

**Lower Rio Grande Public  
Water Works Authority**

**Basic Financial Statements and  
Supplementary Information  
for the Year Ended June 30, 2014  
and Independent Auditors' Report**

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

**TABLE OF CONTENTS**

---

	<b>Page</b>
DIRECTORY OF OFFICIALS	1
INDEPENDENT AUDITORS' REPORT	2
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	4
Statement of Revenues, Expenses and Changes in Net Position	5
Statement of Cash Flows	6
Notes to Basic Financial Statements	8
SUPPLEMENTARY INFORMATION:	
Statement of Revenue, Expenditures and Changes in Cash Balance - Budget and Actual on Budgetary Basis	19
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	22
Schedule of Expenditures of Federal Awards	24
Schedule of Findings and Questioned Costs	25
Summary Schedule of Prior Year Findings	26
Exit Conference	27

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

**DIRECTORY OF OFFICIALS  
JUNE 30, 2014**

---

**Board of Directors**

Robert M. Nieto	President
John Holguin	Vice President
Santos Ruiz	Secretary
Carlos Tellez	Director
Mike McMullen	Director
Furman Smith	Director
Art Terrazas	Director

**Officials**

Martin Lopez	General Manager
--------------	-----------------

## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Lower Rio Grande Public Water Works Authority (the Authority), as of and for the year ended June 30, 2014, 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 have also audited the budgetary comparison for the major enterprise fund presented as supplemental information, as defined by the Government Accounting Standards Board, in the accompanying financial statements as of and for the year ended June 30, 2014 as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Lower Rio Grande Public Water Works Authority, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the enterprise funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis which is required 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and other schedules required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and other schedules required by Section 2.2.2 NMAC are the responsibility of management and were 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 Schedule of Expenditures and information required by Section 2.2.2 NMAC is 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 November 25, 2014 on our consideration of 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lower Rio Grande Public Water Works Authority's internal control over financial reporting and compliance.

*White + Sarrameja + Campbell, CP*

El Paso, Texas  
November 25, 2014

## **BASIC FINANCIAL STATEMENTS**

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

**STATEMENT OF NET POSITION  
JUNE 30, 2014**

---

<b>ASSETS:</b>	
Current assets:	
Cash and cash equivalents	\$ 125,195
Accounts receivables, net	85,573
Other assets	<u>15,864</u>
Total current assets	226,632
Noncurrent assets:	
Restricted cash	298,112
Capital assets	<u>44,825,154</u>
Total assets	<u>\$ 45,349,898</u>
<b>LIABILITIES:</b>	
Current liabilities:	
Accounts payable	\$ 9,174
Accrued liabilities and other expenses	84,423
Current portion of long-term debt	122,324
Current portion of accrued compensation absences	<u>46,302</u>
Total current liabilities	262,223
Non-current liabilities:	
Non-current portion of long-term debt	5,656,131
Customer deposits	<u>55,876</u>
Total noncurrent liabilities	<u>5,712,007</u>
Total liabilities	<u>5,974,230</u>
<b>NET POSITION:</b>	
Net investment in capital assets	39,046,699
Unrestricted	(25,019)
Restricted	<u>353,988</u>
Total net position	<u>39,375,668</u>
Total liabilities and net position	<u>\$ 45,349,898</u>

See accompanying notes to financial statements and independent auditors' 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, 2014**

---

Operating revenues	
Service fees	\$ 2,342,883
Activation, connection and installation fees	53,633
Late fees	37,262
Membership fees	6,770
Other income	<u>30,386</u>
Total operating revenues	2,470,934
Operating expenses	
Bad debt expense	50,827
Bank charges	8,067
Employee benefits	59,404
Materials, supplies, tools and chemicals	223,552
Depreciation	709,171
Salaries and wages	828,927
Office expense	131,671
Miscellaneous	23,469
Taxes and license - other	10,525
Insurance	225,163
Maintenance and repairs	53,241
Payroll expense	61,670
Professional fees	28,913
Travel and entertainment	525
Utilities	<u>285,144</u>
Total operating expenses	2,700,269
Operating loss	<u>(229,335)</u>
Nonoperating revenues (expenses)	
Grant revenue	1,729,443
Interest income	7,833
Rental income	25,655
Other income	40,728
Interest expense	<u>(81,583)</u>
Total nonoperating revenues (expenses)	1,722,076
Change in net position	1,492,741
Net position, beginning of year	<u>37,882,927</u>
Net position, end of year	<u>\$ 39,375,668</u>

See accompanying notes to financial statements and independent auditors' report.



