HINKLE + LANDERS

Certified Public Accountants + Business Consultants

STATE OF NEW MEXICO
CAMINO REAL REGIONAL UTILITY AUTHORITY

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

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CAMINO REAL REGIONAL UTILITY AUTHORITY
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2019

CAMINO REAL REGIONAL UTILITY AUTHORITY
OFFICIAL ROSTER
AS OF June 30, 2019

Board of Directors

Board Member	Title	Title/Representing
Javier Perea	Chair	Mayor, City of Sunland Park
Isabella Solis	Vice-Chair	Commissioner, Doña Ana County
Joshua Orozco	Member	Member at Large
Gerardo Ibarra	Member	State Representative Appointee
Ramon Gonzales	Member	Commissioner, Doña Ana County
Alex Sierra	Member	State of NM Senator Appointee
Olga Nunez	Member	Councilor, City of Sunland Park

Administrative Officials

Name	Title
Brent Westmoreland	Executive Director

INDEPENDENT AUDITOR'S REPORT

The Governing Board
State of New Mexico, Camino Real Regional Utility Authority and
Mr. Brian Colón, State Auditor
State of New Mexico, Office of the State Auditor

Report on Financial Statements
We have audited the accompanying financial statements of the business-type activities and aggregate remaining fund information of Camino Real Regional Utility Authority (Authority), as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 and the aggregate remaining fund information of the Authority, as of June 30, 2019, and the respective changes in financial position and where applicable, cash flows thereof, for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information
Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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 the missing information.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, and the schedules related to PERA and Net Pension Liabilities, listed as "*Required Supplementary Information*" in the table of contents, be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements, that collectively comprise the Authority's basic financial statements. The schedule of changes in fiduciary assets and liabilities-agency funds, as listed in the table of contents, as supplementary information, are presented for purposes of additional analysis and are not required part of the basic financial statements. The other schedules, as required by 2.2.2 NMAC, as listed as other supplementary information in the table of contents, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules, listed as supplementary and other supplementary information in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules were 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 2, 2019 on our consideration of the 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 the Authority's internal control over financial reporting and compliance.

Hinkle & Landers, P.C.

Hinkle + Landers, P.C.
Albuquerque, NM
December 2, 2019

STATE OF NEW MEXICO
CAMINO REAL REGIONAL UTILITY AUTHORITY
STATEMENT OF NET POSITION - PROPRIETARY FUND
AS OF JUNE 30, 2019

ASSETS		
Current assets		
Cash and cash equivalents	$	3,363,444
Receivables, net		626,355
Total current assets		3,989,799
Non-current assets		
Land and construction in progress		22,592,863
Other capital assets, net of accumulated depreciation		47,187,646
Total non-current assets		69,780,509
Total assets		73,770,308
Deferred outflows of resources		
Pension deferral		251,806
Total deferred outflows of resources		251,806
Total assets and deferred outflows of resources	$	74,022,114
LIABILITIES		
Current liabilities		
Accounts payable	$	150,834
Accrued payroll liabilities		24,292
Accrued interest		4,143
Utility deposits		235,519
Other liabilities		21,581
Unearned revenue		685,200
Compensated absences, current portion		71,730
Notes and loans payable, current portion		29,638
Bonds payable, current portion		334,000
Total current liabilities		1,556,937
Non-current liabilities		
Notes and loans payable		780,778
Bonds payable		7,248,000
Compensated absences		30,743
Net pension liability		867,337
Total non-current liabilities		8,926,858
Total liabilities		10,483,795
Deferred inflows of resources		
Pension deferral		32,369
Total deferred outflows of resources		32,369
NET POSITION		
Net investment in capital assets		61,388,093
Unrestricted		2,117,857
Total net position		63,505,950
Total liabilities, deferred inflows of resources, and net position	$	74,022,114

See Independent Auditor's Report.
The accompanying notes are integral to these financial statements

STATE OF NEW MEXICO
CAMINO REAL REGIONAL UTILITY AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

OPERATING REVENUES	
Charges for water services	$ 3,008,372
Charges for sewage services	1,883,590
Charges for services	365,787
Water system expansion revenue	1,080
Other revenue	140,365
Total revenues	5,399,194
OPERATING EXPENSES	
Personnel services - salaries and wages	739,737
Personnel services - employee benefits	357,819
Professional and technical services	476,475
Repairs and maintenance	552,725
Utilities	589,245
Supplies and chemicals	243,570
Leases and rent	25,706
Bad debt expense	86,935
Operation parts and equipment	279,750
Travel and training	4,503
Other operating expenses	349,588
Depreciation	2,149,084
Total operating expenses	5,855,137
Operating income (loss)	(455,943)
NON-OPERATING REVENUES (EXPENSES)	
Grant and developer revenue	1,639,988
Debt service	(50,884)
Interest expense - non-operating	(182,770)
Total non-operating revenues (expenses)	1,406,334
Change in net position	950,391
Net position, beginning of year	62,555,559
Net position, end of year	$ 63,505,950

See Independent Auditor's Report.
The accompanying notes are integral to these financial statements

