
CAMINO REAL REGIONAL
CRUJA
UTILITY AUTHORITY

*Basic Financial Statements
and
Independent Auditor's Report
June 30, 2016*

REDW^{LLC}

CPAs | Business & Financial Advisors

Camino Real Regional Utility Authority

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Camino Real Regional Utility Authority
Official Roster
June 30, 2016

Board of Directors

Board Member	Title	Title/Representing
Joshua Orozco	Chair	Member-at-Large
Dr. David Garcia	Vice-Chair	Commissioner, Doña Ana County
Susan Yturralde	Member	New Mexico Senator Delegate
Bealquin Gomez	Member	State Representative
Benjamin L. Rawson	Member	Commissioner, Doña Ana County
Sergio Carrillo	Member	Councilor, City of Sunland Park
Kenneth Giove	Member	Councilor, City of Sunland Park

Administrative Officials

Name	Title
Brent Westmoreland	Executive Director

Independent Auditor's Report

The Board of Directors of the
Camino Real Regional Utility Authority
and
Mr. Timothy Keller
New Mexico State Auditor

Report on Financial Statements

We have audited the accompanying financial statements of the Camino Real Regional Utility Authority (the "Authority"), as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the budgetary comparison presented as supplementary information, as defined by the Governmental Accounting Standards Board, for the year ended June 30, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2016, and the changes in financial position and cash flows thereof and the budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Schedule of the Authority's Proportionate Share of the Net Pension Liability and the Schedule of Authority Contributions, as listed as 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.

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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Authority's financial statements and the budgetary comparison schedule. The other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2.2 NMAC 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, except for the Schedule of Vendor 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 other schedules required by 2.2.2 NMAC, except for the Schedule of Vendor Information, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Vendor Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2016, 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 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.

REDW LLC

Albuquerque, New Mexico
November 17, 2016

Financial Statements

Camino Real Regional Utility Authority
Statement of Net Position
June 30, 2016

Assets

Current assets	
Cash	\$ 2,200,750
Restricted cash	2,238,501
Account receivable, net	410,799
Grant receivable	<u>706,738</u>
Total current assets	<u>5,556,788</u>
Noncurrent assets	
Nondepreciable capital assets	15,400,349
Depreciable capital assets, net of accumulated depreciation	<u>37,227,802</u>
Total noncurrent assets	<u>52,628,151</u>
Total assets	<u>58,184,939</u>

Deferred Outflows of Resources

Deferred amounts related to pension	<u>151,675</u>
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Liabilities

Current liabilities	
Accounts payable	163,528
Accrued payroll liabilities	17,861
Accrued interest	86,045
Other liabilities	146,785
Unearned revenue	2,000,000
Compensated absences	67,632
Bonds payable, current portion	277,000
Loans payable, current portion	<u>50,735</u>
Total current liabilities	<u>2,809,586</u>
Noncurrent liabilities	
Bonds payable, net of current portion	8,324,800
Loans payable, net of current portion	854,806
Net pension liability	<u>482,264</u>
Total noncurrent liabilities	<u>9,661,870</u>
Total liabilities	<u>12,471,456</u>

Deferred Inflows of Resources

Deferred amounts related to pension	<u>119,410</u>
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Net Position

Net investment in capital assets	43,827,548
Restricted for debt service	238,501
Unrestricted	<u>1,679,699</u>
Total net position	<u>\$ 45,745,748</u>

The accompanying notes are an integral part of these financial statements.

Camino Real Regional Utility Authority
Statement of Revenues, Expenses and
Changes in Net Position
For The Year Ended June 30, 2016

Operating Revenues

Charges for water services	\$ 2,416,981
Charges for wastewater services	1,605,067
Charges for other services	433,774
Water system expansion revenue	333,291
Other revenue	<u>116,411</u>
Total operating revenues	<u>4,905,524</u>

Operating Expenses

Salaries and benefits	791,380
Utilities	670,835
Repairs and maintenance	850,467
Professional services	505,989
General and administrative	352,609
Supplies and chemicals	176,908
Rents and leases	27,006
Depreciation	<u>1,548,614</u>
Total operating expenses	<u>4,923,808</u>
Operating loss	<u>(18,284)</u>

Nonoperating Revenues (Expenses)

Grant revenue	5,873,056
Debt service	(52,563)
Interest expense	<u>(257,272)</u>
Total nonoperating revenues (expenses), net	<u>5,563,221</u>
Change in net position	<u>5,544,937</u>
Net position, beginning of year	39,085,082
Restatement	<u>1,115,729</u>
Net position, beginning of year, as restated (Note 10)	<u>40,200,811</u>
Net position , end of year	<u><u>\$ 45,745,748</u></u>

The accompanying notes are an integral part of these financial statements.

Camino Real Regional Utility Authority
Statement of Cash Flows
For The Year Ended June 30, 2016

Cash flows from operating activities

Cash received from customers	\$ 4,858,843
Cash payments to employees for services	(832,096)
Cash payments to suppliers for goods and services	<u>(2,683,997)</u>
Net cash provided by operating activities	<u>1,342,750</u>

Cash flows from capital and related financing activities

Purchase of capital assets	(6,429,887)
Proceeds from issuance of loan	530,000
Capital grants and developer contributions	7,658,059
Debt service payment on behalf of other entities	(52,563)
Principal payments on debt obligations	(344,452)
Interest payments	<u>(258,233)</u>
Net cash provided by capital and related financing activities	<u>1,102,924</u>
Net increase in cash and restricted cash	2,445,674
Cash and restricted cash, beginning of year	<u>1,993,577</u>
Cash and restricted cash, end of year	<u><u>\$ 4,439,251</u></u>

Financial Statement Presentation

Cash	\$ 2,200,750
Restricted cash	<u>2,238,501</u>
	<u><u>\$ 4,439,251</u></u>

Reconciliation of operating loss to net cash provided by operating activities

Operating loss	<u>\$ (18,284)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation expense	1,548,614
Change in provision for uncollectible accounts	10,155
Change in assets and liabilities	
Accounts receivable	(56,836)
Deferred outflows of resources	(114,676)
Accounts payable	(134,576)
Accrued payroll liabilities	(10,933)
Other liabilities	34,393
Compensated absences	(7,530)
Net pension liability	116,394
Deferred inflows of resources	<u>(23,971)</u>
Total adjustments	<u>1,361,034</u>
Net cash provided by operating activities	<u><u>\$ 1,342,750</u></u>

The accompanying notes are an integral part of these financial statements.