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

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 3,796,592
Cash payments to suppliers and employees	<u>(2,764,566)</u>
Net cash used in operating activities	1,032,026
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>	
Rental income	25,655
Other income	<u>40,728</u>
Net cash provided by non-operating activities	66,383
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Proceeds from long-term debt	2,304,000
Principal payments	(204,262)
Grants	1,729,443
Acquisition of property and equipment	(4,786,564)
Interest payments	<u>(81,583)</u>
Net cash used in financing activities	(1,038,966)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest received	7,833
Net cash provided by investing activities	<u>\$ 7,833</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>67,276</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>346,581</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 413,857</u>
<b>RECONCILIATION TO CASH AND CASH EQUIVALENT AS REPORTED ON THE STATEMENT OF NET POSITION</b>	
Cash and cash equivalents	\$ 125,195
Restricted cash	<u>298,112</u>
	<u>\$ 423,307</u>

(Continued)

See accompanying notes to financial statements and independent auditors' report.

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

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2014**

---

**RECONCILIATION OF OPERATING LOSS TO NET CASH  
USED IN OPERATING ACTIVITIES:**

Operating loss	\$ (229,335)
Adjustment to reconcile operating loss to net cash provided by operating activities:	
Depreciation	709,171
Change in:	
Grants receivable	321,275
Accounts receivable	314,552
Other assets	(7,425)
Accounts payable	(127,604)
Accrued payable and other liabilities	48,085
Customer deposits	<u>3,307</u>
Total adjustments	<u>1,261,361</u>
Net cash provided by operating activities	<u>\$ 1,032,026</u>

(Concluded)

See accompanying notes to financial statements and independent auditors' report.

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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, County of Dona Ana, New Mexico. Sales revenues are generated primarily from water supply sales to domestic and commercial users within these areas.

The Authority has a Board of Directors that consists of 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.

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

In September 2012, October 2012 and February 2013, the Board of Directors of Mesquite Mutual Domestic Water Consumer and Mutual Sewage Works Association, according to the Sanitary Project Act, Section 3-29-20-1, NMSA 1978, approved a plan of merger with (1) Organ Water and Sewer Association, (2) Butterfield Park Mutual Domestic Water Consumers' Association and (3) Brazito Mutual Domestic Water Consumers Association, respectively.

**Reporting Entity**

The financial statements of the Authority have been prepared in accordance with general accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

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

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

The accounts of the Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

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

**Measurement Focus and Basis of Accounting**

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

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

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

**Analysis of Impairment**

Management review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is determined based upon comparison of future cash flows to the recorded value of the assets. Impairment losses are measured based upon the fair value of the impaired assets. No such impairment losses were recorded during the year ended June 30, 2014.

**Cash and Cash Equivalents**

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

**Restricted Cash**

Restricted cash consist of the following:

Customer deposits	\$ 55,876
Construction account	<u>242,236</u>
Total restricted cash	<u>\$ 298,112</u>

Restricted cash consist of non-mandatory reserves set aside within the operating account for outstanding customer deposits. These reserves are not required but are separated by management and a separate Construction Account that has been established as required by the Government into which the proceeds of the loan and grant proceeds from the USDA-RUS are deposited. Withdrawals from

the Construction Account were and shall be made only on checks signed by the manager of the Authority as authorized by the Board from time to time, and with prior concurrence of the Government. When all construction costs have been paid in full, any balance remaining in the Construction Account may be applied on the loan or used for other authorized purposes that have been approved by the Government and the Construction Account shall be closed. The end of year balance is \$242,236.

#### **Budget and Budgetary Accounting**

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

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

The accompanying Statement of Revenues, Expenses, and Changes in Cash Balance - Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with acutal budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2014 are presented.

