CAMINO REAL REGIONAL

CRUA

UTILITY AUTHORITY

Basic Financial Statements
and
Independent Auditor's Report

June 30, 2017

REDW LLC
CPAs | Business & Financial Advisors

Camino Real Regional Utility Authority
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Camino Real Regional Utility Authority

Official Roster
June 30, 2017

Board of Directors

Board Member	Title	Title/Representing
Billy Garrett	Chair	Commissioner, Doña Ana County
Javier Perea	Vice-Chair	Mayor, City of Sunland Park
Ramon Gonzalez	Member	Commissioner, Doña Ana County
Bealquin Gomez	Member	State Representative
Francisco Jaime	Member	Councilor, City of Sunland Park
Joshua Orozco	Member	Member-at-Large

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. Wayne A. Johnson
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, 2017, 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, 2017, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not

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for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the Schedule of Revenues, Expenditures, and Changes in Net Position – Budget and Actual, presented as supplementary information, presents fairly, in all material respects, the budgetary comparison of the Authority for the year ended June 30, 2017, 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 opinions 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 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 1, 2017, 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

Phoenix, Arizona
December 1, 2017

Financial Statements

Camino Real Regional Utility Authority
Statement of Net Position
June 30, 2017

Assets	
Current assets	
Cash	$ 2,849,376
Restricted cash	238,501
Account receivable, net	488,267
Grant receivable	302,125
Total current assets	3,878,269
Noncurrent assets	
Nondepreciable capital assets	21,513,400
Depreciable capital assets, net of accumulated depreciation	35,668,489
Total noncurrent assets	57,181,889
Total assets	61,060,158
Deferred Outflows of Resources	
Deferred amounts related to pension	299,642
Liabilities	
Current liabilities	
Accounts payable	630,191
Accrued payroll liabilities	13,284
Accrued interest	83,079
Other liabilities	190,240
Unearned revenue	1,105,688
Compensated absences	89,750
Bonds payable, current portion	290,000
Loans payable, current portion	56,366
Total current liabilities	2,458,598
Noncurrent liabilities	
Bonds payable, net of current portion	8,034,800
Loans payable, net of current portion	890,535
Net pension liability	794,039
Total noncurrent liabilities	9,719,374
Total liabilities	12,177,972
Deferred Inflows of Resources	
Deferred amounts related to pension	7,881
Net Position	
Net investment in capital assets	47,910,188
Restricted - debt service reserve	238,501
Unrestricted	1,025,258
Total net position	$ 49,173,947

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, 2017

Operating Revenues	
Charges for water services	$ 2,425,807
Charges for wastewater services	1,689,649
Charges for other services	665,641
Water system expansion revenue	89,640
Other revenue	119,232
Total operating revenues	4,989,969
Operating Expenses	
Salaries and benefits	1,020,930
Utilities	747,402
Repairs and maintenance	792,668
Professional services	504,891
General and administrative	474,835
Supplies and chemicals	248,892
Rents and leases	8,995
Depreciation	1,559,313
Total operating expenses	5,357,926
Operating loss	(367,957)
Nonoperating Revenues (Expenses)	
Grant and developer revenue	5,142,245
Debt service	(52,563)
Interest expense	(247,531)
Total nonoperating revenues (expenses), net	4,842,151
Change in net position	4,474,194
Net position, beginning of year	45,745,748
Restatement (Note 10)	(1,045,995)
Net position, beginning of year, as restated	44,699,753
Net position, end of year	$ 49,173,947

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, 2017

Cash flows from operating activities	
Cash received from customers	$ 4,912,501
Cash payments to employees for services	(951,110)
Cash payments to suppliers for goods and services	(2,267,565)
Net cash provided by operating activities	1,693,826
Cash flows from capital and related financing activities	
Purchase of capital assets	(6,113,051)
Capital grants and developer contributions	3,707,947
Debt service payment on behalf of other entities	(52,563)
Principal payments on debt obligations	(337,036)
Interest payments	(250,497)
Net cash used by capital and related financing activities	(3,045,200)
Net decrease in cash and restricted cash	(1,351,374)
Cash and restricted cash, beginning of year	4,439,251
Cash and restricted cash, end of year	$ 3,087,877
Financial statement presentation	
Cash	$ 2,849,376
Restricted cash	238,501
	$ 3,087,877
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	$ (367,957)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation expense	1,559,313
Change in provision for uncollectible accounts	(13,729)
Change in assets and liabilities	
Accounts receivable	(63,739)
Deferred outflows of resources	(147,967)
Accounts payable	466,663
Accrued payroll liabilities	(4,577)
Other liabilities	43,455
Compensated absences	22,118
Net pension liability	311,775
Deferred inflows of resources	(111,529)
Total adjustments	2,061,783
Net cash provided by operating activities	$ 1,693,826

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, 2017

Assets		
Cash	$	65,992
Receivables		118,227
	$	184,219
Liabilities		
Accounts payable	$	184,219
Total liabilities	$	184,219

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

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.

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

The Authority was created to:

- Establish and empower an independent water and wastewater utility authority to provide municipal water and wastewater utility services to present and future development within a designated service area that encompasses the City of Sunland Park, 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.
- 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 (GASB) Statement No. 61—*The Financial Reporting Entity; Omnibus – and amendment of GASB Statement No. 14 and No. 39*. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the statement of net position and statement of revenues, expenses and changes in net position 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.

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.

<u>Measurement Focus, Basis of Accounting, and Financial Statement Presentation</u>
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.

Statement of Cash Flows
For the purpose of the statement of cash flows the Authority considers all cash with an original maturity of three months or less to be cash equivalents.