Camino Real Regional Utility Authority
Statement of Fiduciary Assets and Liabilities – Agency Funds
June 30, 2016

Assets

Cash and cash equivalents	\$ 63,254
Receivables	<u>112,112</u>
	<u>\$ 175,366</u>

Liabilities

Accounts payable	\$ 175,366
Total liabilities	<u>\$ 175,366</u>

The accompanying notes are an integral part of these financial statements.

Camino Real Regional Utility Authority
Notes to the Financial Statements
June 30, 2016

1) Nature of Business and Reporting Entity

The Camino Real Regional Utility Authority (the “Authority”) was originally established under a Joint Power’s Agreement (the “Agreement”) dated February 24, 2009, by and between the City of Sunland Park (the “City”), Doña Ana County (the “County”) and the Authority. The Agreement authorizes the County to provide certain fiscal management and administrative services and functions to the Authority for the Authority’s water and wastewater utilities operations. The 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 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 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 Agreement and, as such, the Authority was responsible for several fiscal management and administrative services. The 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, a certain area within the unincorporated territory of Southern Doña Ana County and;
- ◆ Provide for and administer subdivision, zoning, planning and platting regulations for present and future development within a designated service area of southern Doña Ana County.

The Board Membership of the Authority is composed of:

- ◆ Two elected officials from the City. 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 City and the City of Santa Teresa area.

Camino Real Regional Utility Authority
Notes to the Financial Statements
June 30, 2016

- ◆ 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

Authority Primary Government: The financial statements of the Authority encompass the activities of the Authority, except for activities in which the Authority acts as an agent, 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 the Governmental Accounting Standards Board 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.

Agency Funds: Agency funds are used to account for resources held for the benefit of parties outside the government, and therefore are not reported as part of the Authority's primary government. The assets reported in agency funds do not belong to the Authority and are held in separate accounts on the Authority's books in the name of others. Accordingly, all assets held and reported in the agency funds are offset by a corresponding liability.

Camino Real Regional Utility Authority
Notes to the Financial Statements
June 30, 2016

The following are the Authority's agency funds:

- ◆ The South Central Solid Waste Authority 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 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.

2) Summary of Significant Accounting Policies

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the Authority have been prepared using the economic resources measurement focus and the accrual basis of accounting. All of the Authority's activities, except those in which the Authority acts as an agent, are reported as an enterprise fund. Enterprise funds are used for activities for which a fee is charged to external users for goods and services.

All assets and liabilities (whether current or noncurrent) are included on the statement of net position. The statement of revenues, expenses and changes in 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.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority'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 nonoperating revenues and expenses.

Cash and Restricted Cash

The Authority considers all highly liquid financial instruments with a maturity of three months or less when purchased to be cash equivalents.

Camino Real Regional Utility Authority
Notes to the Financial Statements
June 30, 2016

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. Interest incurred during the construction phase of capital assets of the Authority is included as part of the capitalized value of the assets constructed.

Depreciation is computed by using the straight-line method. The estimated useful lives used to depreciate assets, by class, are as follows:

Assets	Years
Land improvements	10 - 40
Furniture, fixtures, and equipment	3 - 10
Vehicles	5 - 10
Infrastructure	10 - 25

Accounts Receivable Allowances

The allowance for doubtful accounts receivable is that amount which, in management's judgment, is considered adequate to reduce accounts receivable to an amount that is considered to be ultimately collectible. The Authority calculates its allowance for doubtful accounts based on percentages of accounts receivable aging categories. These percentages consider historical delinquencies and shut-offs by customer type over the past several years. The provision for uncollectible accounts receivable is netted with operating revenues in the statement of revenues, expenses, and changes in net position.

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 Authority and its employees is accrued as employees earn the right to the benefits. Compensated absences that relate 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.

Camino Real Regional Utility Authority
Notes to the Financial Statements
June 30, 2016

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 6 for more information on compensated absences payable as of June 30, 2016.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applied to a future period and so will not be recognized until then.

The Authority's deferred inflows of resources and deferred outflows of resources relate to the Authority's participation in a public employee retirement system, as more fully described in Note 8.

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.

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.

Net Position

Net position is the difference between assets, deferred outflows of resources, liabilities and deferred inflow of resources. The net position of the Authority is reported in the following three categories:

- ◆ *Net investment in capital assets* – This category reflects the portion of net position that is associated with capital assets and capital related grants receivable, less outstanding capital asset related debt.

Camino Real Regional Utility Authority
Notes to the Financial Statements
June 30, 2016

- ♦ *Restricted net position* – Restricted net position result from constraints placed on the use of net position when externally imposed by creditors, grantors, laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first and then unrestricted resources as they are needed.
- ♦ *Unrestricted net position* – This category reflects net position of the Authority that is not restricted for any project or other purpose.

Budgets

The Authority’s budgets are not prepared on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The Authority’s budget is presented on the cash basis of accounting.

Management prepares a budget for the Authority which is tentatively adopted by the Board. After tentative approval at the entity level, the budget is submitted to the New Mexico Department of Finance and Administration for approval of a temporary operational budget beginning July 1. This budget includes expected receipts and expenditures of its 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: debt service principal payments, certain cash transfers between internal funds, capital contributions and capital outlay, and certain revenue and expense accrual adjustments.

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 entity 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.

Recently Issued Accounting Standards

The following GASB pronouncements have been issued, but are not effective at June 30, 2016:

- ♦ GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*.
- ♦ GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Camino Real Regional Utility Authority
Notes to the Financial Statements
June 30, 2016

- ◆ GASB Statement No. 77, *Tax Abatement Disclosures*.
- ◆ GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*.
- ◆ GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.
- ◆ GASB Statement No. 80, *Blending Requirements for Certain Component Units as amendment of GASB Statement No. 14*.
- ◆ GASB Statement No. 81, *Irrevocable Split-Interest Agreements*.
- ◆ GASB Statement No. 82, *Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73*.

