scheduled to review the FY25 recommendation starting in April.

NM Board of Licensure for PEs & Surveyors – PEC met 2/16/24 and full board on 1/12/24 in Santa Fe and I attended online.

Lower Rio Grande PWWA

Operators Report

February 21, 2024

- For the month of January, we were issued 363 work and service orders.
- For the Month of December, we were issued 213 work and service orders.
- In January our operators installed 2 new water service connections in the South Valley Area.
- We had 6 service line breaks in the South Valley Area.
- I created 5 new water estimates (service and work orders)
- We had no new service installs, but we had two service line breaks in Rincon.
- We had no new service installs, but we had two service line and one main line break in the East Mesa.
- We had another problem with the force main from Brazito to Mesquite.
- The Talavera water system lost a lot of water in their storage tanks. Our operators found three different issues and repaired.
- The well Techs had a problem with the gas chlorine equipment at well #4 in La Mesa.

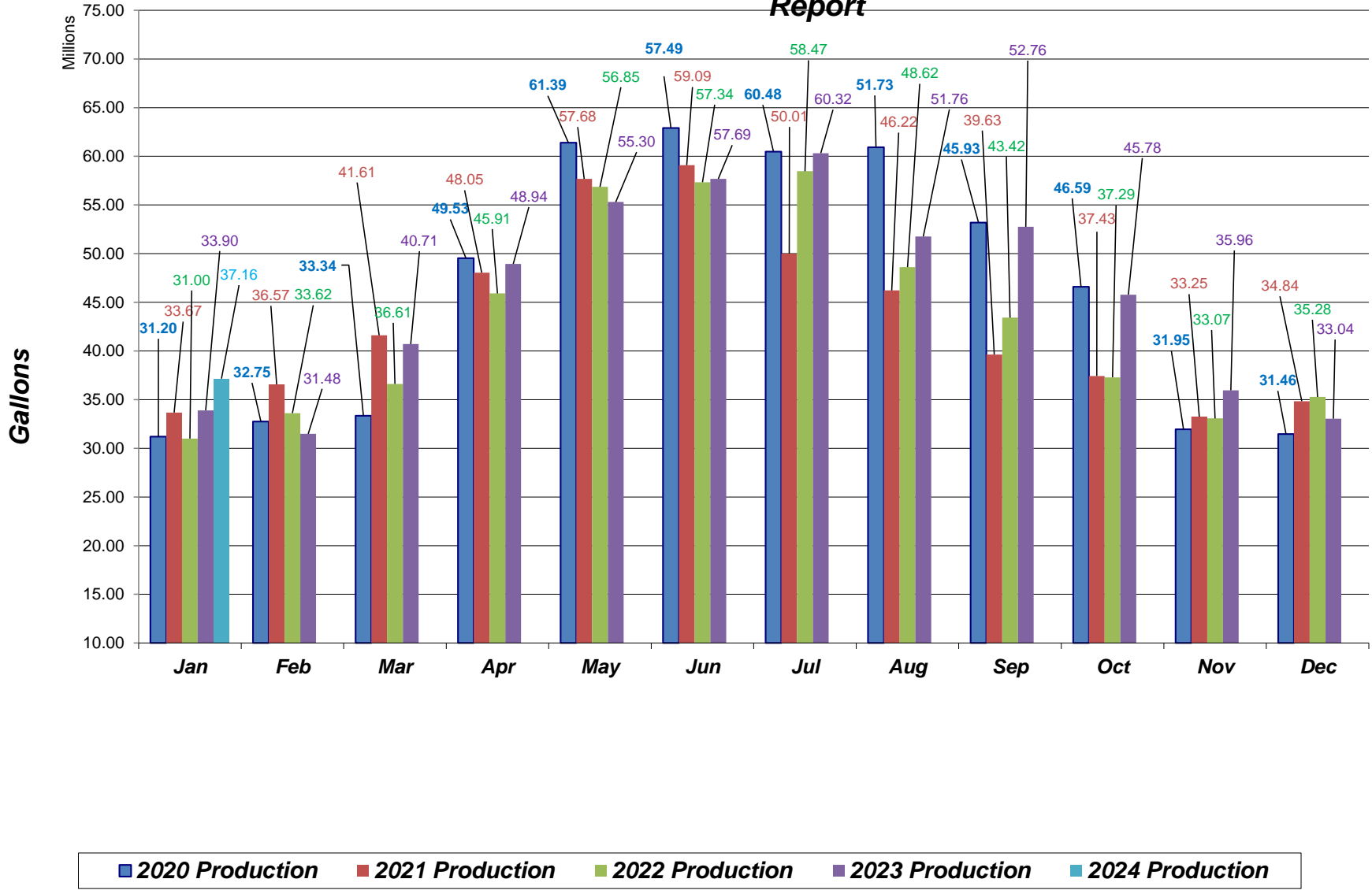
NMED: All of our Monthly Bac-T-Samples were taken for the month of January and all samples were negative.