STATE OF NEW MEXICO
CAMINO REAL REGIONAL UTILITY AUTHORITY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	8,003,724
Payments to employees		(963,983)
Payments to suppliers		(4,921,371)
Other receipts/(payments)		38,955
Net cash provided (used) by operating activities		2,157,325
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
None		-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets		(1,916,194)
Capital grants		1,639,988
Debt service payment on behalf of other entities		(50,884)
Principal payments		(406,074)
Interest payments		(182,770)
Net cash provided (used) by capital and related financing activities		(915,934)
CASH FLOWS FROM INVESTING ACTIVITIES		
None		-
Net increase (decrease) in cash and cash equivalents		1,241,391
Balances-beginning of year		2,122,053
Balances-end of year	$	3,363,444
Reconciliation of operating income/(loss) to net cash provided/(used) by operating activities:		
Operating income/(loss)	$	(455,943)
Depreciation expense		2,149,084
Bad debt expense		86,935
Pension expense		77,647
Change in assets and liabilities:		
Receivables		2,745,975
Accounts payable		(2,399,809)
Accrued expenses and other liabilities		41,751
Unearned revenue		(102,490)
Compensated absences		14,175
Net cash provided (used) by operating activities	$	2,157,325

STATE OF NEW MEXICO
CAMINO REAL REGIONAL UTILITY AUTHORITY
STATEMENT OF FIDUCIARY ASSETS
AND LIABILITIES - AGENCY FUNDS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

		Agency Funds
ASSETS		
Cash and cash equivalents	$	82,916
Receivables, net		161,842
Total assets	$	244,758
LIABILITIES		
Accounts payable	$	244,758
Total liabilities	$	244,758

See Independent Auditor's Report.
The accompanying notes are integral to these financial statements

NOTE 1—NATURE OF BUSINESS AND REPORTING ENTITY

The Camino Real Regional Utility Authority (the Authority) was originally established under a joint power's agreement dated February 24, 2009 by and between the City of Sunland Park and the County of Dona Ana. The City of Sunland Park's water and wastewater facilities and operations have been combined with certain defined County of Dona Ana water and wastewater facilities and operations to create and independent water and wastewater utility authority.

In addition, the Authority and the County entered into a Fiscal Agent Agreement. This Fiscal Agent Agreement is for a period of ten years from the effective date of the original agreement, October 31, 2011, and was amended for the second time, effective September 29, 2014. The Fiscal Agent Agreement may be renewed for additional five-year periods upon mutual agreement of the parties. For its fiscal agent services, the County shall receive from the Authority a fixed fee of $135,000 to be paid in monthly equal installments of $11,250. Commencing with the second year of the Fiscal Agent Agreement, the compensation paid to the County shall increase annually according to increases in the Consumer Price Index produced by the Bureau of Labor Statistics. In addition to the above-mentioned fixed fee, variable costs will be incurred by the County in performing its management, administrative and fiscal functions on behalf of the Authority which are billed on a monthly basis. Examples of these additional variable costs include but are not limited to: annual audit costs; hardware, software licenses and computer maintenance costs; and outside professional services. During fiscal year 2016, the Authority and the County suspended the Fiscal Agent Agreement and, as such, the Authority was responsible for several fiscal management and administrative services. The Fiscal Agent Agreement was re-established effective July 1, 2016 (i.e. fiscal year 2017).

The Authority was created to:

- Establish and empower an independent Water and Wastewater Utility Authority to provide municipal water and wastewater utility services to present and future development within a designated service area that encompasses the City of Sunland Park and a certain area within the unincorporated territory of Southern Dona Ana County and;
- Provide for and administer subdivision, zoning, planning and platting regulations for present and future development within a designated service area within a certain area within Southern Dona Ana County.

The Board Membership of the Authority is composed of:

- Two elected officials from Sunland Park. These appointees shall each service two-year terms.
- Two County Commissioners (which includes one Commissioner whose district includes Sunland Park). These appointees shall each serve a two-year term.
- The New Mexico Senator (or delegate) whose district includes the Sunland Park/Santa Teresa area.
- The New Mexico Representative (or delegate) whose district includes the Sunland Park/Santa Teresa area.
- One member to be selected by majority of the aforementioned six members who is a professional with real property development or engineering experience or a background in economic development. This appointee shall serve a two-year term.

Reporting Entity

The financial statements of the Authority encompass the activities of the Authority and any applicable component units.

In evaluating how to define the Authority, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 61—*The Financial Reporting Entity; Omnibus – and amendment of GASB Statement No. 14 and No. 39*. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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 governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. 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 government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, there were no component units identified as needing to be disclosed or presented as part of the reporting entity.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

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

The Authority's activities are reported as business-type and fiduciary activities. As a result, the financial statements are comprised of proprietary fund financial statements and fiduciary/agency fund financials. Proprietary statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows. Fiduciary/agency fund financials include a Statement of Fiduciary Assets and Liabilities – Agency Funds and a Combining Statement of Changes in Assets and Liabilities.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 user fees generated from water and wastewater services. Operating expenses 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 non-operating revenues and expenses.

Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Authority's own programs.

The following are the Authority's fiduciary funds:

> The *South Central Solid Waste Authority (50041)* fund accounts for the activities of the solid waste utility, which provides service to the residents in the City of Sunland Park.
>
> The *Sunland Park Solid Waste (55125)* fund accounts for the activities of the solid waste utility, which provided service to residents of Sunland Park, until October 2012. Once all outstanding receivables are collected in full, this fund will be closed.

B. Use of Estimates

Financial statement preparation in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows and disclosure of contingent assets and liabilities at the financial statement date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Net Position

The proprietary fund financial statements utilize a net position presentation. Net position is categorized in the following three categories: investment in capital assets (net of related debt), restricted and unrestricted.

1. *Investment in capital assets (net of related debt)* – Is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

2. *Restricted net position* – Consist of net position with constraints placed on the use by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation or federal law.

3. *Unrestricted net position* – Consist of assets, deferred outflows, less liabilities, deferred inflows, after the amount invested in capital assets and any restricted and designated net position have been subtracted.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

E. Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than $5,000 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. Donated 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.