The Authority will implement new GASB pronouncements in the fiscal year no later than the required effective date. Management is still evaluating the financial impact that these pronouncements will have.

3) Cash and Restricted Cash

At June 30, 2016, the carrying amount of the Authority's deposits was \$4,501,505 and the bank balance was \$4,888,159. The difference represents outstanding checks, deposits and other reconciling items. In addition, the Authority has \$1,000 cash on hand. Cash, including restricting and unrestricted balances, were comprised of the following at June 30, 2016:

Unrestricted	
Cash	\$ 2,263,004
Cash on hand	1,000
Restricted	
Cash	<u>2,238,501</u>
Total cash and restricted cash	<u>\$ 4,502,505</u>

Cash and restricted cash reported in	
Statement of net position - unrestricted cash	\$ 2,200,750
Statement of net position - restricted cash	2,238,501
Agency funds	<u>63,254</u>
Total cash and restricted cash	<u>\$ 4,502,505</u>

Camino Real Regional Utility Authority
Notes to the Financial Statements
June 30, 2016

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. The Authority is required to obtain from each bank that is a depository of public funds pledged collateral in an aggregate amount equal to one half of the public money in each account (Section 6-10-17 NMSA 1978). No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2016, the Authority had bank deposits of \$1,375,985 that were uninsured and uncollateralized.

Pledged Collateral by Bank

The FDIC provides insurance of \$250,000 per depositor, per insured bank. The pledged collateral by bank at June 30, 2016, is as follows:

	Wells Fargo Bank
Total amount of deposit in bank	\$ 4,888,159
Less FDIC coverage	(250,000)
Total uninsured public funds	4,638,159
50% collateral requirement	2,319,080
Pledged securities, market value	3,262,174
Pledged in excess of requirement	\$ 943,094

Restricted Cash

Restricted cash balances consist of \$2 million received from a developer for the construction of specific assets outlined in the agreement between the developer and the Authority. In addition, \$238,501 is related to the Authority's debt service reserve fund as a required covenant of the four USDA bonds. As part of the loan requirements, the Authority must maintain a debt service reserve fund for each of the four loans that is equal to 10% of the annual payments over the life of the loan until the Authority accumulates an average annual loan payment for the loans. The Authority transferred \$49,685 to the debt service reserve fund during fiscal year 2016 to satisfy this requirement.

Camino Real Regional Utility Authority
Notes to the Financial Statements
June 30, 2016

4) Account Receivable and Grant Receivable

Accounts receivable are primarily revenues earned from the Authority's water and wastewater utility billing system. They also include some miscellaneous receivables for other billed services.

The Authority reported the following receivables, net of allowance for doubtful accounts, at June 30, 2016, as follows:

Water account receivable	\$ 265,161
Wastewater account receivable	401,179
Allowance for doubtful accounts	<u>(255,541)</u>
Account receivables, net	<u><u>\$ 410,799</u></u>

Grant receivables are primarily state grants that are related to capital improvement projects. Grant receivables as of June 30, 2016, were \$706,738.

5) Capital Assets

Capital assets of the Authority for the year ended June 30, 2016, are as follows:

	Beginning Balance, as restated	Additions	Deletions	Transfers	Ending Balance
<i>Capital assets, not being depreciated</i>					
Land and water rights	\$ 9,088,636	\$ -	\$ -	\$ -	\$ 9,088,636
Construction in progress	<u>1,950,672</u>	<u>6,429,887</u>	<u>-</u>	<u>(2,068,846)</u>	<u>6,311,713</u>
Total capital assets not being depreciated	<u>11,039,308</u>	<u>6,429,887</u>	<u>-</u>	<u>(2,068,846)</u>	<u>15,400,349</u>
<i>Capital assets, being depreciated</i>					
Land improvements	50,828	-	-	-	50,828
Furniture, fixtures, and equipment	1,116,574	-	-	-	1,116,574
Vehicles	515,354	-	-	-	515,354
Infrastructure	<u>48,853,493</u>	<u>-</u>	<u>-</u>	<u>2,068,846</u>	<u>50,922,339</u>
Total capital assets, being depreciated	<u>50,536,249</u>	<u>-</u>	<u>-</u>	<u>2,068,846</u>	<u>52,605,095</u>
<i>Less accumulated depreciation</i>					
Land improvements	(33,106)	(2,215)	-	-	(35,321)
Furniture, fixtures, and equipment	(682,035)	(120,849)	-	-	(802,884)
Vehicles	(375,658)	(36,846)	-	-	(412,504)
Infrastructure	<u>(12,737,880)</u>	<u>(1,388,704)</u>	<u>-</u>	<u>-</u>	<u>(14,126,584)</u>
Total accumulated depreciation	<u>(13,828,679)</u>	<u>(1,548,614)</u>	<u>-</u>	<u>-</u>	<u>(15,377,293)</u>
Total capital assets being depreciated, net	<u>36,707,570</u>	<u>(1,548,614)</u>	<u>-</u>	<u>2,068,846</u>	<u>37,227,802</u>
Total capital assets, net	<u>\$ 47,746,878</u>	<u>\$ 4,881,273</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,628,151</u>

Camino Real Regional Utility Authority
Notes to the Financial Statements
June 30, 2016

6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2016, are as follows:

	Beginning Balance, as restated	Increases	Decreases	Ending Balance	Due Within One Year
Bonds payable	\$ 8,865,800	\$ -	\$ (264,000)	\$ 8,601,800	\$ 277,000
Loans payable	425,976	530,000	(50,435)	905,541	50,735
Capital lease payable	30,017	-	(30,017)	-	-
Net pension liability	365,870	164,439	(48,045)	482,264	-
Compensated absences	75,162	50,564	(58,094)	67,632	67,632
Total	<u>\$ 9,762,825</u>	<u>\$ 745,003</u>	<u>\$ (450,591)</u>	<u>\$ 10,057,237</u>	<u>\$ 395,367</u>

The Authority has the following revenue bonds and loan agreements outstanding as of June 30, 2016:

Bond Description	Date of Issue	Due Date	Original Issue	Outstanding	Rate
USDA Series 1992A – Revenue Bonds	12/1992	12/2032	\$ 661,000	\$ 448,100	5.50%
USDA Series 1992B – Revenue Bonds	12/1992	12/2032	177,700	121,700	5.50%
USDA RUS Series 2002 – Revenue Bonds	7/2002	7/2042	500,000	419,000	4.50%
USDA RUS Series 2004 – Revenue Bonds	12/2004	12/2044	2,156,000	1,878,000	4.50%
Series 2008 - Revenue Bonds	12/2008	12/2033	7,765,000	5,735,000	2.00%
Total bonds			<u>\$ 11,259,700</u>	<u>\$ 8,601,800</u>	

Loan Description	Date of Issue	Due Date	Original Issue	Outstanding	Rate
NMFA Loan 2430-DW	12/2010	5/2033	\$ 495,681	\$ 433,995	0.75%
NMFA Loan 0264-WTB	4/2014	6/2033	530,000	471,546	0.00%
NMFA Loan 3342-CIF	3/2016	6/2035	102,300	-	0.00%
Total loans			<u>\$ 1,127,981</u>	<u>\$ 905,541</u>	

Revenue Bonds

USDA Series 1992A – Revenue Bonds

The City of Sunland Park authorized the issuance of \$661,000 Water System Improvement Revenue Bonds, Series 1992A, for the purpose of securing funds for construction improvements to the water system for the City. The bond is payable and collectible solely from net revenues to be derived from the operation of the Authority.

Camino Real Regional Utility Authority
Notes to the Financial Statements
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Due in annual installments of \$5,000 to \$42,100 through December 2032 at an interest rate of 5.5%. These debt obligations were transferred to the Authority from the City as of February 1, 2012.

USDA Series 1992B – Revenue Bonds

The City of Sunland Park authorized the issuance of \$177,700 Water System Improvement Revenue Bonds, Series 1992B, for the purpose of securing funds for construction improvements to the water system for the City. The bond is payable and collectible solely from net revenues to be derived from the operation of the Authority. Due in annual installments of \$1,000 to \$14,700 through December 2032 at an interest rate of 5.5%. These debt obligations were transferred to the Authority from the City as of February 1, 2012.

USDA RUS Series 2002 Revenue Bonds

The City of Sunland Park authorized the issuance of \$500,000 Joint Water and Wastewater System Improvement Revenue Bonds, Series 2002, for the purpose of financing improvements to the City's Joint Water and Wastewater System. The bond is payable and collectible solely from net revenues to be derived from the operation of the Authority. Due in annual installments of \$5,000 to \$25,000 through July 2042 at an interest rate of 4.5%. These debt obligations were transferred to the Authority from the City as of February 1, 2012.

USDA RUS Series 2004 Revenue Bonds

The City of Sunland Park authorized the issuance of \$2,156,000 Water and Wastewater System Improvement Revenue Bonds, Series 2004, to finance certain costs incurred by the City in connection with the acquisition by the City of Santa Teresa Service Company assets of the water and wastewater system. The bond is payable and collectible solely from net revenues to be derived from the operation of the Authority. Due in annual installments of \$20,000 to \$114,000 through December 2044 at an interest rate of 4.5%. These debt obligations were transferred to the Authority from the City as of February 1, 2012.

Series 2008 Revenue Bond

In December 2008, Doña Ana 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 Series 2008 Water System Revenue Bonds were purchased by the County with Doña Ana Hospital Lease Funds and are shown as an investment in the County's financial statements. The bonds are payable and collectible solely from net revenues to be derived from the operation of the Authority. Due in annual installments of \$170,000 to \$1,100,000 through December 2033 at an interest rate of 2.0%. These debt obligations were transferred to the Authority from the City as of February 1, 2012.

Camino Real Regional Utility Authority
Notes to the Financial Statements
June 30, 2016

Loan Agreements and Capital Lease

NMFA Drinking Water Revolving Fund Loan – 2430-DW

The Authority authorized the issuance of \$495,681 New Mexico Finance Authority Drinking Water Revolving Fund Loan (2013), due in annual installments of \$15,287 to \$27,612 through May 2033 at an interest rate of 0.75%.

NMFA Drinking Water Trust Board Loan – 0264-WTB

The Authority authorized the issuance of \$530,000 New Mexico Finance Authority Drinking Water Trust Board Loan No. Camino Real 3 (2014), due in annual installments of \$4,282 to \$28,296 through June 2033 at an interest rate of 0.00%.

NMFA Colonias Infrastructure Board Loan – 3342-CIF

The Authority authorized the issuance of \$102,300 New Mexico Finance Authority Colonias Infrastructure Board Loan (2016), due in annual installments of \$904 to \$5,337 through June 2035 at an interest rate of 0.00%. As of June 30, 2016, the Authority has not drawn down on the loan.

Kansas State Bank Capital Lease

Capital lease payable for various equipment purchases, which was paid in full during the year ended June 30, 2016, bore interest at 4% per year.

Future maturities of revenue bonds and loan agreements as of June 30, 2016, are as follows:

	Principal	Interest	Total
Fiscal year ending June 30,			
2017	\$ 327,735	\$ 250,624	\$ 578,359
2018	341,038	242,820	583,858
2019	354,345	234,670	589,015
2020	366,653	226,170	592,823
2021	380,964	217,371	598,335
2022-2026	2,176,579	938,152	3,114,731
2027-2031	2,633,756	646,864	3,280,620
2032-2036	1,913,271	323,816	2,237,087
2037-2041	541,000	181,395	722,395
2042-2044	472,000	52,020	524,020
	<u>\$ 9,507,341</u>	<u>\$ 3,313,902</u>	<u>\$ 12,821,243</u>

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June 30, 2016

7) 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.

8) Defined Benefit Pension Plan – Public Employees Retirement Association

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, New Mexico 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 Authority are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature.

Summary of Significant Accounting Policies

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 New Mexico 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, on the economic resources measurement focus and accrual basis of accounting. 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.