Mesquite and Organ Sewer Reports. The Organ Pond's and Mesquite Wetland Wastewater report were sent at the end of January. The Organ facility is due twice a year and the Mesquite Facility is due every Quarter.

Chlorine: No problems with the quality of our gas Chlorine or sodium Hypochlorite.

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

Lower Rio Grande PWWA Water Production Report



JOSEPH M. MAESTAS, P.E.
STATE AUDITOR



RICKY A. BEJARANO, CPA, CGMA
DEPUTY STATE AUDITOR

State of New Mexico
Office of the State Auditor

Via: Email

2/6/2024
Brad Watts, President-
brad@wattscpapc.com
Lower Rio Grande Public Water Works Authority

OSA Ref No. 3485

Re: Authorization to Release 2023 Lower Rio Grande Public Water Works Authority Audit Report

The Office of the State Auditor (Office) received the audit report for your agency on 12/14/2023. The OSA has completed the review of the audit report required by Section 12-6-14(B) NMSA 1978 and any applicable provisions of the Audit Rule. This letter is your authorization to make the final payment to the Independent Public Accountant (IPA) who contracted with your agency to perform the financial and compliance audit. In accordance with the audit contract, the IPA is required to deliver to the agency the number of copies of the report specified in the contract.

Pursuant to Section 12-6-5 NMSA 1978, the audit report does not become a public record until five days after the date of this release letter, unless your agency has already submitted a written waiver to the OSA. Once the five-day period has expired, or upon the OSA's receipt of a written waiver:

- the OSA will send the report to the Department of Finance and Administration, the Legislative Finance Committee and other relevant oversight agencies;
- the OSA will post the report on its public website; and
- the agency and the IPA shall arrange for the IPA to present the report to the governing authority of the agency, per the Audit Rule, at a meeting held in accordance with the Open Meetings Act, if applicable.

Although no findings were reported in your report, please remember it is ultimately the responsibility of the governing authority of the agency to maintain adequate internal controls over financial reporting and compliance.

Sincerely,

A handwritten signature in blue ink that reads "Joseph M. Maestas".

Joseph M. Maestas, P.E.
State Auditor

cc. Watts CPA, P.C.

State of New Mexico
Lower Rio Grande Public
Water Works Authority

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

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

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

OFFICIAL ROSTER

BOARD OF DIRECTORS

Esperanza Holguin
James Cadena
Glory Juarez
Enrique "Rick" Franco

Chairman
Vice-Chairman
Secretary
Director

ADMINISTRATIVE OFFICIALS

Martin Lopez
Kathi Jackson

General Manager
Finance Manager

WATTS CPA, P.C.

INDEPENDENT AUDITOR'S REPORT

To Joseph M. Maestas, P.E., New Mexico State Auditor and
Members of the Board of Directors
Lower Rio Grande Public Water Works Authority
Mesquite, New Mexico

Report on the Audit of the Financial Statements

Opinions

We 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, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the budgetary comparison presented as supplementary information for the year ended June 30, 2023, as listed in the table of contents.