Property and equipment of the Authority are depreciated using the straight-line method over the following estimated useful lives:

Asset Type	Years
Land	Perpetuity
Construction in progress	Perpetuity
Land improvements	10 - 40
Buildings and improvements	10 - 40
Furniture, fixtures, and equipment	3 - 10
Vehicles	5 - 10
Infrastructure	10 - 25

F. Inventories and Prepaid Items

Inventories in governmental funds consist of expendable supplies held for consumption and are valued at cost using a first-in, first-out (FIFO) method. Expendable supplies are accounted for using the consumption method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

The Authority reported no inventory or prepaid expenses as of June 30, 2019.

G. Compensated Absences

The Authority's policy permits employees to accumulate earned but unused vacation, compensatory hours, and sick pay benefits. Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and overtime. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees is accrued as employees earn the right to the benefits. Compensated absences that related to future services or that are contingent on a special event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or when such events take place. Compensated absences liability includes annual leave which has been accrued but not taken.

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to the aforementioned maximums at their current hourly rate. See the Note 7 for the accrued compensated absences payable outstanding as of June 30, 2019.

H. Budgets

The Authority's budgets are not prepared on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), using an estimate of anticipated revenues and expenses. The budget is presented on a cash basis method of accounting, which does not include capitalizing fixed capital assets over $5,000, instead these expenditures are presented as capital outlay.

Management prepares a budget by individual fund for the Authority which is tentatively adopted by the Board. After tentative approval at the organizational level, the budget is submitted to the New Mexico Department of Finance and Administration (DFA) for approval of a temporary operational budget beginning July 1. This budget includes expected receipts and expenditures of its individual funds. The Authority prepares budgets as needed for certain projects for submission directly to that project's funding source.

Formal budgetary integration is employed as a management control device during the year. The difference between non-GAAP budgetary basis financial statements and the GAAP basis financial statements is the following: the GAAP basis financial statements are on the accrual basis and capital outlay amounts greater than $5,000 are capitalized on the Statement of Net Position and the non-GAAP budget basis financial statements record capital outlay greater than $5,000 as expenditures.

The time, at which appropriations lapse, depends on the funding source and related legal requirements. Unexpended appropriations funded by any grants received do not lapse at the fiscal year-end and may be carried forward.

The legal level of budgetary control is at the individual fund level. The legally permissible methods for amending the initially approved budget may vary depending on the funding source.

New Mexico State law prohibits the Authority from making expenditures in excess of approved appropriations. If a fund is not overspent, it is in compliance with state law. The 2019/2018 budget has been legally adopted.

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or the balance sheet for governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority has the following deferred outflows of resources during fiscal year 2019:

Deferred Outflows of Resources - GW		
Pension deferrals	$	251,806
Total deferred outflows of resources	$	251,806

In addition to liabilities, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position/fund balance that applied to a future period and so will not be recognized until then. The Authority has the following deferred inflows of resources during fiscal year 2019:

Deferred Inflows of Resources - GW		
Pension deferrals	$	32,369
Total deferred inflows of resources	$	32,369

J. Unearned Revenue

Unearned revenues arise when resources are received by the Authority before it has a legal claim to them, or when monies are received before the incurrence of qualifying expenditures. In subsequent periods, when the Authority has a legal claim to the resources, the liabilities for unearned revenue are removed from the statement of net position and revenue is recognized.

K. GASB 77 Disclosure

The Authority has no tax abatement agreements as of June 30, 2019, and therefore no disclosures under GASB 77 are required.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA's. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 3—CASH AND CASH EQUIVALENTS

The Authority's cash balances consist of a non-interest-bearing demand deposit account. The following is a summary of the Authority's cash balances as of June 30, 2019.

Cash and Cash Equivalents		Amount
Unrestricted		
Cash	$	3,445,360
Petty cash		1,000
Total unrestricted		3,446,360
Total cash and cash equivalents	$	3,446,360

Cash and Cash Equivalents by Fund Type		Amount
Business-type activities		
Unrestricted	$	3,363,444
Agency funds		82,916
Total cash and cash equivalents	$	3,446,360

Specific details of the collateralization of the Authority's deposits are included on the Schedule of Cash, Cash Equivalents, and Pledged Collateral as listed in the table of contents.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit be collateralized by the depository thrift or banking institution. At present, state statutes require that a minimum of fifty percent of uninsured balances on deposit with anyone institution must be collateralized, with higher requirements up to 100% for financially troubled institutions.

As of June 30, 2019, the Authority's bank and investment balances of $3,603,731 were exposed to custodial credit risk as follows:

Uninsured, collateralized with securities held by pledging financial institution's trust department or agent in CRRUA's name	$	3,353,731
Uninsured and uncollateralized		-
	$	3,353,731

As of June 30, 2019, all the Authority's uninsured deposits were collateralized with securities held by pledging financial institution's trust department or agent in the Authority's name.

Specific details of the collateralization of the Authority's deposits are included on Schedule of Cash, Cash Equivalents, and Pledged Collateral as listed in the table of contents.

NOTE 4—RECEIVABLES

Receivables at year-end including the applicable allowances for uncollectible accounts are as follows:

		2019			
		Water	Wastewater	Grants	Total
Receivables	$	443,896	524,849	57,811	1,026,556
Less: Allowance for doubtful accounts		(221,230)	(178,971)	-	(400,201)
Net receivables	$	222,666	345,878	57,811	626,355

All receivables are expected to be collected within one year.