General Information about the Pension Plan

Plan description: The Public Employees Retirement Fund (PERA 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 Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative

Camino Real Regional Utility Authority
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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 PERA 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), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

Benefits provided: For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015, available at <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2015.pdf>.

Contributions: The contribution requirements of defined benefit plan members and the Authority are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY 2015 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures of the PERA FY 2015 annual audit report at <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2015.pdf>. The PERA coverage option that applies to the Authority is: Municipal General Division. Statutorily required contributions to the pension plan from the Authority were \$42,274 and employer paid member benefits that were “picked up” by the employer were \$0 for the year ended June 30, 2016.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2015.

Camino Real Regional Utility Authority
Notes to the Financial Statements
June 30, 2016

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Authority's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015, were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to fiscal year 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For Municipal General Division Members, at June 30, 2016, the Authority reported a liability of \$482,264 for its proportionate share of the net pension liability. At June 30, 2015, the Authority's proportion was 0.05% percent.

For the year ended June 30, 2016, the Authority recognized PERA Fund Division Municipal General Division pension expense of \$20,021. At June 30, 2016, 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	Net Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 10,682	\$ (10,682)
Changes of assumptions	-	188	(188)
Net difference between projected and actual earnings on pension plan investments	107,019	108,540	(1,521)
Change in proportion and differences between Authority contributions and proportionate share of contributions	2,382	-	2,382
Authority contributions subsequent to the measurement date	42,274	-	42,274
Total	<u>\$ 151,675</u>	<u>\$ 119,410</u>	<u>\$ 32,265</u>

Camino Real Regional Utility Authority
Notes to the Financial Statements
June 30, 2016

Other amounts reported as deferred outflows of resources and deferred inflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ending June 30,	
2017	\$ 30,064
2018	(12,210)
2019	(12,210)
2020	26,487
2021	<u>134</u>
Total	<u>\$ 32,265</u>

Actuarial assumptions: As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014, for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014, actuarial valuation.

Actuarial valuation date:	June 30, 2014
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of pay
Amortization period:	Solved for based on statutory rates
Asset valuation method:	4 Year Smoothed Market Value

Actuarial assumptions:	
Investment rate of return:	7.75 % annual rate, net of investment expense
Payroll growth:	3.50% annual rate
Projected salary increases:	3.50% to 14.25 % annual rate
Includes inflation at:	3.00% annual rate
Mortality assumption:	RP-2000 Mortality Tables (Combined table for healthy post-retirements, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using scale AA.
Experience study dates:	July 1, 2008 to June 30, 2013

Camino Real Regional Utility Authority
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June 30, 2016

The long-term expected rate of return on pension plan investments was determined using a statistical analysis 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 asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equity	21.1%	5.00%
International equity	24.8%	5.20%
Private equity	7.0%	8.20%
Core and global fixed income	26.1%	1.85%
Fixed income plus sectors	5.0%	4.80%
Real estate	5.0%	5.30%
Real assets	7.0%	5.70%
Absolute return	4.0%	4.15%
Total	<u>100.0%</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Authority's proportionate share of the net pension liability to changes in the discount rate: The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Authority's net pension liability in each PERA Fund Division that the Authority participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

Camino Real Regional Utility Authority
Notes to the Financial Statements
June 30, 2016

PERA Fund Municipal General Division	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net pension liability	\$ 821,105	\$ 482,264	\$ 200,542

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued fiscal year 2015 PERA financial report. The report is available at <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2015.pdf>.

9) Commitments and Contingencies

Construction Commitments

At June 30, 2016, the uncompleted construction and other commitments for construction improvements and replacements was \$601,936. This amount will be paid from operating and nonoperating revenues.

Debt Service Commitments

The Authority is currently making payments on a New Mexico Finance Water Trust Board Loan No. 190-WTB that is held by the County as of June 30, 2016. Prior to the formation of the Authority, debt was incurred by the 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 fiscal responsibility of the debt service payments related to the treatment plant that was incurred by the County. The balance outstanding on the loan as of June 30, 2016, was \$772,896 and reported in the County's financial statements. The total debt service paid by the Authority in fiscal year 2016 was \$52,563 and is reported as debt service expense in the statement of revenues, expenses and change in net position.

Camino Real Regional Utility Authority
Notes to the Financial Statements
June 30, 2016

10) Restatement of Beginning Net Position

The accompanying financial statements reflect adjustments to previously reported net position, which was necessary to correct accounting errors related to capital assets, accounts payable, unearned revenues and long-term liabilities as of July 1, 2015, and is summarized as follows:

Net position as previously reported	\$ 39,085,082
Adjustment to correct fiscal year 2015 accounts payable balance as previously reported	381,039
Adjustment to record NMFA Loan 2430-DW that was previously unrecorded	(457,310)
Adjustment to record a capital lease with Kansas State Bank that was previously reported as an operating lease	(30,017)
Adjustment to capitalize construction in progress that was expensed in fiscal year 2015	176,817
Adjustment to recognize unearned revenue balances as of June 30, 2015, as previously reported	<u>1,045,200</u>
Net position, as restated	<u><u>\$ 40,200,811</u></u>

Required Supplementary Information

Camino Real Regional Utility Authority
Required Supplementary Information—
Schedule of the Authority's Proportionate Share of the Net Pension Liability of
PERA Fund Municipal General Division
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years*

	2016	2015
The Authority's proportion of the net pension liability	<u>0.05%</u>	<u>0.06%</u>
The Authority's proportionate share of the net pension liability	<u>\$ 482,264</u>	<u>\$ 365,870</u>
The Authority's covered-employee payroll	<u>\$ 501,750</u>	<u>\$ 501,940</u>
The Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>96.12%</u>	<u>72.89%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>76.99%</u>	<u>81.29%</u>

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

Camino Real Regional Utility Authority
Required Supplementary Information—
Schedule of Authority Contributions
Public Employees Retirement Association (PERA) Plan
PERA Municipal General Division
Last 10 Fiscal Years*

	2016	2015
Contractually required contribution	\$ 42,274	\$ 36,999
Contributions in relation to the contractually required contribution	42,274	36,999
Contribution deficiency (excess)	\$ -	\$ -
Authority's covered-employee payroll	\$ 501,750	\$ 501,940
Contributions as a percentage of covered-employee payroll	8.43%	7.37%

