



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**State of New Mexico  
Camino Real  
Regional Utility Authority  
Financial Statements  
For The Year Ended  
June 30, 2012**



**TABLE OF CONTENTS**  
**CAMINO REAL REGIONAL UTILITY AUTHORITY**

**TABLE OF CONTENTS**

	<b>Page</b>
<b>INTRODUCTORY SECTION:</b>	
Official roster	ii
<b>FINANCIAL SECTION</b>	
Independent auditors' report	1-2
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of net assets	3
Statement of revenues, expenses, and changes in fund net assets	4
Statement of cash flows	5
<b>Notes to the financial statements</b>	6-16
<b>SUPPLEMENTARY INFORMATION</b>	
Statement of revenues, expenditures, and changes in fund balance net assets – budget (non-GAAP budgetary basis) and actual—Water System	17
Statement of revenues, expenditures, and changes in fund balance net assets – budget (non-GAAP budgetary basis) and actual—Wastewater System	18
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
Schedule of joint powers agreement and memorandums of understandings	19
<b>OTHER REPORT</b>	
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with governmental auditing standards	20-21
Summary schedule of findings and responses	22-24
Exit conference	25

**CAMINO REAL REGIONAL UTILITY AUTHORITY**

**Official Roster**

**As of June 30, 2012**

**Board of Directors**

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<b>Board Member</b>	<b>Title</b>	<b>Title/Representing</b>
Ms. Karen Perez	Chair	Commissioner, Dona Ana County
Ms. Dolores Saldana-Caviness	Member	Commissioner, Dona Ana County
Ms. Susan Yturralde	Member	Proxy for State Senator Cynthia Nava
Mr. Brent Westmoreland	Member	Proxy for State Representative Mary Helen Garcia
Mr. Joshua Orozco	Member	Member-at-Large
Ms. Isabel Santos	Member	Mayor Pro-tem, City of Sunland Park
Mr. Javier Perea	Member	Counselor, City of Sunland Park

**Administrative Officer**

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Ms. Sue Padilla	Interim Executive Director	Camino Real Regional Utility Authority
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**INDEPENDENT AUDITORS' REPORT**

Governing Board of  
Camino Real Regional Utility Authority  
and  
Mr. Hector Balderas, New Mexico State Auditor

We were engaged to audit the accompanying basic financial statements of the Camino Real Regional Utility Authority (CRRUA) as of the five month period ended June 30, 2012 (February 1, 2012 to June 30, 2012) as listed in the table of contents. We were also engaged to audit the schedules of revenues and expenses and changes in net assets—budget (non-GAAP budget basis) and actual presented as supplemental information for the five month period ended June 30, 2012, as listed in the table of contents. These financial statements and budget comparison schedules are the responsibility of CRRUA's management. Our responsibility is to express opinions on these financial statements and budget comparison schedules based on our audit.

CRRUA officially began operating as an independent organization on February 1, 2012. Prior to this date, the utility functions were run by other organizations. As CRRUA came into existence, it received the transfer of the assets and liabilities from the other organizations. Financial balances received from one of the organizations were deemed not to be complete and it was determined that they could not be relied on for accuracy or completeness.

Therefore, because a significant portion of financial information that was transferred to CRRUA was considered inaccurate and incomplete, management of CRRUA has represented that they are not able to provide the independent auditors a complete scope of information required to complete an audit required 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. Please refer to finding 12-01 in the summary schedule of findings and responses as listed in the table of contents for further details.

Because we were unable to obtain adequate supporting documentation for CRRUA's significant accounts, the magnitude of possible misstatement of the financial statements that could remain undetected was so great and the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying basic financial statements of CRRUA for the five month period ended June 30, 2012, as listed in the table of contents. We also do not express an opinion on the schedules of revenues and expenses and changes in net assets—budget (non-GAAP budget basis) and actual presented as supplemental information for the five month period ended June 30, 2012, as listed in the table of contents.

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2012, on our consideration of the CRRUA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and 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 and should be considered in assessing the results of our audit.

CRRUA has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

We were engaged to conduct an audit for the purpose of forming opinions on the basic financial statements. The additional schedules listed as "supplementary information" and "other supplementary information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Because of the significance of the matters described previously, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.