#### **Use of Restricted Funds**

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

#### **Revenue**

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

#### **Estimates**

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

#### **Allowance for Doubtful Accounts**

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

#### **Capital Assets**

Capital assets are recorded at historical costs. Purchase property and equipment in excess of \$5,000 is capitalized. Costs for the new water system and the building include the costs for construction during

the current year including costs of engineering, architecture, and drilling costs incurred in the prior year. Depreciation is calculated using the straight-line method over the following estimated useful lives:

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

### **Net Position**

Net position comprises the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: net investment in capital assets; restricted; and unrestricted net assets. Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net position consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net position consist of all other net assets not included in the above categories.

### **New Governmental Accounting Standards**

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 67 Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25. Earlier application is encouraged. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The Authority has analyzed the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statements.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68 Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The Authority has analyzed the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statements.



In January 2013, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 69 Government Combinations and Disposals of government Operations. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged. The Authority is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In April 2013, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 70 Accounting and Financial Reporting for Nonexchange Financial Guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. The Authority is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In November 2013, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 71 Pension Transition for Contributions made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The Authority is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

2. **CASH AND DEPOSITS**

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

<b>Citizens Bank</b>	<b>Balance Per</b>		
<b><u>Name of Account</u></b>	<b>Bank</b>	<b>Reconciled</b>	<b>Type</b>
	<b>06/30/14</b>	<b>Balance</b>	
Operating account	\$ 126,208	\$ 78,145	Checking
Debt Service	101,371	93,630	Checking
La Mesa Water Project	-	-	Checking
Mesquite Water Sewer	222	222	Checking
Berino/Mesquite Water Project	854,937	4,274	Checking
USDA Loan Reserve	44,303	44,303	Checking
Reserve	191,196	191,196	Checking
Organ Water and Sewer	102	102	Checking
Certificate of Deposit	<u>11,435</u>	<u>11,435</u>	CD
 Total Deposited	 1,329,774	 <u>\$ 423,307</u>	
Less: FDIC Coverage	<u>(250,000)</u>		
 Uninsured amount	 1,079,774		
50% collateral requirement	539,887		
Pledged securities	<u>2,119,019</u>		
 Over (under) requirement	 <u>\$ 1,579,132</u>		

The following securities are pledged by Citizens Bank of Las Cruces:

<b>Description</b>	<b>CUSIP #</b>	<b>Fair Value</b>	<b>Maturity Date</b>
FHLB	3133XHVS8	\$ 568,175	12/9/2016
FHLB	313370SZ2	<u>1,550,844</u>	9/8/2017
 Total		 <u>\$ 2,119,019</u>	

In addition to the above bank balances, the Authority has \$2,359 in petty cash at June 30, 2014.

**Custodial Credit Risk-Deposits**

Custodial credit risk is the risk that in the event of a failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$1,079,774 of the Authority's bank balance of \$1,329,774, was exposed to custodial credit risk.



### 3. **PROPERTY AND EQUIPMENT**

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

	<b>Beginning Balance</b>	<b>Transfers</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:					
Land	\$ 354,686	\$ -	\$ -	\$ -	\$ 354,686
Land Improvements	33,633	-	-	-	33,633
Construction in progress	13,910,077	(9,802,324)	2,472,053	-	6,579,806
Water rights	10,927,171	-	-	-	10,927,171
<b>Total capital assets not being depreciated</b>	<b>25,225,567</b>	<b>(9,802,324)</b>	<b>2,472,053</b>	<b>-</b>	<b>17,895,296</b>
Capital Assets, being depreciated					
Buildings	1,773,577	50,235	-	-	1,823,812
Water systems	22,895,539	9,802,324	2,264,276	-	34,962,139
Furniture, fixtures and equipment	980,884	-	-	-	980,884
Transportation equipment	386,359	-	-	-	386,359
<b>Total capital assets , being depreciated</b>	<b>26,036,359</b>	<b>9,852,559</b>	<b>2,264,276</b>	<b>-</b>	<b>38,153,194</b>
<b>Total capital assets</b>	<b>51,261,926</b>	<b>50,235</b>	<b>4,736,329</b>	<b>-</b>	<b>56,048,490</b>
Less accumulated depreciation for:					
Buildings	3,882,169	39,215	-	-	3,921,384
Water systems	5,852,568	609,817	-	-	6,462,385
Furniture, fixtures and equipment	452,417	8,985	-	-	461,402
Transportation equipment	327,011	51,154	-	-	378,165
<b>Total accumulated depreciation</b>	<b>10,514,165</b>	<b>709,171</b>	<b>-</b>	<b>-</b>	<b>11,223,336</b>
<b>Total other capital assets, net</b>	<b>\$ 40,747,761</b>	<b>\$ (658,936)</b>	<b>\$ 4,736,329</b>	<b>\$ -</b>	<b>\$ 44,825,154</b>