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NOTE 5—CAPITAL ASSETS

Property and equipment are summarized as follows:

Business-Type Activities		Balance 2018	Additions	Deletions	Reclass	Balance 2019
Capital assets not depreciated						
Land and water rights	$	9,088,636	-	-	-	9,088,636
Construction in progress		26,802,257	1,916,194	-	(15,214,224)	13,504,227
Total capital assets not being depreciated		35,890,893	1,916,194	-	(15,214,224)	22,592,863
Capital assets being depreciated:						
Land improvements		50,828	-	-	-	50,828
Furniture, fixtures, & equipment		1,116,574	-	(47,768)	-	1,068,806
Vehicles		515,353	-	-	-	515,353
Infrastructure		50,922,339	-	-	15,214,224	66,136,563
Total capital assets being depreciated		52,605,094	-	(47,768)	15,214,224	67,771,550
Less accumulated depreciation						
Land improvements		(39,751)	(2,215)	-	-	(41,966)
Furniture, fixtures, & equipment		(1,021,827)	(20,490)	47,768	-	(994,549)
Vehicles		(479,932)	(21,263)	-	-	(501,195)
Infrastructure		(16,941,078)	(2,105,116)	-	-	(19,046,194)
Total accumulated depreciation		(18,482,588)	(2,149,084)	47,768	-	(20,583,904)
Total capital assets, net	$	70,013,399	(232,890)	-	-	69,780,509

For the year ended June 30, 2019, depreciation expense was $2,149,084 which is charged by water and wastewater functions as disclosed on the face of the financial statements.

NOTE 6—UNEARNED REVENUE

Unearned revenues at June 30, consist of the following:

Type		2019
Verde Santa Teresa water taps and wastewater connections	$	685,200
Total unearned revenue	$	685,200

NOTE 7—CHANGES IN LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2019 is as follows:

Obligation	Balance 2018	Additions	Deletions	Balance 2019	Due Within One Year
Compensated absences	$ 88,298	74,491	(60,316)	102,473	71,730
Notes and loans payable	894,490	-	(84,074)	810,416	29,638
Bonds payable	7,904,000	-	(322,000)	7,582,000	334,000
Net pension liability	754,372	158,912	(45,947)	867,337	-
Total	$ 9,641,160	233,403	(512,337)	9,362,226	435,368

Bonds Payable

The Authority has the following bonds to service. Details are as follows:

Bond Description	Date of Issue	Due Date	Original Issue	Outstanding	Rate
GRT Water System Revenue Bond, Series 2008	12/17/2018	12/15/2033	$ 7,765,000	5,060,000	2.00%
Net System Revenue Refunding Bond, Series 2017	11/24/2017	12/15/2027	2,769,000	2,522,000	2.97%
Totals			$ 10,534,000	7,582,000	

GRT Water System Revenue Bond, Series 2008

In December 2008, the County issued refunding bonds to defease the Water System/Gross Receipts Tax Revenue Bonds, Series 1999 and payoff the Verde Group Liability with the issuance of $7,765,000 in Bonds to mature December 15, 2033. The 2008 bonds were purchased by the County with Doña Ana Hospital Lease Funds and are shown as an investment in the County's financials. These debt obligations were transferred to the Authority as of February 1, 2012. Principal payments are due December 15 annually until paid in full. Interest is payable twice a year; June 15 and December 15. The bonds are payable and collectible solely from net revenues to be derived from the operation of the Authority. This debt is secured with legally pledged revenues. There are no finance-related default consequences, termination event consequences, or subjective acceleration clauses specified in the debt agreement. Pledged revenues for the fiscal year ended June 30, 2019 totaled $338,550.

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The annual requirements to amortize the Series 2008 Revenue Bond outstanding as of June 30, 2019, including interest payable are as follows:

Year Ended June 30,		Principal	Interest	Total
2020	$	245,000	98,750	343,750
2021		255,000	93,750	348,750
2022		270,000	88,500	358,500
2023		280,000	83,000	363,000
2024		295,000	40,100	335,100
2025-2029		1,680,000	327,250	2,007,250
2030-2034		2,035,000	104,550	2,139,550
2035-2039		-	-	-
	$	5,060,000	835,900	5,895,900

Net System Revenue Refunding Bond, Series 2017

In November 2017, the County issued refunding bonds to defease the Water System Revenue Bonds Series 1992A and B, Joint Water and Wasteland System Revenue Bonds Series 2002, and Water and Wastewater System Revenue Bonds Series 2004 with the issuance of $2,769,000 in Bonds to mature December 15, 2027. Principal payments are due December 15 annually until paid in full. Interest is payable twice a year; June 15 and December 15. The bonds are payable and collectible solely from net revenues to be derived from the operation of the Authority. This debt is secured with legally pledged revenues. Pledged revenues for the fiscal year ended June 30, 2019 totaled $163,195.

The following details the default consequences, termination event consequences, or subjective acceleration clauses specified in the debt agreement.

> Section 26. Remedies of Defaults. Upon the occurrence of an Event of Default (unless remedied within ten (10) days of the Event of Default as to Sections 25.A and 25.B), the Bonds will accrue interest at the Default Rate. Upon the happening and continuance of any of the events of default as provided in Section 25 of this Resolution, then and in every case the registered owner or owners of the Bonds then outstanding, including but not limited to a trustee or trustees, may proceed against the Governmental Unit, its Governing Body, and its agents, officers and employees to protect and enforce the rights of any registered owner of Bonds under this Resolution by mandamus or other suit, action or special proceedings in equity or at law, in any court of competent jurisdiction, either for specific performance of any covenant or agreement contained herein or award or execution of any power herein granted for the enforcement of any power, legal or equitable remedy as such registered owner or owners may deem most effectual to protect and enforce the rights aforesaid, or thereby to enjoin any act or thing which may be unlawful or in violation of any right of any registered owner, or to require the Governing Body of the Governmental Unit to act as if it were the trustee of an expressed trust, or any combination of such remedies. All such proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all registered owners of the Bonds then outstanding. The failure of any such registered owner so to proceed shall not relieve the Governmental Unit or any of its officers, agents or employees of any liability for failure to perform any duty. Each right or privilege of any such registered owner (or trustee thereof) is in addition and cumulative to any other right or privilege, and the exercise of any right or privilege by or on behalf of any registered owner shall not be deemed a waiver of any other right or privilege thereof.