Hinkle + Landers, P.C.  
November 30, 2012

**STATE OF NEW MEXICO  
CAMINO REAL REGIONAL UTILITY AUTHORITY  
STATEMENT OF NET ASSETS  
As of June 30, 2012**

<b>ASSETS</b>	<b>Water System</b>	<b>Wastewater System</b>	<b>Total</b>
<b>Current assets</b>			
Cash and cash equivalents	\$ 619,834	568,913	<b>1,188,747</b>
Receivables, net	<u>1,074,896</u>	<u>379,294</u>	<b>1,454,190</b>
Total current assets	1,694,730	948,207	<b>2,642,937</b>
<b>Non-current assets</b>			
Restricted cash and cash equivalents	-	-	-
Capital assets, net	<u>9,983,413</u>	<u>6,588,882</u>	<b>16,572,295</b>
Total assets	<u>\$ 11,678,143</u>	<u>7,537,089</u>	<b>19,215,232</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 256,570	39,302	<b>295,872</b>
Accrued payroll liabilities	13,121	13,121	<b>26,242</b>
Other liabilities	(39,363)	21,190	<b>(18,173)</b>
Deferred revenue	550,000	495,200	<b>1,045,200</b>
Compensated absences	18,378	18,378	<b>36,756</b>
Bonds and notes payable	<u>80,519</u>	<u>175,000</u>	<b>255,519</b>
Total current liabilities	879,225	762,191	<b>1,641,416</b>
<b>Non-current liabilities</b>			
Bonds and notes payable	3,066,614	6,320,000	<b>9,386,614</b>
Compensated absences	<u>7,877</u>	<u>7,877</u>	<b>15,754</b>
Total non-current liabilities	<u>3,074,491</u>	<u>6,327,877</u>	<b>9,402,368</b>
Total liabilities	3,953,716	7,090,068	<b>11,043,784</b>
<b>FUND BALANCE</b>			
Invested in capital assets, net of related debt	6,916,799	268,882	<b>7,185,681</b>
Restricted for:			
Customer deposits	12,390	-	<b>12,390</b>
Unrestricted	<u>807,628</u>	<u>178,139</u>	<b>985,767</b>
Total net assets	<u>7,724,427</u>	<u>447,021</u>	<b>8,171,448</b>
Total liabilities and net assets	<u>\$ 11,678,143</u>	<u>7,537,089</u>	<b>19,215,232</b>

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 ASSETS  
For The Five Month Period Ended June 30, 2012**

	<b>Water System</b>	<b>Wastewater System</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 43,516	43,516	<b>87,032</b>
Charges for water services	621,597	-	<b>621,597</b>
Charges for sewage services	-	597,984	<b>597,984</b>
Rents and royalties	135,644	-	<b>135,644</b>
Other revenue	6,531	-	<b>6,531</b>
Total revenues	<u>807,288</u>	<u>641,500</u>	<u><b>1,448,788</b></u>
<b>OPERATING EXPENSES</b>			
Personnel services -salaries and wages	105,569	103,369	<b>208,938</b>
Personnel services -employee benefits	19,025	18,049	<b>37,074</b>
Purchased professional and technical services	7,852	56,054	<b>63,906</b>
Utilities	84,887	110,262	<b>195,149</b>
Other operating expenses	390,129	237,887	<b>628,016</b>
Depreciation	654	2,534	<b>3,188</b>
Total operating expenses	<u>608,116</u>	<u>528,155</u>	<u><b>1,136,271</b></u>
Operating income (loss)	199,172	113,345	<b>312,517</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Bad debt expense	(326)	-	<b>(326)</b>
Interest expense -non-operating	(64,950)	-	<b>(64,950)</b>
Total non-operating revenues (expenses)	<u>(65,276)</u>	<u>-</u>	<u><b>(65,276)</b></u>
Change in net assets before contributions	133,896	113,345	<b>247,241</b>
Capital contributions	7,590,531	333,676	<b>7,924,207</b>
Change in net assets	7,724,427	447,021	<b>8,171,448</b>
Beginning net assets	-	-	<b>-</b>
Net assets-end of the year	<u>\$ 7,724,427</u>	<u>447,021</u>	<u><b>8,171,448</b></u>

The accompanying notes are integral to these financial statements



**STATE OF NEW MEXICO  
CAMINO REAL REGIONAL UTILITY AUTHORITY  
STATEMENT OF CASH FLOWS  
For The Five Month Period Ended June 30, 2012**

	<b>Water System</b>	<b>Wastewater System</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 597,251	333,478	<b>930,729</b>
Payments to employees	(124,594)	(121,418)	<b>(246,012)</b>
Payments to suppliers	(482,868)	(293,941)	<b>(776,809)</b>
Other receipts/(payments)	<u>142,175</u>	-	<u><b>142,175</b></u>
Net cash provided (used) by operating activities	131,964	(81,881)	<b>50,083</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
None	-	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal payments	-	-	-
Interest payments	<u>(64,450)</u>	-	<u><b>(64,450)</b></u>
Net cash provided (used) by capital and related financing activities	<u>(64,450)</u>	-	<u><b>(64,450)</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Repayment of bonds and notes payable	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	-
Net increase (decrease) in cash and cash equivalents	67,514	(81,881)	<b>(14,367)</b>
Balances-beginning of year	<u>552,320</u>	<u>650,794</u>	<u><b>1,203,114</b></u>
Balances-end of year	<u><u>\$ 619,834</u></u>	<u><u>568,913</u></u>	<u><u><b>1,188,747</b></u></u>

**Supplementary Disclosures**

Non-cash transfers of assets and liabilities in the amount of \$6,721,093 were received by the organization on the first day of operation. The \$1,203,114 in beginning cash balances were also transferred on the first day of operation. Please see note 10 to the financial statements for more details.