Depreciation expense was \$709,171 for the year ended June 30, 2014.

### 4. **COMPENSATED ABSENCES**

Full time employees earn both 4 hours sick leave and 4 hours vacation each biweekly pay period. Employees may carry over a maximum of 240 hours in each category from calendar year to calendar year. As of June 30, 2014, employees had balances of 935 sick leave hours with a value of \$6,135 and 2,134 vacation hours with a value of \$40,167. Upon termination, all accumulated vacation and 1 hour for every 3 accumulated hours for sick leave will be paid to the employee.

5. **LONG TERM DEBT**

Changes in long-term debt during the year ended June 30, 2014 were as follows:

	<u>Balance</u> <u>06/30/13</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>06/30/14</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
NMFA Truck Desert Sands	\$ 13,130	\$ -	\$ 13,130	\$ -	\$ -
NMED RIP 88-12R La Mesa	-	-	-	-	-
NMFA 2601-PP	753,216	-	21,062	732,154	19,584
USDA 92-13 Mesquite Sewer	98,315	-	1,257	97,058	1,319
USDA 92-19 Mesquite Sewer	593,317	-	10,255	583,062	10,519
NMFA WTB-233 Berino/Del Cerro	415,819	-	21,397	394,422	21,450
N/P RCAC 0742 Berino/Del Cerro	57,284	-	57,284	-	-
NMFA Radio Read Meter 2710-DW	150,238	-	1,488	148,750	6,651
NMFA 0252-WTB Surface Water	73,285	-	3,858	69,427	3,858
NMFA 2766-CIF Gravity Collect	167,025	-	8,352	158,673	8,352
NMFA CIF 2791 Brazito	58,150	-	2,908	55,242	2,908
USDA 91-07	72,903	-	1,480	71,423	1,167
USDA 91-09	36,606	-	726	35,880	574
USDA 91-12	4,639	-	4,639	-	-
USDA 91-14	210,489	-	3,858	206,631	3,203
USDA 91-15	169,529	-	2,881	166,648	2,559
USDA 91-02 Butterfield	212,073	-	3,969	208,104	3,990
USDA 91-04 La Mesa	463,797	-	6,765	457,032	6,888
USDA 93-09 Organ	99,857	-	1,314	98,543	1,486
WSC 85-03 R	29,047	-	29,047	-	-
USDA	-	2,304,000	8,594	2,295,406	27,816
Compensated absences	36,851	51,145	41,694	46,302	46,302
	<u>\$ 3,715,570</u>	<u>\$ 2,355,145</u>	<u>\$ 245,958</u>	<u>\$ 5,824,757</u>	<u>\$ 168,626</u>

Scheduled principal and interest payments on the Authority's long term debt are as follows:

<b>Year Ending June 30:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 122,324	\$ 157,948	\$ 280,272
2016	124,484	155,778	280,262
2017	126,749	153,503	280,252
2018	129,129	151,113	280,242
2019	131,630	146,802	278,432
2020-2024	667,594	628,433	1,296,027
2025-2029	786,374	622,879	1,409,253
2030-2034	811,616	524,264	1,335,880
2035-2039	769,000	390,883	1,159,883
2040-2044	739,744	259,889	999,633
2045-2049	715,939	155,930	871,869
2050-2054	653,872	49,919	703,791
Totals	<u>\$ 5,778,455</u>	<u>\$ 3,397,341</u>	<u>\$ 9,175,796</u>