Notes to Required Supplementary Information

Summary of Actuarial Methods and Assumptions

Actuarial valuation date:	June 30, 2014
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of pay
Amortization period:	Solved for based on statutory rates
Asset valuation method:	4 Year Smoothed Market Value

Actuarial assumptions:	
Investment rate of return:	7.75% annual rate, net of investment expense
Payroll growth:	3.50% annual rate
Projected salary increases:	3.50% to 14.25% annual rate
Includes inflation at:	3.00% annual rate

Other Supplementary Information

Camino Real Regional Utility Authority
Schedule of Revenues, Expenditures and Changes in Net Position
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary	(Unfavorable)
			Basis)	Final to Actual
Revenues				
Water planning grant reimbursement	\$ 14,926,628	\$ 14,951,628	\$ 5,599,191	\$ (9,352,437)
FEMA-fed/state public assistance	15,667	15,667	64,488	48,821
Misc. revenues	-	-	128	128
Refunds	50	50	-	(50)
SCSWA administration fee	-	-	8,900	8,900
Administrative fees	30,000	42,000	48,422	6,422
Water rights	15,000	175,640	333,291	157,651
One time utility charges	280,000	188,000	367,974	179,974
Reconnect fees	28,000	28,000	27,532	(468)
Water user charges	3,910,000	3,910,000	3,825,210	(84,790)
NSF fees	1,000	1,000	3,421	2,421
Standby fees	-	144,107	144,107	-
La Union Water O & M	26,000	26,000	21,569	(4,431)
Copies - copy machines and others	10	10	-	(10)
Late charges	70,000	70,000	82,365	12,365
Loan proceeds	530,000	530,000	530,000	-
Special use and replat fees	7,500	7,500	-	(7,500)
Total revenues	<u>19,839,855</u>	<u>20,089,602</u>	<u>11,056,598</u>	<u>(9,033,004)</u>
Expenses				
Salaries				
Full-time administrative salaries	101,146	101,146	39,194	61,952
Full-time classified salaries	591,806	591,806	454,786	137,020
Call-back time	400	400	989	(589)
Contract salaries	114,876	114,876	92,305	22,571
Temporary salaries	-	-	5,222	(5,222)
Over-time salaries	16,500	16,500	31,276	(14,776)
On call pay	3,600	3,600	6,648	(3,048)
Total salaries	<u>828,328</u>	<u>828,328</u>	<u>630,420</u>	<u>197,908</u>
Benefits				
PERA	59,780	59,780	42,274	17,506
Group insurance	211,450	211,450	118,980	92,470
Medicare	12,010	12,010	8,788	3,222
Social security	51,356	51,356	37,575	13,781
Workman's Comp Admin Assessment	212	212	163	49
Total benefits	<u>334,808</u>	<u>334,808</u>	<u>207,780</u>	<u>127,028</u>

Camino Real Regional Utility Authority
Schedule of Revenues, Expenditures and Changes in Net Position
Budget (Non-GAAP Budgetary Basis) and Actual — continued
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary	(Unfavorable)
			Basis)	Final to Actual
Expenses - continued				
Operating expenses				
Audit	28,988	28,988	28,465	523
Debt service	14,849	14,849	-	14,849
Professional services	128,000	128,000	72,316	55,684
Insurance	90,000	90,000	117,568	(27,568)
Bond interest expense	116,750	116,750	114,655	2,095
Bond principal expense	205,000	205,000	205,000	-
Permits	3,000	3,000	4,600	(1,600)
Annual fees	1,000	1,000	2,845	(1,845)
Bank charges	-	16,842	15,998	844
Contractual services	307,500	307,500	389,610	(82,110)
Freight and shipping	860	860	1,395	(535)
Leases(noncapital)	2,000	2,000	5,000	(3,000)
Loan payments	335,691	335,691	341,179	(5,488)
Office equip/furniture under \$5000	2,500	2,500	509	1,991
Printing and publishing	16,500	16,500	47,455	(30,955)
Postage	37,000	37,000	33,189	3,811
Rental	20,000	21,300	21,866	(566)
Refunds	500	500	-	500
Small tools	5,800	5,800	-	5,800
Tax payments	34,000	34,000	22,117	11,883
Testing	18,500	18,500	43,994	(25,494)
Tipping fees	60,000	60,000	72,321	(12,321)
Fee charges	800	800	1,065	(265)
Uniforms	5,000	5,000	4,586	414
Employee training	200	200	200	-
Memberships	4,100	4,100	500	3,600
Mileage	400	1,100	1,183	(83)
Per diem	4,500	4,500	1,959	2,541
Meals	1,000	1,000	12	988
Travel	1,500	1,500	-	1,500
Lodging	300	300	-	300
Registrations	1,400	1,400	1,295	105
Data systems maintenance	5,300	5,300	3,705	1,595
Operation parts/equip.	400,000	577,143	500,274	76,869
Water/WW system maint.	80,000	80,000	88,683	(8,683)
Vehicle maintenance	28,000	28,000	24,748	3,252
Electricity	773,000	773,000	690,023	82,977
Telephone	42,000	42,000	47,176	(5,176)
Gas usage (utilities)	500	500	244	256
Chemicals	251,000	251,000	137,089	113,911
Fuel	67,000	67,000	35,799	31,201
Lab supplies (film, etc.)	16,000	16,000	5,152	10,848
Janitorial supplies	1,000	1,000	180	820
Office supplies	4,500	4,500	4,432	68
Safety supplies	4,000	4,000	550	3,450
Total operating expenses	3,119,938	3,315,923	3,088,937	226,986