Section 27. Duties Upon Default. Upon the happening of any of the events of default as provided in Section 25 of this Resolution, the Governmental Unit, in addition, will do and perform all proper acts on behalf of and for the registered owners of the Bonds to protect and preserve the security created for the payment of the principal of and interest on the Bonds promptly as the same become due. All proceeds derived from the Pledged Revenues, so long as any of the Bonds herein authorized, either as to principal or interest, are outstanding and unpaid, shall be paid into the proper fund and used for the purposes therein provided. In the event the Governmental Unit fails or refuses to proceed as in this Section provided, the registered owner or registered owners of the Bonds then outstanding, after demand in writing, may proceed to protect and enforce the rights of the registered owners as hereinabove provided.

The annual requirements to amortize the Series 2017 Revenue Bond outstanding as of June 30, 2019, including interest payable are as follows:

Year Ended June 30,		Principal	Interest	Total
2020	$	89,000	73,582	162,582
2021		92,000	70,894	162,894
2022		96,000	68,102	164,102
2023		100,000	65,192	165,192
2024		101,000	62,207	163,207
2025-2029		2,044,000	183,347	2,227,347
2030-2034		-	-	-
2035-2039		-	-	-
	$	2,522,000	523,324	3,045,324

Notes and Loans Payable

The Authority has the following notes and loans to service. Details are as follows:

Notes and Loans Description	Date of Issue	Due Date		Original Issue	Outstanding	Rate
NMFA Loan 2430-DW	12/1/2010	5/1/2033	$	495,681	362,643	5.5%
NMFA Loan 0264-WTB	4/1/2014	6/1/2033		530,000	362,388	5.5%
NMFA Loan 3342-CIF	3/1/2016	6/1/2035		102,300	85,385	4.5%
Totals			$	1,127,981	810,416	

NMFA Drinking Water Revolving Fund Loan – NMFA 2430-DW
The Authority authorized the issuance of $495,681 New Mexico Finance Authority Drinking Water Revolving Fund Loan (2013), due in annual installments through May 2033 at an interest rate of 0.75%. The principal, interest, and administrative fees will be paid for with pledged revenues from net system revenues. This debt is secured with legally pledged revenues. Pledged revenues for the fiscal year ended June 30, 2019 totaled $26,931.

<u>NM Water Drinking Water Trust Board Loan – NMFA 0264-WTB</u>
On April 4, 2014, the Authority entered into a loan/grant agreement with the New Mexico Water Trust Board and the New Mexico Finance Authority for water conservation, treatment and reuse of water consisting of the construction of an arsenic treatment facility. The terms of the agreement call for a grant of $4,770,000 along with a loan totaling $530,000. The interest/administrative fee on the bond is 0.25% with a maturity date of June 1, 2033. Principal payments are due June 1 annually until paid in full. Interest is payable twice a year; June 1 and December 1. The principal, interest, and administrative fees will be paid for with pledged revenues from net system revenues. This debt is secured with legally pledged revenues. Pledged revenues for the fiscal year ended June 30, 2019 totaled $28,367.

<u>NMFA Colonias Infrastructure Board Loan – NMFA 3342-CIF</u>
The Authority authorized the issuance of $102,300 New Mexico Finance Authority Colonias Infrastructure Board Loan (2017), due in annual installments through June 2035 at an interest rate of 0.00%. Principal payments are due June 1 annually until paid in full. The principal, interest, and administrative fees will be paid for with pledged revenues from net system revenues. This debt is secured with legally pledged revenues. Pledged revenues for the fiscal year ended June 30, 2019 totaled $5,337.

The following details the default consequences, termination event consequences, or subjective acceleration clauses specified in all NMFA debt agreements.

Whenever any Event of Default has occurred and is continuing and subject to section Remedies on Default hereof, the Lender/Grantor may take any or all of the following actions as may appear necessary or desirable to collect the payments then due and to become due or to enforce performance of any obligations of the Borrower/Grantee in this Agreement:

a) File a mandamus proceeding or other action or proceeding or suit at law or in equity to compel the Borrower/Grantee to perform or carry out its duties under the law and the agreements and covenants required to be performed by it contained herein;
b) Terminate this Agreement;
c) Cease disbursing any further amounts from the Project Account;
d) Demand that the Borrower/Grantee immediately repay the Loan/Grant Amount or any portion thereof if such funds were not utilized in accordance with this Agreement;
e) File a suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Lender/Granter;
f) Intervene in judicial proceedings that affect this Agreement or the Pledged Revenues; or
g) Cause the Borrower/Grantee to account as if it were the trustee of an express trust for all of the Pledged Revenues;
h) Take whatever other action at law or in equity may appear necessary or desirable to collect amounts then due and thereafter to become due under this Agreement or to enforce any other of its rights hereunder; or
i) Apply any amounts in the Project Account toward satisfaction of any and all fees and costs incurred in enforcing the terms of this Agreement.