In our opinion, the financial statements, referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of June 30, 2023, and the respective changes in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparisons of the Authority for the year ended June 30, 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lower Rio Grande Public Water Works Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lower Rio Grande Public Water Works Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lower Rio Grande Public Water Works Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lower Rio Grande Public Water Works Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our 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 function 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 function 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 our opinion, the statement of revenues, expenditures and changes in net position by function and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2023, on our consideration of the Lower Rio Grande Public Water Works Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lower Rio Grande Public Water Works 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 Lower Rio Grande Public Water Works Authority's internal control over financial reporting and compliance.

Watts CPA, P.C.

El Paso, Texas
December 13, 2023

BASIC FINANCIAL STATEMENTS

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

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

ASSETS:

Current Assets

Cash and cash equivalents	\$ 680,183
Accounts receivable	850,723
Grant receivables	138,873
Inventory	144,733
Prepaid expenses	11,556

Total current assets 1,826,068

Noncurrent assets

Restricted cash	
Customer deposits	98,852
Construction account	227,579
Loan reserve	21,696
Capital assets, net of accumulated depreciation	90,342,909

Total noncurrent assets 90,691,036

Total assets \$ 92,517,104

LIABILITIES:

Current Liabilities:

Accounts payable vendors	\$ 208,350
Accounts payable construction	48,748
Gross receipts tax payable	10,363
Accrued payroll	36,629
Accrued interest expense	18,134
Customer meter deposits	98,852
Accrued compensated absences	7,000
Current maturities of notes payable	1,208,230

Total current liabilities 1,636,306

Noncurrent Liabilities:

Compensated absences	66,654
Notes payable	12,714,420

Total noncurrent liabilities 12,781,074

Total liabilities 14,417,380

NET POSITION:

Net investment in capital assets	76,420,259
Restricted for debt service	21,696
Restricted for capital projects	227,579
Unrestricted	1,430,190

Total net position 78,099,724

Total liabilities and net position \$ 92,517,104

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

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

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

Operating Revenues:	
Charges for services	\$ 3,401,507
Other revenues	149,554
	<hr/>
Total operating revenues	3,551,061
Operating Expenses:	
Salaries and wages	3,842,608
Employee benefits	527,104
Materials, supplies, tools and chemicals	233,502
Office expenses	325,003
Miscellaneous	20,666
Bank charges	75,140
Insurance	115,194
Maintenance and repairs	322,354
Professional fees	45,798
Travel and entertainment	7,874
Depreciation	2,080,373
Utilities	255,584
	<hr/>
Total operating expenses	7,851,200
Operating loss	<hr/> (4,300,139)
Non-Operating Revenues (Expenses):	
Grant revenue (See note 9)	2,150,039
Interest income	554
Rental income	34,111
Other income	92,451
Interest expense	(365,154)
	<hr/>
Total non-operating revenues	1,912,001
Loss before capital contributions	<hr/> (2,388,138)
Capital Contributions:	
Grant revenues:	
State	2,149,654
Federal	6,621,650
	<hr/>
Total capital contributions	8,771,304
Change in net position	6,383,166
Net position - beginning of year, as previously reported	64,869,073
Restatement	<hr/> (393,479)
Net position - beginning of year, as restated prior to merger	64,475,594
Merger of Rincon MDWCA	7,240,964
	<hr/>
Net position - beginning of year	71,716,558
Net position - end of year	<hr/> \$ 78,099,724

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, 2023**

Cash Flows From Operating Activities:	
Cash received from customers	\$ 3,503,180
Cash payments to employees for services	(4,369,436)
Cash payments to vendors for goods and services	<u>(2,519,572)</u>
Net cash used in operating activities	<u>(3,385,828)</u>
Cash Flows From Capital and Related Financing Activities:	
Purchase and construction of capital assets	(11,966,611)
Payments on notes payable	(7,990,164)
Payments for interest on notes payable	(365,154)
Proceeds from capital grants	11,154,390
Proceeds from capital loans	<u>11,456,706</u>
Net cash provided by capital and related financing activities	<u>2,289,167</u>
Cash Flows From Investing Activities	
Interest received	<u>554</u>
Net cash provided by investing activities	<u>554</u>
Cash Flows From Noncapital Financing Activities:	
Cash from merger	230,078
Miscellaneous income	<u>126,562</u>
Net cash provided by noncapital financing activities	<u>356,640</u>
Net decrease in cash and cash equivalents	(739,467)
Cash and cash equivalents, beginning of year	<u>1,767,777</u>
Cash and cash equivalents, end of year	<u>\$ 1,028,310</u>
CASH ENDING:	
Cash	\$ 680,183
Restricted cash	<u>348,127</u>
Total cash reported in statement of net position	<u>\$ 1,028,310</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (4,300,139)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Depreciation	2,080,373
Change in:	
Accounts receivable	(58,358)
Inventory	(3,432)
Prepaid expenses and insurance	35,652
Accounts payable and accrued liabilities	(1,153,833)
Meter deposits	<u>13,909</u>
Total adjustments	<u>914,311</u>
Net cash used in operating activities	\$ (3,385,828)
Net cash transactions:	
Merge of Rincon MDWCA	<u>\$ 7,010,886</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, 2023**