**STATE OF NEW MEXICO  
CAMINO REAL REGIONAL UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For The Five Month Period Ended June 30, 2012**

**NOTE 1—NATURE OF BUSINESS AND REPORTING ENTITY**

The Camino Real Regional Utility Authority (CRRUA or 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 an independent water and wastewater utility authority.

On February 1, 2012, the County of Dona Ana began providing fiscal management and administrative services and functions to the Camino Real Regional Utility Authority and CRRUA officially began its operations as an independent organization on February 1, 2012.

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 to,
- 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 serve 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 CRRUA encompass the activities of the CRRUA and any applicable component units.

In evaluating how to define the CRRUA, 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 GASB No. 14 and No. 39. Blended component units, although legally separate entities, are in substance part of the government's

**STATE OF NEW MEXICO  
CAMINO REAL REGIONAL UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For The Five Month Period Ended June 30, 2012**

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**

CRRUA's activities are reported as business-type activities. As a result, the financial statements are comprised solely of proprietary fund financial statements. Proprietary statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows.

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 Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets. 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 CRRUA 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.

CRRUA applies pronouncements of the Government Accounting Standards Board (GASB) and statements and interpretations of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. CRRUA has elected not to apply FASB statements and interpretations issued after November 30, 1989.

**STATE OF NEW MEXICO  
CAMINO REAL REGIONAL UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For The Five Month Period Ended June 30, 2012**

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

The following is a description of the Authority proprietary funds. Both funds are considered major funds

The *Water System* fund accounts for water system activities for residents of the City of Sunland Park and a portion of the southern part of Dona Ana County.

The *Wastewater System* fund accounts for wastewater system activities for the residents of the City of Sunland Park in a portion of the southern part of Dona Ana County.

**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 and liabilities 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 Assets**

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

1. Invested in Capital Assets (net of related debt) – Is intended to reflect the portion of net assets which are 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 assets – Consist of net assets 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, undesignated, net assets – Consist of assets less liabilities after the amount invested in capital assets and any restricted and designated net assets have been subtracted.
4. Unrestricted, designated, net assets – Consist of any funds set aside for specific purposes by the board members of the organization. There were no designated funds set aside as of June 30, 2012.

**D—Cash and Cash Equivalents**

For purposes of the statement of cash flows, the CRRUA 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 CRRUA 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

**STATE OF NEW MEXICO  
CAMINO REAL REGIONAL UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For The Five Month Period Ended June 30, 2012**

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Asset Type</u>	<u>Years</u>
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—Compensated Absences**

CRRUA’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 CRRUA 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 “changes in long term debt” note in this report for the accrued compensated absences payable outstanding as of June 30, 2012.

**G—Budgets**

CRRUA’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 CRRUA 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.

**STATE OF NEW MEXICO  
CAMINO REAL REGIONAL UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For The Five Month Period Ended June 30, 2012**

CRRUA 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 assets 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. There were no appropriations received by CRRUA as of June 30, 2012.

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. The presented budgetary information has been properly amended during the year.

New Mexico State law prohibits CRRUA from making expenditures in excess of approved appropriations. If a fund is not overspent, it is in compliance with state law. The 2012/2011 budget has been legally adopted.

**NOTE 3—CASH AND CASH EQUIVALENTS**

CRRUA's cash balances consist of a non-interest bearing demand deposit account. The following is a summary of CRRUA's cash balances as of June 30, 2012.

<u>Location</u>	<u>Balance Per Depository</u>	<u>Outstand- ing Deposits</u>	<u>Outstand- ing Items</u>	<b>Less: Dona Ana County Pooled Cash Allocation</b>	<u>Balance Per Financial Statements</u>
Wells Fargo \$	<u>1,382,995</u>	<u>1,680</u>	<u>(152,827)</u>	<u>(43,101)</u>	<u>1,188,747</u>

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, CRRUA'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.

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**STATE OF NEW MEXICO  
CAMINO REAL REGIONAL UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For The Five Month Period Ended June 30, 2012**

Below is a summary of CRRUA's FDIC coverage and collateral requirement.

<u>Location</u>	<u>Per Depository</u>	<u>Book Balance</u>
Wells Fargo	\$ <u>1,382,995</u>	<u>1,188,747</u>
Total amount of deposit in bank	\$ 1,382,995	
FDIC coverage	<u>(250,000)</u>	
Total uninsured public funds	\$ <u>1,132,995</u>	
50% Collateral Requirement (Section 6-10-17 NMSA 1978)	\$ <u>566,498</u>	

Pledged collateralization of CRRUA's bank deposits are comingled with those of Dona Ana County and are in the name of the County. Below is the total collateral associated with Wells Fargo for the County. The amount associated individually for CRRUA deposits are not individually identifiable, but the County and CRRUA in aggregate are in compliance with Section 6-10-17 NMSA 1978. Please see the pledged collateralization schedule below:

<u>Security</u>	<u>CUSIP</u>	<u>MARKET VALUE</u>	<u>MATURITY DATE</u>
FNMA AH1516	3138A2VJ5	\$ 739,643	12/1/2025
FNMA AH1560	3138A2WW5	134,553	1/1/2041
FNMA AH3394	3138A4XY6	18,220	1/1/2041
FNMA AH6783	3138A8RDO	2,495,831	3/1/2041
FNMA AH7905	3138A9YB4	3,228,301	7/1/2041
FNMA AH9937	3138ACBF3	219,085	5/1/2041
FNMA AI1163	3138AEJH7	10,480	4/1/2041
FNMA AI6900	3138ALU21	17,693	10/1/2026
FNMA AJ1625	3138ASYX4	12,262,806	10/1/2026
FNMA AE0981	31419BCT0	<u>2,269,593</u>	3/1/2041
Total Wells Fargo		\$ <u>21,396,205</u>	

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, County, or political subdivision of the State of New Mexico.

As of June 30, 2012, all of CRRUA's uninsured deposits were collateralized with securities held by pledging financial institution's trust department or agent in the Dona Ana County's name. Custodial credit risk is as follows:

Uninsured and uncollateralized (see note above regarding Dona Ana County)	unknown
Uninsured, collateral held by the pledging banks, but not in the name of CRRUA or the County	\$ <u>566,498</u>

**STATE OF NEW MEXICO  
CAMINO REAL REGIONAL UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For The Five Month Period Ended June 30, 2012**

**NOTE 4—RECEIVABLES**

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

<u>Type</u>	<u>Water System</u>	<u>Wastewater System</u>	<u>Total</u>
Account receivables	\$ 425,880	508,707	934,587
Allowance for doubtful accounts	(141,261)	(129,414)	(270,675)
	<u>284,619</u>	<u>379,293</u>	<u>663,912</u>
Due from Sunland Park	790,277	-	790,277
Net receivables	<u>\$ 1,074,896</u>	<u>379,293</u>	<u>1,454,189</u>

All receivables are expected to be collected within one year.

**NOTE 5—PENSION PLAN—PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**Plan Description:** Substantially all of CRRUA’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 [www.pera.state.nm.us](http://www.pera.state.nm.us).

**Funding Policy:** Plan members are required to contribute 10.67% of their gross salary. CRRUA is required to contribute 13.34% of the gross covered salary. The contribution requirements of plan members and CRRUA are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. CRRUA’s contributions to PERA for the five month ending June 30, 2012 were \$8,134, which equals the amount of the required contributions for the five month period.

**NOTE 6—POST-EMPLOYMENT BENEFITS—STATE RETIREE HEALTH CARE PLAN**

CRRUA is not a participant under the Retiree Health Care Act.

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**STATE OF NEW MEXICO  
CAMINO REAL REGIONAL UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For The Five Month Period Ended June 30, 2012**

**NOTE 7—CAPITAL ASSETS**

Property and equipment are summarized as follows:

<b>Business-Type Activities</b>	<b>Balance 2011</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 2012</b>
<b>Capital assets depreciated</b>				
Land	\$ -	6,873,259	-	6,873,259
Construction in progress	-	773,178	-	773,178
Total capital assets not being depreciated	-	7,646,437	-	7,646,437
<b>Capital assets being depreciated:</b>				
Land improvements	-	-	-	-
Buildings and improvements	-	-	-	-
Furniture, fixtures, & equipment	-	32,075	-	32,075
Vehicles	-	-	-	-
Infrastructure	-	11,662,927	-	11,662,927
Total capital assets being depreciated	-	11,695,002	-	11,695,002
<b>Less accumulated depreciation</b>				
Land improvements	-	-	-	-
Buildings and improvements	-	-	-	-
Furniture, fixtures, & equipment	-	(3,188)	-	(3,188)
Vehicles	-	-	-	-
Infrastructure	-	(2,765,956)	-	(2,765,956)
Total accumulated depreciation	-	(2,769,144)	-	(2,769,144)
<b>Total capital assets, net</b>	<b>\$ -</b>	<b>16,572,295</b>	<b>-</b>	<b>16,572,295</b>

For the five month period ended June 30, 2012, depreciation expense was \$3,188 which is charged by water and wastewater functions as disclosed on the face of the financial statements.

As of the five month period ended June 30, 2012, CRRUA has not received a significant amount of property and equipment from the City of Sunland Park. Please see finding 12-01 for more detail.

**NOTE 8—CHANGES IN LONG-TERM DEBT**

A summary of changes in long-term debt for the five month period ended June 30, 2012 is as follows:

<b>Obligation</b>	<b>Balance 2011</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 2012</b>	<b>Due Within One Year</b>
Compensated absences	\$ -	49,677	2,832	52,509	36,756
Notes payable	-	59,333	-	59,333	29,519
Revenue bonds	-	9,582,800	-	9,582,800	226,000
Total business-type activities	\$ -	9,691,810	2,832	9,694,642	292,275

Prior year compensated absences have been liquidated by the by their respective utility fund as presented in the financial statements.