The annual principal and interest requirements on the notes and loans outstanding as of June 30, 2019 are as follows:

June 30,		Principal	Interest	Total
2020	$	29,638	3,663	33,301
2021		57,342	3,413	60,755
2022		57,656	3,160	60,816
2023		57,973	2,906	60,879
2024		58,293	2,649	60,942
2025-2029		296,343	9,221	305,564
2030-2034		247,834	2,620	250,454
2035-2039		5,337	-	5,337
	$	810,416	27,632	838,048

NOTE 8—PENSION PLAN—PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description: Substantially all of the Authority's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at http://www.pera.state.nm.us.

Funding Policy**:** Plan members are required to contribute 8.5% of their gross salary. The Authority is required to contribute 7.4% of the gross covered salary. The contribution requirements of plan members and the Authority are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature.

The Authority's contributions to PERA for the following fiscal years is identified below:

		2019	2018	2017
Authority contributions	$	48,056	45,947	46,055

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NOTE 9— PENSION PLAN AND POST EMPLOYMENT BENEFITS

General Information about the Pension Plan

Plan description. *Public Employees Retirement Fund* is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

Benefits provided. Benefits are generally available at age 65 with five or Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

TIER II. The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions. See PERA's publicly available financial report and comprehensive annual financial report obtained at http://saonm.org/ using the Audit Report Search function for agency 366, for the employer and employee contribution rates in effect for fiscal year, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Municipal General Division, at June 30, 2019, the Authority reported a liability of $867,337 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the Authority's proportion was 0.0631%, which was an increase of 0.0082% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Authority recognized PERA Fund Division; Municipal General Division pension expense of $123,567. At June 30, 2019, the Authority reported PERA Fund Division; Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

Municipal General Division		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	25,068	22,772
Changes of assumptions		78,636	4,987
Net difference between projected and actual earnings on pension plan investments		64,326	-
Change in proportion and differences between CRRUA contributions and proportionate share of contributions		35,720	4,610
CRRUA contributions subsequent to the measurement date		48,056	-
Total	$	251,806	32,369

$48,056 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:		Amount
2020	$	112,402
2021		48,836
2022		6,930
2023		3,213
2024		-
Thereafter		-

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Pay
Amortization period	Solved for based on statutory rates
Asset valuation method	
Actuarial assumptions	
Investment rate of return	7.25% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.00%
Projected salary increases	2.75% to 13.50% annual rate
Includes inflation at	2.50%
	2.75% all other years
Mortality assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience study dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2018 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

All Funds - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.5%	7.48%
Risk Reduction & Mitigation	21.5%	2.37%
Credit Oriented Fixed Income	15.0%	5.47%
Real Assets to include Real Estate Equity	20.0%	6.48%
Total	100.0%	

Discount rate. A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability. The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate. The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the employer name's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

PERA Fund Division - Municipal General Division	1% Decrease (6.25)%	Current Discount Rate (7.25)%	1% Increase (8.25)%
CRRUA's proportionate share of the net pension liability	$ 1,336,509	$ 867,337	$ 479,492

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued PERA financial reports, available at http://www.nmpera.org/.

Payable Changes in the Net Pension Liability. At June 30, 2019, the Authority reported no outstanding contributions due to PERA.

NOTE 10—POST-EMPLOYMENT BENEFITS—STATE RETIREE HEALTH CARE PLAN

The Authority is not a participant under the Retiree Health Care Act.

NOTE 11 – DEFERRED COMPENSATION PLAN

The Authority provides one optional deferred compensation 457 plan. This plan is the State of New Mexico Deferred Compensation Plan. The plan is available to any Authority employee. Nationwide Retirement Solutions, Inc. administers the plan. Employee contributions totaled $1,940 for the year ended June 30, 2019.

NOTE 12—RISK MANAGEMENT

The Authority is insured through purchase of commercial insurance policies for general liability and purchases Worker's Compensation Insurance from the New Mexico Self Insurer's Fund. Worker's Compensation claims are handled by the New Mexico Self Insurer's Fund.

NOTE 13 – OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

A. No funds that maintained a deficit fund balance as of June 30, 2019.
B. No funds exceeded approved budgetary authority for the year ended June 30, 2019.

NOTE 14 – COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

The Authority has several projects under construction related to water and wastewater utilities. Below is a summary list of projects:

Project	Total Cost	Amount Expended as of June 30, 2019	Percentage Complete	Estimated Date of Completion
North Wastewater Treatment Plant System	$ 12,810,361	12,477,805	97%	Ongoing
Total	$ 12,810,361	12,477,805		

The Authority is currently making payments on a loan that is held at a different entity. Prior to the formation of the Authority, debt was incurred by Dona Ana County in order to build the Santa Teresa Arsenic Treatment Plant. Once the treatment plant was completed and the Authority was formed, the Authority agreed to take over payments of the debt related to the treatment plant that was incurred by the County. Below are details of the loan:

Loan	Paid on Behalf of	Outstanding at June 30, 2019	Debt Service Paid in 2019
NMFA - Loan #190-WTB	Dona Ana County	$ 620,624	52,563

NOTE 15 – OPERATING LEASES

The reporting entity has entered into an operating lease. Future minimum lease payments are:

Fiscal Year Ending June 30,	Amount
2020	$ 15,990
2021	-
2022	-
2023	-
2024	-
Total	$ 15,990

Lease payments charged to current operations for the year ended June 30, 2019 totaled $25,706.

NOTE 16 – RELATED PARTIES

Doña Ana County (the County) is currently acting as the Authority's fiscal agent. They are contracted to provide multiple fiscal services, enterprise information systems management services, risk management services, and human resources management services. The contract term is for a period of 10 years from February 1, 2012 and can be renewed for an additional 5 years. The Authority paid the County $148,311 for fiscal year 2019.