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. In 2023 the Rincon 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 \$227,579. The Authority also has restricted cash in the amount of \$98,852 that has been classified as restricted for customer deposits and \$21,696 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, 2023, the Authority implemented the following new accounting pronouncements which did not have a material effect on the Authority's financial statements:

- GASB Statement No. 96, Subscription-Based Information Technology Arrangements
- *GASB Statement No.98, The Annual Comprehensive Financial Report*
- *GASB Statement No. 99, Omnibus 2022*
- *GASB Statement No. 100, Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*
- *GASB Statement No. 101, Compensated Absences*

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, 2023.

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, 2023, \$1,221,148 of the Authority's bank balance of \$1,471,148 was exposed to custodial credit risk. However, all of the \$1,221,148 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, 2023.

Bank accounts were collateralized as follows:

Total deposits in bank	\$ 1,471,148
Less FDIC coverage	<u>(250,000)</u>
Uninsured public funds	1,221,148
Pledged Collateral held by the pledging bank's trust department or agent in the Authority's name	<u>2,270,470</u>
Uninsured and uncollateralized	<u>\$ (1,049,322)</u>

As of June 30, 2023, the Authority's bank balances were exposed to custodial credit risk. The amount above identified as uninsured of \$1,221,148 is subject to custodial credit risk. This is the risk that in the event of bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk.

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

Account	Account Type	Citizens Bank
Operating	Demand	\$ 351,552
Reserve	Demand	227,579
Debt Service	Demand	737,681
Brazito Sewer	Demand	98,872
Brazito Sewer #2	Demand	1,863
NM HIDTA	Demand	827
South Valley Water	Demand	6,815
CDBG	Demand	<u>45,959</u>
Total amounts of deposits		1,471,148
FDIC Coverage		<u>250,000</u>
Total uninsured public funds		1,221,148
Pledged collateral held by the pledging bank's trust department or agent in the Authority's name		<u>2,270,470</u>
Uninsured and uncollateralized		<u>\$ (1,049,322)</u>
50% pledged collateral requirement		\$ 610,574
Total pledged collateral		<u>2,270,470</u>
Pledged collateral exceeding the requirements		<u>\$ 1,659,896</u>

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

Description	CUSIP#	Maturity	Market Value
Citizen's Bank:			
FHLB	3130AEB25	06/09/2028	\$ 1,447,537
FNMA	31364FKW0	12/20/2027	216,257
FNMA	3135G05Q2	08/05/2030	<u>606,676</u>
Total Citizen's Bank			<u>\$ 2,270,470</u>

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

Account	Account Type	Interest Bearing	Balance per Bank	Deposits in Transit	Outstanding Checks	Reconciled Balance
Operating	Demand	No	\$ 351,552	\$ 67,480	\$ 334,458	\$ 84,574
Reserve	Demand	Yes	227,579	-	-	227,579
Debt Service	Demand	Yes	737,681	-	-	737,681
Brazito Sewer Project	Demand	No	98,872	-	-	98,872
Brazito Sewer Project #2	Demand	No	1,863	-	31,721	(29,858)
NM HIDTA	Demand	No	827	-	78,347	(77,520)
South Valley Water	Demand	No	6,815	-	89,562	(82,747)
CDBG	Demand	No	<u>45,959</u>	<u>-</u>	<u>-</u>	<u>45,959</u>
Total amounts of deposits			<u>\$ 1,471,148</u>	<u>\$ 67,480</u>	<u>\$ 534,088</u>	1,004,540
Cash held by NMFA - Loan reserve						21,696
Petty cash & returned items						<u>2,074</u>
Total cash						<u>\$ 1,028,310</u>
Total as Reported in the Financial Statements: Statement of Net Position:						
Cash and cash equivalent						\$ 680,183
Restricted cash						<u>348,127</u>
Total cash per financial statements						<u>\$ 1,028,310</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 totaled \$850,723.