**STATE OF NEW MEXICO  
CAMINO REAL REGIONAL UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For The Five Month Period Ended June 30, 2012**

CRRUA has one notes payable and five series of revenue bonds to service. Details are as follows:

<u>Description</u>	<u>Date of Issue</u>	<u>Due Date</u>	<u>Original Issue</u>	<u>Outstanding</u>	<u>Rate</u>
Guy Keeting Loan - NMED	01/2001	08/2013	\$ 356,645	59,333	1.0%
RUS Series 1992A - Revenue Bonds	12/1992	12/2032	661,000	506,100	5.5%
RUS Series 1992B - Revenue Bonds	12/1992	12/2032	177,700	137,700	5.5%
RUS Series 2002 - Water/Wastewater System	07/2002	07/2042	500,000	449,000	4.5%
RUS Series 2004 - Water/Wastewater System	12/2004	12/2045	2,156,000	1,995,000	4.5%
RUS Series 2008 - Water/Wastewater System	12/2008	12/2033	7,765,000	6,495,000	2.0%
Totals			\$ <u>11,616,345</u>	<u>9,642,133</u>	

The annual principal and interest requirements on long-term debt outstanding as of June 30, 2012 are as follows:

Notes Payable

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 29,519	593	30,112
2014	29,814	298	30,112
Total	<u>\$ 59,333</u>	<u>891</u>	<u>60,224</u>

Revenue Bonds

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 226,000	273,539	499,539
2014	239,000	267,474	506,474
2015	252,000	261,065	513,065
2016	264,000	254,308	518,308
2017	277,000	247,255	524,255
2018-2022	1,586,000	1,118,411	2,704,411
2023-2027	1,997,000	885,043	2,882,043
2028-2032	2,458,000	592,653	3,050,653
2033-2037	1,369,800	288,984	1,658,784
2038-2042	565,000	157,050	722,050
2043-2045	349,000	30,780	379,780
	<u>\$ 9,582,800</u>	<u>4,376,562</u>	<u>13,959,362</u>

1992 Series A and Series B Revenue Bonds

The City of Sunland Park authorized the issuance of 1992 Series A, \$661,100 and Series B, \$177,700, Water System Improvement Revenue Bonds for the purpose of securing funds for construction improvements to the water system for the City. The bonds are payable and collectible solely from net revenues to be derived from the operation of CRRUA. These debt obligations were transferred to CRRUA as of February 1, 2012.

Series 2002 Revenue Bonds

In 2003, the City adopted an amended loan resolution authorizing the issuance of the City of Sunland Park Joint Water and Wastewater System Improvement Revenue Bonds, Series 2002, to FMHA in the amount of \$500,000 for the purpose of financing improvements to the City's Joint Water and Wastewater System. The bonds are payable and collectible solely from net revenues to be derived from

**STATE OF NEW MEXICO  
CAMINO REAL REGIONAL UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For The Five Month Period Ended June 30, 2012**

the operation of CRRUA. These debt obligations were transferred to CRRUA as of February 1, 2012.

**Series 2004 Revenue Bond**

In December 2004, the City issued Water and Wastewater System Revenue Bonds, Series 2004, in the amount of \$2,156,000 to finance certain costs incurred by the City in connection with the acquisition by the City of Santa Teresa Service Company (“STSC”) assets of the water and wastewater system. The bonds are payable and collectible solely from net revenues to be derived from the operation of the CRRUA. These debt obligations were transferred to CRRUA as of February 1, 2012.

**Series 2008 Revenue Bond**

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. The bonds are payable and collectible solely from net revenues to be derived from the operation of the CRRUA. These debt obligations were transferred to CRRUA as of February 1, 2012.

**Notes Payable-Guy Keeting Loan—NMED**

On January 1, 1994, the City of Sunland Park borrowed \$483,604 from the New Mexico Environment Improvement Division. The proceeds of the note were used to add transmission lines for the wastewater collection system. The notes payable is payable and collectible solely from net revenues to be derived from the operation of CRRUA. These debt obligations were transferred to CRRUA as of February 1, 2012.