Camino Real Regional Utility Authority
Schedule of Revenues, Expenditures and Changes in Net Position
Budget (Non-GAAP Budgetary Basis) and Actual — continued
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary	(Unfavorable)
			Basis)	Final to Actual
Expenses - continued				
Capital outlay				
Architectural services	1,104,299	1,034,299	560,495	473,804
Capital outlay/construction	15,394,873	15,464,873	6,159,684	9,305,189
Capital outlay/equip	30,000	30,000	-	30,000
Capital outlay/vehicles	25,000	25,000	-	25,000
Total capital outlay	<u>16,554,172</u>	<u>16,554,172</u>	<u>6,720,179</u>	<u>9,833,993</u>
Transfers				
Transfer into fund	(439,685)	(439,685)	(390,000)	(49,685)
Transfer out of fund	439,685	439,685	390,000	49,685
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>20,837,246</u>	<u>21,033,231</u>	<u>10,647,316</u>	<u>10,385,915</u>
Excess (deficiency) of revenues over expenses	(997,391)	(943,629)	409,282	<u>\$ (1,352,911)</u>
Cash reserve, beginning	<u>1,993,590</u>	<u>1,993,590</u>	<u>1,993,590</u>	
Cash reserve, ending	<u>\$ 996,199</u>	<u>\$ 1,049,961</u>	<u>2,402,872</u>	
Revenues (Expenses) Not Budgeted				
Depreciation			(1,548,614)	
Provision for uncollectible accounts			(10,154)	
Miscellaneous revenues			<u>173</u>	
Net expenses under revenues not budgeted			<u>(1,558,595)</u>	
Changes to conform to generally accepted accounting principles				
Proceeds from loans			(530,000)	
Principal payments on bonds and loans			314,435	
Principal payments on capital leases			30,017	
Capital outlay			6,429,887	
Adjustments to revenue and expenses for accrual presentation			<u>449,911</u>	
Net changes to conform to generally accepted accounting principles			<u>6,694,250</u>	
Change in net position - GAAP basis			<u>\$ 5,544,937</u>	

Camino Real Regional Utility Authority
Combining Statement of Changes in Statement of Fiduciary Assets
and Liabilities — Agency Funds
For the Year Ended June 30, 2016

	Balance at June 30, 2015	Increases	Decreases	Balance at June 30, 2016
South Central Solid Waste Authority—50041				
Assets				
Cash and cash equivalents	\$ 58,336	\$ 73,968	\$ (69,108)	\$ 63,196
Receivables, net	95,317	106,009	(95,317)	106,009
Total assets	<u>153,653</u>	<u>179,977</u>	<u>(164,425)</u>	<u>169,205</u>
Liabilities				
Accounts payable	<u>153,653</u>	<u>837,550</u>	<u>(821,998)</u>	<u>169,205</u>
Sunland Park Solid Waste—55125				
Assets				
Cash and cash equivalents	13	578	(533)	58
Receivables, net	9,796	6,103	(9,796)	6,103
Total assets	<u>9,809</u>	<u>6,681</u>	<u>(10,329)</u>	<u>6,161</u>
Liabilities				
Accounts payable	<u>9,809</u>	<u>6,732</u>	<u>(10,380)</u>	<u>6,161</u>
Totals—All agency funds				
Assets				
Cash and cash equivalents	58,349	74,546	(69,641)	63,254
Receivables, net	105,113	112,112	(105,113)	112,112
Total assets	<u>163,462</u>	<u>186,658</u>	<u>(174,754)</u>	<u>175,366</u>
Liabilities				
Accounts payable	<u>163,462</u>	<u>844,282</u>	<u>(832,378)</u>	<u>175,366</u>
Total liabilities	<u>\$ 163,462</u>	<u>\$ 844,282</u>	<u>\$ (832,378)</u>	<u>\$ 175,366</u>

Camino Real Regional Utility Authority
Schedule of Deposits and Investments by Financial Institution
June 30, 2016

Financial Institution	Account Name	Type of Account	Bank Balance	Outstanding Items	Book Balance
Wells Fargo Bank	Original Account	Business Checking	\$ 1,662,885	\$ (5,167)	\$ 1,657,718
Wells Fargo Bank	CRRUA	Business Checking	1,224,858	(381,071)	843,787
Wells Fargo Bank	Kreigel Trust	Business Checking	416	(416)	-
Wells Fargo Bank	Cash Restricted	Business Checking	2,000,000	-	2,000,000
Total cash deposit accounts			<u>\$ 4,888,159</u>	<u>\$ (386,654)</u>	<u>\$ 4,501,505</u>

Camino Real Regional Utility Authority
Schedule of Pledged Collateral
June 30, 2016

Bank of New York Mellon	CUSIP	Original Face	Market Value	Maturity Date	Coupon Rate
FNMA FNMS	31417YXQ5	\$ 7,932,858	\$ 3,262,174	2/1/2026	3.00%

Camino Real Regional Utility Authority
Schedule of Joint Powers Agreements and Memorandums of Understanding
For the Year Ended June 30, 2016

Joint Powers Agreements/MOU	Participants	Responsible Party	Description	Beginning and Ending Dates	Total Estimated Project Amount Applicable to Agency	Amount Contributed by CRRUA during Current Fiscal Year	Audit Responsibility	Fiscal Agent and Responsible Reporting Entity
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	2/24/09 to 3/11/29 (20 years from DFA approval)	N/A	\$ -	CRRUA	CRRUA/Dona Ana County
Fiscal Management and Administrative Services DAC #15-106	Dona Ana County, CRRUA	CRRUA	To provide fiscal management and administrative services	10/31/11 until 10/30/21	N/A	\$135,000 per year. Increase annually based on Consumer Price Index (CPI) increase after the second year.	CRRUA	CRRUA/Dona Ana County
Fiscal Management and Administrative Services	City of Las Cruces	SCSWA	Establish a joint city/county solid waste authority	04/01/93 ongoing	Ongoing project costs vary from year to year	\$ -	CLC	CRRUA/Dona Ana County

Camino Real Regional Utility Authority
Schedule of Vendor Information
For the Year Ended June 30, 2016