5. CAPITAL ASSETS

The following is a summary of capital assets and changes occurring during the year ended June 30, 2023. 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	\$ 1,280,290	\$ 1,001	\$ -	\$ -	\$ 1,281,291
Water rights	17,645,030	6,969,600	-	-	24,614,630
Construction in progress	<u>7,155,834</u>	<u>-</u>	<u>11,729,985</u>	<u>-</u>	<u>18,885,819</u>
Total capital assets, not being depreciated	<u>26,081,154</u>	<u>6,970,601</u>	<u>11,729,985</u>	<u>-</u>	<u>44,781,740</u>
Business-type capital assets, being depreciated					
Buildings and improvements	2,351,297	32,035	-	-	2,383,332
Land improvements	346,389	-	-	-	346,389
Water and sewer plant/system	65,651,883	1,698,390	180,572	-	67,530,845
Furniture, fixtures, and equipment	717,388	30,386	12,516	-	760,290
Transportation equipment	<u>1,398,485</u>	<u>51,573</u>	<u>43,538</u>	<u>-</u>	<u>1,493,596</u>
Total business-type capital assets, being depreciated	<u>70,465,442</u>	<u>1,812,384</u>	<u>236,626</u>	<u>-</u>	<u>72,514,452</u>
Less accumulated depreciation for:					
Buildings and improvements	8,165,128	1,772,099	2,080,373	-	12,017,600
Land improvements	134,634	-	-	-	134,634
Water and sewer plant/system	14,072,930	-	-	-	14,072,930
Furniture, fixtures, and equipment	166,151	-	-	-	166,151
Transportation equipment	<u>561,968</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>561,968</u>
Total accumulated depreciation	<u>23,100,811</u>	<u>1,772,099</u>	<u>2,080,373</u>	<u>-</u>	<u>26,953,283</u>
Total capital assets being depreciated, net	<u>47,364,631</u>	<u>40,285</u>	<u>(1,843,747)</u>	<u>-</u>	<u>45,561,169</u>
Business-type capital assets, net	<u>\$73,445,785</u>	<u>\$ 7,010,886</u>	<u>\$ 9,886,238</u>	<u>\$ -</u>	<u>\$90,342,909</u>

Depreciation expense for the year ended June 30, 2023 totaled \$2,080,373.

6. LONG TERM OBLIGATIONS

During the year ended June 30, 2023, 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)	\$ 2,145,111	\$ 702,273	\$ 457,681	\$ 2,389,703	\$ 992,629
United States Department of Agriculture Loans (USDA)	3,879,774	7,363,000	147,393	11,095,381	192,375
New Mexico Environmental Department (NMED)	459,837	-	22,271	437,566	23,226
Rural Community Assistance Corporation (RCAC)	<u>3,971,386</u>	<u>3,391,433</u>	<u>7,362,819</u>	<u>-</u>	<u>-</u>
Total notes payable	<u>\$10,456,108</u>	<u>\$11,456,706</u>	<u>\$ 7,990,164</u>	<u>\$13,922,650</u>	<u>\$ 1,208,230</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.

\$ 548,536

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.