Below are the terms, amounts due within one year, and maturity dates of the Authority's outstanding long term debt:

	<u>Interest Rate</u>	<u>Payment Frequency</u>	<u>Payment Amount</u>	<u>Maturity Date</u>
NMFA 2601-PP	3.44%	Monthly	4,386	April 2041
USDA 92-13 Mesquite Sewer	3.375%	Monthly	380	June 2052
USDA 92-19 Mesquite Sewer	2.00%	Monthly	1,837	June 2052
NMFA WTB-233 Berino/Del Cerro	0.25%	Yearly	22,436	June 2032
NMFA Radio Read Meter 2710-DW	0.25%	Monthly	7,027	May 2034
NMFA 0252-WTB Surface Water	0.25%	Monthly	4,041	June 2032
NMFA 2766-CIF Gravity Collect	0.00%	Yearly	8,351	June 2033
NMFA CIF 2791 Brazito	0.00%	Yearly	2,908	June 2033
USDA 91-07	4.125%	Monthly	341	June 2045
USDA 91-09	4.25%	Monthly	174	May 2045
USDA 91-14	3.375%	Monthly	844	February 2049
USDA RD 91-15	2.75%	Monthly	592	February 2052
USDA RD 91-02 Butterfield	5.00%	Monthly	1,204	September 2040
USDA 91-04 La Mesa	2.75%	Monthly	1,617	August 2052
USDA 93-09 Organ	2.75%	Monthly	348	July 2052
USDA 91-02 Berino/Del Cerro/Mesq Water	3.375%	Monthly	8,756	June 2054

## 6. 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, 2014 was \$81,341.

## 7. RETIREMENT PLAN

The Authority provides employees the opportunity to participate in a 401(k) plan. The 401(k) is available to employees after completing their 90 day trial period. The Authority matches employee contributions dollar for dollar up to 4% of wages. In addition, the Authority contributes a profit sharing portion to each employee's 401(k), regardless of whether they participate in the voluntary contribution option. Current policy is to contribute 10% of the employee's wages towards the profit sharing option. For the fiscal year ended June 30, 2014, the Authority contributed \$24,911 in matching funds and accrued \$70,377 towards the profit sharing option.

**8. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 25, 2014, the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH  
BALANCE - BUDGET AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
Operating Income				
Water revenue	\$ 2,030,452	\$ 1,688,918	\$ 2,342,883	\$ 653,965
Sewer revenue	63,100	94,500	53,633	(40,867)
Other income	300	300	74,418	74,118
Total operating income	<u>2,093,852</u>	<u>1,783,718</u>	<u>2,470,934</u>	<u>687,216</u>
Operating Expenses				
Salaries, labor	814,397	1,090,990	890,597	200,393
Accounting, legal	279,400	87,874	36,980	50,894
Taxes, insurance	540,000	120,284	235,688	(115,404)
Utilities	365,255	257,824	285,144	(27,320)
Supplies	274,000	350,463	184,912	165,551
Lab, chemicals	14,500	27,797	223,552	(195,755)
Debt Service	-	69,386	50,827	18,559
Miscellaneous	-	-	82,873	(82,873)
Fuel	-	-	-	-
Travel and entertainment	-	-	525	(525)
Depreciation	<u>525,000</u>	<u>710,000</u>	<u>709,171</u>	<u>829</u>
Total operating expenses	<u>2,812,552</u>	<u>2,714,618</u>	<u>2,700,269</u>	<u>14,349</u>
Excess (deficiency) of revenues over expenditures	<u>(718,700)</u>	<u>(930,900)</u>	<u>(229,335)</u>	<u>701,565</u>
Nonoperating revenues				
Water	190,000	216,400	-	(216,400)
Sewer	3,700	4,500	-	(4,500)
Agency loans/grants	-	-	1,729,443	1,729,443
Other expenses	-	-	(7,367)	(7,367)
Total nonoperating income	<u>193,700</u>	<u>220,900</u>	<u>1,722,076</u>	<u>1,501,176</u>
Revenue over (under) expenses	<u>\$ (525,000)</u>	<u>\$ (710,000)</u>	<u>\$ 1,492,741</u>	<u>\$ 2,202,741</u>

See accompanying notes to financial statements and independent auditors' report.