Due to the relationship the Authority has with the County there are related parties between the two entities. The related parties are as follows:

- 2 of the Authority's Board of Directors are Doña Ana County Commissioners

STATE OF NEW MEXICO
CAMINO REAL REGIONAL UTILITY AUTHORITY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
SOUTH CENTRAL SOLID WASTE AUTHORITY				
50041				
Assets				
Cash and cash equivalents	$ 81,631	1,015,483	(1,014,356)	82,758
Receivables, net	145,436	1,037,054	(1,026,436)	156,054
Total assets	$ 227,067	2,052,537	(2,040,792)	238,812
Liabilities				
Accounts payable	$ 227,067	2,052,537	(2,040,792)	238,812
SUNLAND PARK SOLID WASTE				
55125				
Assets				
Cash and cash equivalents	$ 59	111	(12)	158
Receivables, net	5,870	41	(123)	5,788
Total assets	$ 5,929	152	(135)	5,946
Liabilities				
Accounts payable	$ 5,929	152	(135)	5,946
TOTALS - ALL AGENCY FUNDS				
Assets				
Cash and cash equivalents	$ 81,690	1,015,594	(1,014,368)	82,916
Receivables, net	151,306	1,037,095	(1,026,559)	161,842
Total assets	$ 232,996	2,052,689	(2,040,927)	244,758
Liabilities				
Accounts payable	$ 232,996	2,052,689	(2,040,927)	244,758
Total liabilities	$ 232,996	2,052,689	(2,040,927)	244,758

STATE OF NEW MEXICO
CAMINO REAL REGIONAL UTILITY AUTHORITY
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CAMINO REAL REGIONAL UTILITY AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF PERA FUND DIVISION; MUNICIPAL GENERAL DIVISION
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS*

		2019	2018	2017	2016	2015
		Measurement Date as of				
		June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CRRUA's proportion of the net pension liability (asset) (%)		0.0631%	0.0549%	0.0497%	0.0473%	0.0618%
CRRUA's proportionate share of the net pension liability (asset) ($)	$	867,337	754,372	794,039	482,264	482,264
CRRUA's covered payroll	$	622,365	622,365	571,270	499,986	571,270
CRRUA's proportionate share of the net pension liability (asset) as a percentage of its covered payroll		139%	121%	139%	96%	84%
Plan fiduciary net position as a percentage of the total pension liability		71.13%	73.74%	69.18%	76.99%	81.29%

**Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for CRRUA is not available prior to fiscal year 2015, the year the statement's requirements became effective.

STATE OF NEW MEXICO
CAMINO REAL REGIONAL UTILITY AUTHORITY
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CAMINO REAL REGIONAL UTILITY AUTHORITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA FUND DIVISION; MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS*

	2019	2018	2017	2016	2015
Statutory required contribution	$ 48,056	46,055	46,055	42,274	36,999
Contributions in relation to the statutorily required contribution	48,056	46,055	46,055	42,274	36,999
Contribution deficiency (excess)	$ -	-	-	-	-

**Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for CRRUA is not available prior to fiscal year 2015, the year the statement's requirements became effective.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2019

Changes of Benefit Terms: The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. https://www.saonm.org

Changes of Assumptions: The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2018 report is available at http://www.nmpera.org/

STATE OF NEW MEXICO
CAMINO REAL REGIONAL UTILITY AUTHORITY
SCHEDULE OF CASH, CASH EQUIVALENTS, AND PLEDGED COLLATERAL
AS OF JUNE 30, 2019

Financial Institution	Account Type	Wells Fargo Bank, NA	Petty Cash	Reconciling Items	Book Balance
Cash, cash equivalents, and investments					
Operational	Checking*	$ 3,603,731	-	(158,371)	3,445,360
Petty Cash	Petty Cash	-	1,000	-	1,000
Subtotal cash, cash equivalents, and investments		3,603,731	1,000	(158,371)	$ 3,446,360
Total amount of deposit in bank		3,603,731	-		
FDIC coverage		(250,000)	-		
Total uninsured public funds		3,353,731	-		
50% Collateral Requirement (Section 6-10-17 NMSA 1978)		1,676,866	-		
		1,676,866	-		
Pledged security at:					
Wells Fargo Bank, NA (Mellon Bank)					
FNMA FNMS 2.50% - 3138WHJ86 7/1/2031		3,452,026	-		
FNMA FNMS 3.00% - 3138WHUP5 8/1/2036		207,227	-		
Total collateral		3,659,253	-		
Amount over/(under) collateralized		$ 1,982,388	-		
Amount over/(under) collateralized & insured		$ 2,232,388	-		
Total book balance		$ 3,445,360	1,000		

*denotes interest bearing account

STATE OF NEW MEXICO
CAMINO REAL REGIONAL UTILITY AUTHORITY
SCHEDULE OF SPECIAL, DEFICIENCY SPECIFIC, AND CAPITAL OUTLAY APPROPRIATIONS
FOR THE YEAR ENDED JUNE 30, 2019

Project #	Agency	Project Name	Agreement Date	Reversion Date	Original Appropriation Award ($)	Expenditures as of June 30, 2018	Current Year Expenditures	Remaining Balance as of June 30, 2019
16-A2250-STB	New Mexico Environment Department	Santa Teresa/ Sunland Park Lift Stations	10/7/2016	6/30/2020	$ 200,000	31,778	135,731	32,491

See Independent Auditor's Report.
The accompanying notes are integral to these financial statements

STATE OF NEW MEXICO
CAMINO REAL REGIONAL UTILITY AUTHORITY
SCHEDULE OF JOINT POWERS AGREEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