199,426

<p>NMFA DW-5631: On May 27, 2022, the Authority executed a loan agreement with the New Mexico Finance Authority in the amount of \$4,127,535. The maximum forgiven principal amount is \$2,788,875 and the maximum repayable principal amount is \$1,338,660 (however only \$5428 has been drawn down to date). The proceeds of the loan were used for the construction of phase I water system improvements in the east mesa service area. The loan matures May 1, 2054. The blended interest rate over the term of the loan is 0.25% and 1%. Principal is paid annually beginning May 1, 2025.</p>	5,428
<p>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 \$364,549 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.</p>	364,549
<p>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.</p>	83,511
<p>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 \$390,750 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.</p>	390,750
<p>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 funding 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.</p>	35,983
<p>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. 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.</p>	26,254
<p>NMFA CIF-4916: On September 27, 2019, the Authority executed a loan/grant agreement with the New Mexico Finance Authority in the amount of \$741,628. The Authority received \$111,244 of its funding as a loan, however only \$105,682 has been drawn down to date. The loan matures on June 1, 2041. There is no interest rate for this loan. Principal payments are paid annually.</p>	105,682

NMFA CIF-5535: On October 22, 2021, the Authority executed a loan/grant agreement with New Mexico Authority in the amount of \$337,388. The authority received \$67,478 of its funding as a loan, however only \$46,918 has been drawn down to date. The loan matures on October 2023. There is no interest rate for the loan. Principal payments are paid annually.	46,918
NMFA CIF-5536: On January 20, 2023, the Authority executed a loan/grant agreement with New Mexico Authority in the amount of \$60,704. 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.	60,704
NMFA DW-3394A and DW-3394B: On October 26, 2018, the Authority executed a loan agreement with New Mexico Authority in the amount of \$299,427 and \$151,550, respectively. The proceeds were used for the Valle Del Rio Project. The loans matures on May 2038. There is no interest rate for this loan. Principal payments are paid annually.	365,693
NMFA CIF-5782: On January 20, 2023, the Authority executed a loan/grant agreement with New Mexico Authority in the amount of \$5,715,000. The authority received \$571,500 of its funding as a loan, however only \$156,269 has been drawn down to date. The loan matures on June 2045. There is no interest rate for the loan. Principal payments are paid annually beginning June 2026.	156,269
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.	1,949,011
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.	386,812
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.	564,507

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.	83,269
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.	173,505
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.	338,312
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.	140,661
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.	161,714
USDA 61062: On July 25, 2022, the Authority executed a promissory note with the United States Department of Agriculture in the amount of \$1,014,000. The proceeds were used for the south water system project improvements. The note matures on June 25, 2062, and accrues an interest rate of 1.5% per annum. Installments are paid monthly.	996,844
USDA 71584: On July 25, 2022, the Authority executed a promissory note with the United States Department of Agriculture in the amount of \$160,000. The proceeds were used for the south water system project improvements. The note matures on June 25, 2062 and accrues an interest rate of 1.375% per annum. Installments are paid monthly.	157,229
USDA 92-33: On December 21, 2022, the Authority executed a promissory note with the United States Department of Agriculture in the amount of \$6,189,000. The proceeds were used for the Mesquite Brazito sewer project. The note matures on December 21, 2062 and accrues an interest rate of 3.5% per annum. Installments are paid monthly.	6,143,516

NMED Loans: The Authority has entered into one loan agreement 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.

	<u>437,567</u>
Total debt	13,922,650
Less current portion of long-term debt	<u>1,208,230</u>
Total long-term debt	<u>\$ 12,714,420</u>

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

Years Ending	Interest	Principal
June 30, 2024	\$ 346,971	\$ 1,208,230
June 30, 2025	340,035	341,214
June 30, 2026	332,853	342,910
June 30, 2027	325,412	350,286
June 30, 2028	317,700	357,925
June 30, 2029 - 2033	1,462,822	1,806,314
June 30, 2034 - 2038	1,224,661	1,824,793
June 30, 2039 - 2043	988,621	1,640,125
June 30, 2044 - 2048	711,760	1,702,841
June 30, 2049 - 2053	460,715	1,818,901
June 30, 2054 - 2058	247,599	1,304,839
June 30, 2059 - 2061	71,470	1,224,272
Total	<u>\$ 6,830,619</u>	<u>\$ 13,922,650</u>

7. COMPENSATED ABSENCES

Full time employees earn both 4 hours sick leave and 4 hours vacation each biweekly pay period. Employees may carry over a maximum of 240 hours in each category from calendar year to calendar year. As of June 30, 2023 employees had balances of 1,865 sick leave hours with a value of \$24,452 and 4,169 vacation hours with a value of \$49,202. 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>\$ 7,334</u>	<u>\$ 7,334</u>	<u>\$ 73,654</u>	<u>\$ 7,000</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, 2023 was \$115,194.