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

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

We have audited, 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 and budgetary comparison presented as supplementary information of the Lower Rio Grande Public Water Works Authority (the Authority) as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 25, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lower Rio Grande Public Water Works Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses may exist that have not been identified.



### **Compliance and Other Matters**

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

### **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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
El Paso, Texas  
November 25, 2014



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

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

**Report on Compliance for Each Major Federal Program**

We have audited the Lower Rio Grande Public Water Works Authority's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Lower Rio Grande Public Water Works Authority's major federal programs for the year ended June 30, 2014. The Lower Rio Grande Public Water Works Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Lower Rio Grande Public Water Works Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lower Rio Grande Public Water Works Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lower Rio Grande Public Water Works Authority's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Lower Rio Grande Public Water Works 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, 2014.

### **Report on Internal Control Over Compliance**

Management of Lower Rio Grande Public Water Works Authority, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lower Rio Grande Public Water Works Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lower Rio Grande Public Water Works Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*White + Samaniego + Campbell, LLP*

El Paso, Texas

November 25, 2014

STATE OF NEW MEXICO  
 LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 JUNE 30, 2014

Federal Grantor Pass Through Grantor Program Title	CFDA	Award Amount	Expenditures
<i>United States Department of Agriculture Rural Development</i>			
Water and Waste Disposal Systems for Rural Communities - Grant	10.760	\$ 1,569,346	\$ 1,569,346
Water and Waste Disposal Systems for Rural Communities - Loan	10.760	471,000	471,000
Water and Waste Disposal Systems for Rural Communities - Grant	10.760	2,990,382	2,928,873
Water and Waste Disposal Systems for Rural Communities - Loan	10.760	2,304,000	1,003,259
Water and Waste Disposal Systems for Rural Communities - Grant	10.760	<u>6,556,081</u>	<u>6,216,879</u>
Total United States Department of Agriculture Rural Development		13,890,809	12,189,357
<i>Community Development Block Grants/Entitlement Grants</i>			
Water and Waste Disposal Systems for Rural Communities - Grant	14.218	<u>37,500</u>	<u>37,500</u>
Total Expenditures of Federal Awards		<u>\$13,928,309</u>	<u>\$12,226,857</u>

**Note 1 - Basis of Presentation**

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

See accompanying notes to financial statements and independent auditors' report.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2014**

---

**SECTION I - SUMMARY OF AUDITORS' REPORT**

**FINANCIAL STATEMENTS**

Type of Auditors' Report Issued	Unmodified	
Significant Deficiencies Identified?	_____ Yes	___X___ No
Significant Deficiencies Identified that Are Considered to Be Material Weakness(es)?	_____ Yes	___X___ No
Noncompliance Material to Financial Statements	N/A	

**FEDERAL AWARDS**

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

Identification of Major Programs:

CFDA	10.760	Water and Waste Disposal Systems for Rural Communities
Dollar Threshold Used to Distinguish Between Type A and Type B Programs		\$300,000
Auditee Qualifies as Low-Risk Auditee	___X___ Yes	_____ No

**STATE OF NEW MEXICO  
LOWER RIO GRANDE PUBLIC WATER WORKS AUTHORITY  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014**

---

**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, 2014**

---

An exit conference was conducted November 7, 2014 in a closed meeting of the Authority pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Lower Rio Grande Public Water Works Authority

Johnny Trujillo	Vice-Chair
Martin Lopez	General Manager
Kathi Jackson	Finance Manager

White + Samaniego + Campbell, LLP

Roxie Samaniego	Partner
-----------------	---------

**FINANCIAL STATEMENT PREPARATION**

The combined financial statements of the Authority as of, and for the year ended, June 30, 2014 were prepared by White + Samaniego + Campbell, LLP, with the aid of responsible Authority personnel. Official responsible personnel agree that the presentations are made with their knowledge and agreement.