Agency Number	Agency Name	Agency Type	RFB#/RFP# (If applicable)	Type of Procurement	Vendor Name
4103	Camino Real Regional Utility	Special Districts	N/A	Sole Source	Camino Real Landfill
4103	Camino Real Regional Utility Authority	Special Districts	N/A	Exempt 13-1-98A	Dona Ana County
4103	Camino Real Regional Utility	Special Districts	N/A	Exempt 13-1-98A	Dona Ana County Financial
4103	Camino Real Regional Utility	Special Districts	N/A	Exempt 13-1-98D	El Paso Electric
4103	Camino Real Regional Utility	Special Districts	RFP #15-0030	Competitive (RFP or RFB)	Eric Lopez dba Bridel Facility Ops
4103	Camino Real Regional Utility	Special Districts	RFP # 08-0028	Competitive (RFP or RFB)	Evoqua Water Technologies LLC
4103	Camino Real Regional Utility Authority	Special Districts	RFP 14-0040	Competitive (RFP or RFB)	Integration & Control Solutions LLC
4103	Camino Real Regional Utility	Special Districts	N/A	Exempt 13-1-98A	New Mexico Finance Authority
4103	Camino Real Regional Utility	Special Districts			New Mexico Mutual Casualty Co
4103	Camino Real Regional Utility	Special Districts	RFP 14-0030	Competitive (RFP or RFB)	Rodgers & Company Inc.
4103	Camino Real Regional Utility	Special Districts	N/A	Exempt 13-1-98A	South Central Solid Waste Authority
4103	Camino Real Regional Utility	Special Districts	RFP # 16-0021	Competitive (RFP or RFB)	Southwest Envirotec
4103	Camino Real Regional Utility Authority	Special Districts	RFP # 14-0035	Competitive (RFP or RFB)	Triple J Excavation
4103	Camino Real Regional Utility Authority	Special Districts	15-0024	Competitive (RFP or RFB)	SmithCo Construction Inc

Did Vendor Win Contract?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Physical address of vendor (City, State)	Did the Vendor provide documentation of eligibility for in-state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work
Winner	\$ 72,320.51	N/A	Sunland Park, NM	No	No	Tipping Fees
Winner	\$ 586,727.95	N/A	Las Cruces, NM	No	No	Admin fees, group insurance reimbursement, postage, MPLS line, advertising
Winner	\$ 130,772.71	N/A	Las Cruces, NM	No	No	Group Insurance reimbursement
Winner	\$ 732,582.41	N/A	El Paso, TX	No	No	Electricity
Winner	\$ 112,090.94	Indefinite Quantity	Las Cruces, NM	No	No	Consultant Services
Winner	\$ 73,526.80	Indefinite Quantity	Chicago, IL	No	No	Chemicals
Winner	\$ 85,258.24	Indefinite Quantity	Corrales, NM	No	No	Operation parts/equip, Water/WW system Maint, Capital Outlay Construction
Winner	\$ 114,380.14	N/A	Santa Fe, NM	No	No	Loans
	\$ 83,236.80		Albuquerque, NM	No	No	Workers' Compensation Insurance
Winner	\$ 63,564.99	Indefinite Quantity	Albuquerque, NM	Yes	No	Water/WW system maint, Capital Outlay/Construction
Winner	\$ 725,599.39	N/A	Las Cruces, NM	No	No	Collections for South Central Solid Waste
Winner	\$ 63,201.80	Indefinite Quantity	Las Cruces, NM	No	No	Operation parts/equip, Water/WW System Maint
Winner	\$ 62,308.92	Indefinite Quantity	Las Cruces, NM	Yes	No	Water and Wastewater Systems maintenance and repairs
Winner	\$ 4,867,841.82	NONE	Caballo, NM	Yes	No	Santa Teresa 4.5 Arsenic Treatment Facility Capital Outlay/Construction

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 Board of Directors of the
Camino Real Regional Utility Authority
and
Mr. Timothy Keller
New Mexico 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 Camino Real Regional Utility Authority (the "Authority"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and the Statement of Revenues, Expenses, and Changes in Net Position – Budget and Actual, presented as supplementary information, and have issued our report thereon dated November 17, 2016.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2016-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

The Authority's Responses 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.

REDW LLC

Albuquerque, New Mexico
November 17, 2016

Camino Real Regional Utility Authority
Schedule of Findings and Responses
For the Year Ended June 30, 2016

Financial Statement Finding

**2016-001 Trial Balance Maintenance and Monthly Financial Statement Preparation
(Significant Deficiency)**

Criteria: Monthly maintenance of the Authority's trial balance and preparation of financial statements in accordance with generally accepted accounting principles (GAAP) helps ensure that timely, accurate, and useful information is available to management and those charged with governance. To provide accurate financial reports, general ledger accounts should be reconciled timely. The reconciliations should be reviewed and approved by supervisory personnel and supported with proper documentation.

Condition: The Authority has not implemented a monthly account reconciliation process, and does not prepare interim financial statements in accordance with GAAP. Additionally, material adjusting journal entries, including restatements of previously reported amounts, were required after the fiscal year 2016 accounting records were closed.

Cause: When accounts have not been reconciled during the year, accounting personnel become overburdened with year-end account analyses, resulting in a time-consuming and costly year-end process, and further, untimely audits.

Effect: Material adjustments were required to accurately report the Authority's financial statements in accordance with GAAP.

Auditor's Recommendations: To ensure that all significant account balances are reconciled, develop a checklist that lists each of the significant general ledger accounts requiring monthly account reconciliations and designate an individual with sufficient accounting experience to review the reconciliations for accuracy and to ensure they are completed timely.

Management's Response: As of July 1, 2016, Doña Ana County expanded their fiscal/financial manager responsibilities under the Joint Power's Agreement, which includes reconciling the trial balance on monthly and annual basis. Doña Ana County's finance department will ensure that all significant account balances are reconciled on a monthly basis and monthly reports will be submitted to the Authority's management for review.

Camino Real Regional Utility Authority
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2016

Prior Audit Findings

Current Status

None reported.

Camino Real Regional Utility Authority
Exit Conference
For the Year Ended June 30, 2016

An exit conference was held on November 16, 2016, and attended by the following:

Camino Real Regional Utility Authority

Joshua Orozco	Chair
Brent Westmoreland	Executive Director
Lorraine Ortega	Office Manager

REDW_{LLC}

Josh Trujillo	Principal
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Financial Statements

The financial statements of the Authority as of June 30, 2016, were substantially prepared by REDW_{LLC}, however, the financial statements are the responsibility of management.