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 \$2,150,039 under the grant agreement for the year ended June 30, 2023. 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, 2023, the Authority contributed \$119,740.

11. SUBSEQUENT REVIEW

Lower Rio Grande Public Water Works Authority has evaluated subsequent events through December 13, 2023, which is the date the financial statements were available to be issued.

12. MERGER OF RINCON MDWCA

On July 20, 2022, the Rincon MDWCA and the Authority entered into a plan of merger so that the members of Rincon MDWCA will have sustainable and reliable water, supplies, be able to leverage state and federal funding for required improvement and emergency projects and to protect the health and safety of its members. The merger became effective August 18, 2022. The merger consisted of the following amounts:

Assets:	
Cash	\$ 230,078
Capital assets, net	<u>7,010,886</u>
Net Position:	
Investment in capital assets	<u>\$ 7,240,964</u>

13. RESTATEMENT

During the year ended June 30, 2023, the Authority has restated net position in the amount of \$393,479 due to accounts receivables being overstated.

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, 2023**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Favorable (Unfavorable)
RECEIPTS:				
Operating revenues:				
Charges for services	\$ 3,811,415	\$ 3,811,415	\$ 3,401,507	\$ (409,908)
Other revenues	213,300	213,300	149,554	(63,746)
Non-operating revenues				
Other revenue	-	-	126,562	126,562
Interest income	-	-	554	554
Grants and loans	-	-	10,921,343	10,921,343
	<u>4,024,715</u>	<u>4,024,715</u>	<u>14,599,520</u>	<u>10,574,805</u>
Total receipts				
DISBURSEMENTS:				
Operating expenses:				
Accounting & administration	203,181	203,181	291,002	(87,821)
Salaries & benefits	2,135,425	2,191,075	2,144,034	47,041
Sewer system	256,050	256,050	102,579	153,471
Materials & supplies	916,609	884,407	717,728	166,679
Utilities	301,650	301,650	289,847	11,803
Non-operating disbursements				
Debt payments - principal	307,750	346,822	256,157	90,665
Debt payments - interest	188,550	286,070	365,154	(79,084)
	<u>4,309,215</u>	<u>4,469,255</u>	<u>4,166,501</u>	<u>302,754</u>
Total disbursements				
Excess receipts over (under) disbursements	<u>(284,500)</u>	<u>(444,540)</u>	<u>10,433,019</u>	<u>10,433,019</u>
Beginning unrestricted cash			<u>670,716</u>	
Ending unrestricted cash			<u>\$ 11,103,735</u>	
Reconciliation of budgetary basis to GAAP basis:				
Net excess receipts over (under) disbursements budgetary basis			\$ 10,433,019	
Depreciation			(2,080,373)	
HIDTA program			(2,225,637)	
Principal payments on debt			256,157	
Change in net position GAAP basis			<u>\$ 6,383,166</u>	