	Agreement	Participants	Responsible Party	Description	Beginning and Ending Dates	Total estimated project amount and amount applicable to Agency	Amount contributed by CRRUA during current fiscal year	Audit Responsibility	Fiscal agent and responsible reporting entity
1	Creation of the Camino Real Regional Utility Authority DAC #09-191	Dona Ana County, City of Sunland Park, CRRUA	CRRUA	To create the Camino Real Regional Utility Authority	2/24/2009 to 3/11/2029 (20 years from DFA Approval)	N/A	$ -	CRRUA	CRRUA/Dona Ana County
2	Fiscal Management and Administrative Services DAC #15-106	Dona Ana County, CRRUA	CRRUA	To provide fiscal management and administrative services	02/01/2012 to 10/12/2021 (5 year increments)	N/A	$ 148,311	CRRUA	CRRUA/Dona Ana County
3	Subdivision Zoning, Planning & Platting Areas (SZPPA) Resolution 2014-51	Dona Ana County, CRRUA	CRRUA	To provide staffing and other administrative services for the subdivision, zoning, planning & platting areas	3/25/14 Ongoing	Amount varies based on fees charged and collected to CRRUA customers applying/paying for SZPPA permits	$ 538	CRRUA	CRRUA/Dona Ana County

See Independent Auditor's Report.
The accompanying notes are integral to these financial statements

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

The Governing Board
State of New Mexico, Camino Real Regional Utility Authority and
Mr. Brian Colón, State Auditor
State of New Mexico, Office of the State Auditor

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 the aggregate remaining fund information of the Camino Real Regional Utility Authority (Authority) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 2, 2019.

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) 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weakness; 2019-001 (2018-001).

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2019-001 (2018-001).

The Authority's Response to Findings

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Hinkle & Landers, P.C.

Hinkle + Landers, PC
Albuquerque, NM
December 2, 2019

STATE OF NEW MEXICO
CAMINO REAL REGIONAL UTILITY AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued **Unmodified**

Internal control over financial reporting:

a. Material weakness(es) identified? ☒Yes ☐No

b. Significant deficiency(ies) identified that are not considered to be a material weakness(es)? ☐Yes ☒No

c. Noncompliance material to the financial statements noted? ☐Yes ☒No

SUMMARY OF FINDINGS AND RESPONSES

Reference #	Finding	Status of Prior Year Findings	Type of Finding*
Prior Year Findings			
2019-001 (2018-001)	Collection of Delinquent Accounts	Repeated/ Modified	A, D
Current Year Findings			
See prior year finding repeated in current year			

*Legend for Type of Findings

A. Material Weakness in Internal Control Over Financial Reporting
B. Significant Deficiency in Internal Control Over Financial Reporting
C. Finding that Does Not Rise to the Level of a Significant Deficiency (Other Matters) Involving Internal Control Over Financial Reporting
D. Non-compliance with State Audit Rule, NM State Statutes, NMAC or Other Entity Compliance
E. Instance of Material Non-compliance

PRIOR YEAR

2019-001 (2018-001) – COLLECTION OF DELINQUENT ACCOUNTS

Type of Finding: A, D

Statement of Condition

During our review of outstanding customer accounts, it was determined there were no liens being applied to significantly overdue and closed accounts. The result has been a loss of revenue as there has been no consequence or recourse when a customer does not pay their overdue and/or final bill. Uncollectible revenue is estimated to be over $100,000 per our review of the customer receivable aging report.

Management Progress Toward Prior Year Corrective Action Plan: The Authority has made significant progress in the process of updating policies and procedures. They are currently drafting new policies and procedures and will be implementing them as soon as they are adopted. They will also train staff to no longer provide extensions and other processes which has worsened the collections issue. Additionally, the Authority will review all past due accounts in order to determine any recourse they are able to take.

Criteria
CRRUA needs to develop and implement an effective lien and collection policy.

Cause
CRRUA has not implemented an effective lien policy.

Effect
The result has been a loss of revenue as there has been no consequence or recourse when a customer does not pay their overdue and/or final bill. Uncollectible revenue is estimated to be over $100,000 per our review of the customer receivable aging report. With the lack of enforcement of collections, it appears CRRUA is in violation of anti-donation clause.

Recommendation
We recommend CRRUA implement effective policies and procedures to ensure timely payment of receivables. This would entail a complete review of the CRRUA's policies related to effective collection or charges for services.

View of Responsible Officials and Corrective Action Plan
CRRUA management is continuing to review, update, and/or implement policies and procedures to mitigate uncollected receivables and will be administratively implementing those as needed in the short term. CRRUA will also start evaluation on the possible implementation of credit bureau reporting within three to five years in order to increase collection on outstanding accounts from the time of this program being initiated.

Finding resolution timeline: It is expected that by June 30, 2020 new policies and practices be in place and in practice.

Designation of employee position responsible for meeting this deadline: CRRUA's management team, Executive Director and Office Manager will be responsible for review, creation and revision to current and future policies/procedures to ensure CRRUA's collection practices are implemented and followed.

STATE OF NEW MEXICO
CAMINO REAL REGIONAL UTILITY AUTHORITY
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2019

An exit conference was held in a closed session on December 2, 2019, at the Authority's Offices in Las Cruces, New Mexico. In attendance were the following:

Camino Real Regional Utility Authority

Javier Perea	Board Chair, Mayor – City of Sunland Park
Brent Westmoreland	Executive Director
Liliana Arevalo	Office Manager

Hinkle + Landers, PC

Farley Vener, CPA, CFE, CGMA	President & Managing Shareholder
Katelyn Constantin	Senior Audit Manager

FINANCIAL STATEMENTS

The financial statements of the Authority as of June 30, 2019, were substantially prepared by Hinkle + Landers, PC, however, the financial statements are the responsibility of management.