**NOTE 9—RISK MANAGEMENT**

CRRUA 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 10 – CAPITAL CONTRIBUTION AND TRANSFER**

CRRUA received a transfer of the following assets and liabilities from other organizations that previous managed and operated the water and wastewater functions now handled by CRRUA. Below is a summary list by of transferred assets and liabilities:

	<b><u>Water System</u></b>	<b><u>Wastewater System</u></b>	<b><u>Amount</u></b>
Cash and cash equivalents \$	552,320	650,794	1,203,114
Receivables	923,181	207,722	1,130,903
Capital assets	9,983,413	6,588,882	16,572,295
Current liabilities	(695,328)	(594,967)	(1,290,295)
Bonds and payables	(3,173,055)	(6,518,755)	(9,691,810)
Net transfer \$	<u>7,590,531</u>	<u>333,676</u>	<u>7,924,207</u>

This amount is identified as a capital contribution on the financial statements

**STATE OF NEW MEXICO  
CAMINO REAL REGIONAL UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For The Five Month Period Ended June 30, 2012**

**NOTE 11 – OPERATING LEASES**

The reporting entity has entered into an operating lease, which contain cancellation provisions and are subject to annual appropriations. The rent expenditures for these leases were from the Water and Wastewater system funds. Future minimum lease payments are:

<u>Year</u>	<u>Lease Payments</u>
2013	\$ 90,946
2014	90,946
2015	90,946
2016	30,315
	<u>\$ 303,153</u>

Rental payments charged to current operations for the five month period ended June 30, 2012 totaled to \$90,946.

**NOTE 12 - COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS**

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

<u>Project</u>	<u>Contract Type</u>	<u>Contract Price</u>	<u>% of Completion</u>
Arsenic Treatment Plant	Construction	\$ 4,854,769	54.00%
Well No. 3 Santa Teresa	Construction	1,224,140	89.00%
Preliminary Engineering Report For WW Treatment Plant	Professional Service	154,321	11.73%
Design Well, Control, Pumb and Discharge Piping	Professional Service	144,593	54.18%
Desing Booster Station Replacment	Professional Service	66,417	10.51%
		<u>\$ 6,444,240</u>	

**STATE OF NEW MEXICO**  
**CAMINO REAL REGIONAL UTILITY AUTHORITY**  
**WATER SYSTEM**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**Budget (Non-GAAP Budgetary Basis) and Actual**  
**For The Five Month Period Ended June 30, 2012**

	Budgeted Amounts		Actual (Non-GAAP Budgetary Basis)	Variances  Favorable (Unfavorable)  Final to Actual
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 29,550	29,550	36,131	6,581
Charges for water services	1,144,902	1,144,902	449,673	(695,229)
Charges for sewage services	-	-	-	-
Rents and royalties	-	-	135,644	135,644
Income on investments	2,000	2,000	-	(2,000)
Other revenue	7,700	7,700	6,646	(1,054)
Total revenues	1,184,152	1,184,152	628,094	(556,058)
<b>EXPENDITURES</b>				
<b>Operating Expenses</b>				
Personnel services -salaries and wages	165,636	165,636	71,870	93,766
Personnel services -employee benefits	62,135	62,135	19,025	43,110
Purchased professional and technical services	15,000	15,000	7,852	7,148
Utilities	233,000	233,000	84,887	148,113
Other operating expenses	636,960	636,960	419,706	217,254
Total operating expenses	1,112,731	1,112,731	603,340	509,391
<b>Non-Current (non-operating)</b>				
Debt service-interest expense	64,950	64,950	64,950	-
Total expenditures	1,177,681	1,177,681	668,290	509,391
Excess (deficiency) of revenues over expenditures	6,471	6,471	(40,196)	
Cash reserve, beginning	314,861	314,861	314,861	
Cash reserve, ending	\$ 321,332	321,332	274,665	
Net change in net assets (non-GAAP budget basis)			\$ (40,196)	
Adjustments to revenue for accrual presentation			179,194	
Adjustments to expenditures for accrued presentation			(5,102)	
Net change in net assets before contributions (GAAP basis)			\$ 133,896	

**STATE OF NEW MEXICO**  
**CAMINO REAL REGIONAL UTILITY AUTHORITY**  
**WASTEWATER SYSTEM**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**Budget (Non-GAAP Budgetary Basis) and Actual**  
**For The Five Month Period Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>(Non-GAAP Budgetary Basis)</u>	<u>Favorable (Unfavorable)</u>
				<u>Final to Actual</u>
<b>REVENUES</b>				
Charges for services	\$ 18,150	18,150	36,131	17,981
Charges for water services	-	-	-	-
Charges for sewage services	750,238	750,238	472,839	(277,399)
Income on investment	2,500	2,500	-	(2,500)
Rents and royalties	-	-	-	-
Other revenue	-	-	-	-
Total revenues	<u>770,888</u>	<u>770,888</u>	<u>508,970</u>	<u>(261,918)</u>
<b>EXPENDITURES</b>				
<b>Operating Expenses</b>				
Personnel services -salaries and wages	124,207	124,207	69,669	54,538
Personnel services -employee benefits	52,280	52,280	18,049	34,231
Purchased professional and technical services	35,000	35,000	56,054	(21,054)
Utilities	220,000	220,000	110,262	109,738
Other operating expenses	<u>335,050</u>	<u>335,050</u>	<u>221,294</u>	<u>113,756</u>
Total operating expenses	<u>766,537</u>	<u>766,537</u>	<u>475,328</u>	<u>291,209</u>
<b>Non-Current (non-operating)</b>				
Debt service-interest expense	-	-	-	-
Total expenditures	<u>766,537</u>	<u>766,537</u>	<u>475,328</u>	<u>291,209</u>
Excess (deficiency) of revenues over expenditures	4,351	4,351	33,642	
Cash reserve, beginning	<u>225,251</u>	<u>225,251</u>	<u>225,251</u>	
Cash reserve, ending	<u>\$ 229,602</u>	<u>229,602</u>	<u>258,893</u>	
Net change in net assets (non-GAAP budget basis)			\$ 33,642	
Adjustments to revenue for accrual presentation			132,530	
Adjustments to expenditures for accrued presentation			<u>(52,827)</u>	
Net change in net assets before contributions (GAAP basis)			<u>\$ 113,345</u>	