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

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

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2023**

	Water	Sewer	HIDTA	Total
Operating Revenues:				
Charges for services	\$ 3,127,796	\$ 273,711	\$ -	\$ 3,401,507
Other revenues	97,822	51,732	-	149,554
Total operating revenues	<u>3,225,618</u>	<u>325,443</u>	<u>-</u>	<u>3,551,061</u>
Operating Expenses:				
Salaries and wages	1,526,596	90,375	2,225,637	3,842,608
Employee benefits	473,540	53,564	-	527,104
Materials, supplies, tools and chemicals	201,174	32,328	-	233,502
Office expenses	236,025	88,978	-	325,003
Miscellaneous	18,472	2,194	-	20,666
Bank charges	71,171	3,969	-	75,140
Insurance	103,675	11,519	-	115,194
Maintenance and repairs	183,526	138,828	-	322,354
Professional fees	42,302	3,496	-	45,798
Travel and entertainment	7,299	575	-	7,874
Depreciation	1,549,505	530,868	-	2,080,373
Utilities	237,656	17,928	-	255,584
Total operating expenses	<u>4,650,941</u>	<u>974,622</u>	<u>2,225,637</u>	<u>7,851,200</u>
Operating loss	<u>(1,425,323)</u>	<u>(649,179)</u>	<u>(2,225,637)</u>	<u>(4,300,139)</u>
Non-Operating Revenues (Expenses):				
Grant revenue	-	-	2,150,039	2,150,039
Interest income	554	-	-	554
Rental income	34,111	-	-	34,111
Other income	92,451	-	-	92,451
Interest expense	(285,205)	(79,949)	-	(365,154)
Total non-operating revenues (expenses)	<u>(158,089)</u>	<u>(79,949)</u>	<u>2,150,039</u>	<u>1,912,001</u>
Loss before capital contributions	<u>(1,583,412)</u>	<u>(729,128)</u>	<u>(75,598)</u>	<u>(2,388,138)</u>
Capital Contributions:				
Grant revenues:				
State	743,232	1,406,422	-	2,149,654
Federal	3,451,245	3,170,405	-	6,621,650
Total capital contributions	<u>4,194,477</u>	<u>4,576,827</u>	<u>-</u>	<u>8,771,304</u>
Change in net position	2,611,065	3,847,699	(75,598)	6,383,166
Net position - beginning of year, as previously reported	66,290,828	(1,402,487)	(19,268)	64,869,073
Restatement	(393,479)	-	-	(393,479)
Net position - beginning of year, restated prior to merger	65,897,349	(1,402,487)	(19,268)	64,475,594
Merger of Rincon MDWCA	7,240,964	-	-	7,240,964
Net position - beginning of year	<u>73,138,313</u>	<u>(1,402,487)</u>	<u>(19,268)</u>	<u>71,716,558</u>
Net position - end of year	<u>\$ 75,749,378</u>	<u>\$ 2,445,212</u>	<u>\$ (94,866)</u>	<u>\$ 78,099,724</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 Joseph M. Maestas, P.E., New Mexico State Auditor and
Members of the Board of Directors
Lower Rio Grande Public Water Works Authority
Mesquite, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Lower Rio Grande Public Water Works Authority as of and for the year ended June 30, 2023, 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 December 13, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we 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.

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our 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
December 13, 2023

WATTS CPA, P.C.

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

To Joseph M. Maestas, P.E., 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

Opinion on Each Major Federal Program

We 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, 2023. 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.

In our 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
December 13, 2023

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

<u>Federal Grantor or Pass-Through Grantor/ Program Title</u>	<u>Assistance Listing 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	\$ 15,815	\$ -	\$ -
Total U.S Environmental Protection Agency		<u>\$ 15,815</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	\$ 2,225,637	\$ -	\$ -
Total Executive Office of the President		<u>\$ 2,225,637</u>	<u>\$ -</u>	<u>\$ -</u>
U.S. Department of Housing and Urban Development				
Passed through New Mexico Finance Authority Community Development Block Grants/State's Program	14.228	\$ 54,212	\$ -	\$ -
Total U.S. Department of Housing and Urban Development		<u>\$ 54,212</u>	<u>\$ -</u>	<u>\$ -</u>
U.S. Department of Agriculture				
Water and Waste Disposal Systems for Rural Communities*	10.770	\$13,467,766	\$ -	\$ -
Total U.S. Department of Agriculture		<u>\$13,467,766</u>	<u>\$ -</u>	<u>\$ -</u>
Total Federal Financial Assistance		<u>\$15,763,430</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, 2023**

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, 2023. 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, 2023**

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:

Assistance Listing Number	Federal Program
10.770	Water and Waste Disposal Grants

- | | |
|---|-----|
| 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, 2023**

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, 2023**

An exit conference was conducted on December 13, 2023 with the following individuals in attendance:

Lower Rio Grande Public Water Works Authority

Esperanza Holguin
Martin Lopez
Kathi Jackson
John Schroder
Patricia Charles
Mike Lopez

Board Chairman
General Manager
Finance Manager
Accounting Assistant
Projects Specialist
Operations 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.