**CAMINO REAL REGIONAL UTILITY AUTHORITY  
 SCHEDULE OF JOINT POWERS AGREEMENTS AND MEMORANDUMS OF UNDERSTANDING  
 For The Five Month Period Ended June 30, 2012**

#	Joint Powers Agreements/ MOU	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	Dona Ana County, City of Sunland Park, CRRUA	CRRUA	To create the Camino Real Regional Utility Authority	2/24/09 to Perpetuity	N/A	\$ -	CRRUA	CRRUA/Dona Ana County
2	Fiscal Management and Administrative Services	Dona Ana County, CRRUA	CRRUA	To Provide Fiscal Management and Administrative Services	02/01/12 until changed	N/A	\$ -	CRRUA	CRRUA/Dona Ana County



**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***

Governing Board of  
Camino Real Regional Utility Authority  
and  
Mr. Hector Balderas, New Mexico State Auditor

We were engaged to audit the accompanying basic financial statements of the Camino Real Regional Utility Authority (CRRUA) as of the five month period ended June 30, 2012, and have issued our report thereon dated November 30, 2012. We were also engaged to audit the schedules of revenues and expenses and changes in net assets—budget (non-GAAP budget basis) and actual presented as supplemental information for the five month period ended June 30, 2012. We disclaimed our opinion because we were unable to apply auditing procedures to receivables, capital assets and revenues, Where applicable, 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.

**Internal Control Over Financial Reporting**

Management of agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered CRRUA’s internal control over financial reporting as a basis for designing our auditing procedures 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 CRRUA’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CRRUA’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses: 12-01 and 12-02.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether CRRUA’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws,



November 30 2012

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

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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 are required to be reported under the State of New Mexico's Audit Rule and Government Auditing Standards, which is described in the accompanying Schedule of Findings and Responses as item 12-02.

CRRUA's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit CRRUA's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within CRRUA, the New Mexico State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration and is not intended to be and should not be used by anyone other than these specified parties.



Hinkle + Landers, PC  
November 30, 2012

**STATE OF NEW MEXICO  
CAMINO REAL REGIONAL UTILITY AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Five Month Period Ended June 30, 2012**

**SUMMARY OF FINDINGS AND RESPONSES**

<u>Reference</u>	<u>Findings</u>	<u>Status of Prior Year Finding</u>	<u>Financial Statement Finding</u>	<u>State Auditor Finding</u>
<b>Prior year - None</b>		N/A	N/A	N/A
<b>Current year</b>				
12-01	Unsubstantiated Beginning Balances, Missing Documentation—Resulting In Disclaimer Of Opinion	N/A	Yes	No
12-02	Capital Assets Certification	N/A	Yes	Yes

**12-01—UNSUBSTANTIATED BEGINNING BALANCES, MISSING DOCUMENTATION—  
RESULTING IN DISCLAIMER OF OPINION—MATERIAL WEAKNESS**

**Statement of Condition**

The Camino Real Regional Utility Authority (CRRUA) 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.

CRRUA did not officially begin operating as an independent organization until February 1, 2012. That is also when Dona Ana County began providing fiscal management and administrative services to the Camino Real Regional Utility Authority. Prior to the date of February 1, 2012, the utility functions were operated partially by the City of Sunland Park and partially by the County of Dona Ana. As a part of the process of taking over fiscal and administrative responsibility of CRRUA, the County, contracting as fiscal managers, received financial records transferred to CRRUA from the City of Sunland Park and Dona Ana County. The records received from the County were deemed to be complete and accurate, but the records received from Sunland Park were deemed not to be complete and the County made a determination that it could not rely on this financial information to be accurate or complete and has been in the process of reviewing, making corrections where needed and obtaining additional financial information in order to get complete and accurate information.

Therefore, because a significant portion of financial information that was transferred from the City of Sunland Park to CRRUA has been considered inaccurate and incomplete, management of CRRUA has represented that they are not able to provide the independent auditors a complete scope of information required to complete an audit required 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.

Lack of supporting documentation or incomplete information for beginning balances (January 31, 2012) for CRRUA was as follows:

**Receivables:**

A significant balance (\$299,351 of \$588,287) of net utility customer receivables which represent beginning balances (January 30, 2012) were transferred from Sunland Park. These receivables continue to part of CRRUA outstanding receivables as of June 30, 2012. The amounts recorded do not

**STATE OF NEW MEXICO  
CAMINO REAL REGIONAL UTILITY AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Five Month Period Ended June 30, 2012**

have adequate supporting documentation available to the auditors to determine their accuracy. Also the collectability of these receivables are in question by management.

**Revenue:**

It has been determined through inquiry with management that the portion of meter readings data under the control of Sunland Park prior to February 1, 2012, was not considered effective enough to be relied on for determining correct customer billings. Subsequent to February 1, 2012, meter reads have been verified and discrepancies are being address with customers on a timely basis, but because of old meters, the associated human input necessary for input and calculation of billing, it has called into question the accuracy and completeness of customer revenue.

**Capital Assets:**

A material amount of capital assets that have been transferred from the City of Sunland Park have not been included in CRRUA's financial records and there are no records or amounts available for CRRUA to record in its general ledger.

**Criteria**

CRRUA should receive accurate beginning balance financial information from its predecessor entities. The City of Sunland Park did not give accurate and complete information to CRRUA.

**Effect**

The auditors were unable to overcome the significant scope limitation because of the issues cited in the statement of condition. Therefore, the auditors have disclaimed their opinion on the financial statements.

**Cause**

Please see the statement of condition.

**Recommendation**

We are aware that CRRUA has a process underway to establish complete and accurate financial records and our recommendation is to continue this process until complete.

**Management Response**

Regarding beginning utility receivable balances from City of Sunland Park, we have recorded a reasonable receivable with related allowance and will continue to monitor customer accounts and make adjustments as necessary to write off debt.

We will continue the process to verify and improve meter readings to ensure accuracy.

Capital assets transferred from the City of Sunland Park to CRRUA will be recorded when we receive complete and accurate beginning balance financial information from the City.

**STATE OF NEW MEXICO  
CAMINO REAL REGIONAL UTILITY AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Five Month Period Ended June 30, 2012**

**12-02-CAPITAL ASSETS CERTIFICATION—MATERIAL WEAKNESS**

**Statement of Condition**

CRRUA did not conduct an annual physical inventory of its capital assets at June 30, 2012 and consequently inventory was not certified by the governing authority of CRRUA. As they did not have a complete listing of inventory of capital assets from the City of Sunland Park that transferred assets to CRRUA as of February 1, 2012. CRRUA has certified the portion of capital assets that was transferred from Dona Ana County.

**Criteria**

NMAC 2.20.1.16 Annual Inventory requires that all state agencies, municipalities, counties and every political subdivision of the state must conduct an annual physical audit of its fixed (capital) assets with a historical cost of \$5,000 (and \$1,000 prior to fiscal year ended 2005) or more. Also, the results of the physical inventory shall be recorded in a written inventory report, certified as to the correctness and signed by the governing authority of the agency. Also, idle items should be identified in the inventory.

**Effect**

The inventory of the capital assets may not be correct, and monitoring of capital assets is not being kept up and therefore, capital assets may go missing either by theft or misplacement.

**Cause**

The Authority was unable to comply with the certification requirement as of June 30, 2012 because a complete record of capital assets was not transferred to the Dona Ana County, who is acting as fiscal and administrative agent for CRRUA.

**Recommendation**

We recommend CRRUA conduct a physical inventory of capital assets every year, preferably at fiscal year-end (June 30) and document that the inventory was completed. The documented inventory should include a certification that the inventory is correct and signed by the responsible official of CRRUA. Items that are considered idle must be identified for inclusion in the notes to the audited financial statements. The governing official responsible for certifying inventory appears to mean the Executive Director of the organization.

**Management Response**

An inventory and certification of capital assets transferred from the City of Sunland Park to CRRUA will occur when we receive complete and accurate beginning balance financial information from the City.

**STATE OF NEW MEXICO  
CAMINO REAL REGIONAL UTILITY AUTHORITY  
EXIT CONFERENCE  
For The Five Month Period Ended June 30, 2012**

An exit conference was held in a closed session on November 30, 2012, at CRRUA's Offices in Las Cruces, New Mexico. In attendance were the following:

**Camino Real Regional Utility Authority**

Joshua Orozco	Board Member of CRRUA
Sue Padilla	Acting Executive Director of CRRUA
Bill Noland	Finance Director of Dona Ana County
Nasreen Nelson, CPA, CGFM	Controller of Dona Ana County
Jill Johnson	Compliance Specialist
Chuck McMahon	Assistant Interim County Manager
Raquel Quiroga	Accountant III—Finance of Dona Ana County

**Hinkle + Landers, PC**

Farley Vener, CPA, CFE	Independent Auditor
Erick Robinson, CPA, CFE	Independent Auditor

**FINANCIAL STATEMENTS**

The financial statements of CRRUA as of June 30, 2012, were substantially prepared by Hinkle + Landers, PC, however, the financial statements are the responsibility of management.