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.

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 their employment with the Authority, 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, 2017.

<u>Deferred Outflows/Inflows of Resources</u>
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.

<u>Unearned Revenue</u>
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.

<u>Use of Estimates</u>
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 of resources, liabilities and deferred inflows of resources 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.
- *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.

<u>Recently Issued Accounting Standards</u>
The following GASB pronouncements have been issued, but are not effective at June 30, 2017:

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements.*
- GASB Statement No. 83, *Certain Asset Retirement Obligations.*
- GASB Statement No. 84, *Fiduciary Activities.*
- GASB Statement No. 85, *Omnibus 2017.*
- GASB Statement No. 86, *Certain Debt Extinguishment Issues.*
- GASB Statement No. 87, *Leases.*

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, 2017, the carrying amount of the Authority's deposits was $3,152,869 and the bank balance was $3,194,841. The difference represents outstanding checks, deposits and other reconciling items. In addition, the Authority has $1,000 cash on hand. Cash, including restricted and unrestricted balances, were comprised of the following at June 30, 2017:

Unrestricted		
Cash	$	2,914,368
Cash on hand		1,000
Restricted		
Cash		238,501
Total cash and restricted cash	$	3,153,869
Cash and restricted cash reported in		
Statement of net position - unrestricted cash	$	2,849,376
Statement of net position - restricted cash		238,501
Agency funds		65,992
Total cash and restricted cash	$	3,153,869

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, 2017, the Authority had bank deposits of $1,933,869 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, 2017, is as follows:

	Wells Fargo Bank
Total amount of deposit in bank	$ 3,194,841
Less FDIC coverage	(250,000)
Total uninsured public funds	2,944,841
50% collateral requirement	1,472,421
Pledged securities, market value	1,010,972
Over/(under) collateralized	$ (461,449)

Restricted Cash
Restricted cash balances of $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.

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 account receivables, net of allowance for doubtful accounts, at June 30, 2017, as follows:

Water account receivable	$	321,591
Wastewater account receivable		408,488
Allowance for doubtful accounts		(241,812)
Account receivables, net	$	488,267

Grant receivables are primarily state grants that are related to capital improvement projects. Grant receivables as of June 30, 2017, were $302,125.

5) Capital Assets

Capital assets of the Authority for the year ended June 30, 2017, are as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets, not being depreciated					
Land and water rights	$ 9,088,636	$ -	$ -	$ -	$ 9,088,636
Construction in progress	6,311,713	6,113,051	-	-	12,424,764
Total capital assets not being depreciated	15,400,349	6,113,051	-	-	21,513,400
Capital assets, being depreciated					
Land improvements	50,828	-	-	-	50,828
Furniture, fixtures, and equipment	1,116,574	-	-	-	1,116,574
Vehicles	515,354	-	-	-	515,354
Infrastructure	50,922,339	-	-	-	50,922,339
Total capital assets, being depreciated	52,605,095	-	-	-	52,605,095
Less accumulated depreciation					
Land improvements	(35,321)	(2,215)	-	-	(37,536)
Furniture, fixtures, and equipment	(802,884)	(112,981)	-	-	(915,865)
Vehicles	(412,504)	(36,846)	-	-	(449,350)
Infrastructure	(14,126,584)	(1,407,271)	-	-	(15,533,855)
Total accumulated depreciation	(15,377,293)	(1,559,313)	-	-	(16,936,606)
Total capital assets being depreciated, net	37,227,802	(1,559,313)	-	-	35,668,489
Total capital assets, net	$ 52,628,151	$ 4,553,738	$ -	$ -	$ 57,181,889

6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2017, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds payable	$ 8,601,800	$ -	$ (277,000)	$ 8,324,800	$ 290,000
Loans payable	1,006,937	-	(60,036)	946,901	56,366
Net pension liability	482,264	354,049	(42,274)	794,039	-
Compensated absences	67,632	69,495	(47,377)	89,750	89,750
Total	$ 10,158,633	$ 423,544	$ (426,687)	$ 10,155,490	$ 436,116

The Authority has the following revenue bonds and loan agreements outstanding as of June 30, 2017:

Bond Description	Date of Issue	Due Date	Original Issue	Outstanding	Rate
USDA Series 1992A – Revenue Bonds	12/1992	12/2032	$ 661,000	$ 431,100	5.50%
USDA Series 1992B – Revenue Bonds	12/1992	12/2032	177,700	117,700	5.50%
USDA RUS Series 2002 – Revenue Bonds	7/2002	7/2042	500,000	411,000	4.50%
USDA RUS Series 2004 – Revenue Bonds	12/2004	12/2044	2,156,000	1,845,000	4.50%
Series 2008 - Revenue Bonds	12/2008	12/2033	7,765,000	5,520,000	2.00%
Total bonds			$ 11,259,700	$ 8,324,800	

Loan Description	Date of Issue	Due Date	Original Issue	Outstanding	Rate
NMFA Loan 2430-DW	12/2010	5/2033	$ 495,681	$ 406,483	0.75%
NMFA Loan 0264-WTB	4/2014	6/2033	530,000	444,359	0.00%
NMFA Loan 3342-CIF	3/2016	6/2035	102,300	96,059	0.00%
Total loans			$ 1,127,981	$ 946,901	

Revenue Bonds

<u>USDA Series 1992A – Revenue Bonds</u>

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. 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.

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 $826 to $27,750 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 (2017), due in annual installments of $904 to $5,337 through June 2035 at an interest rate of 0.00%. As of June 30, 2017, the Authority has not drawn down on the loan.

Future maturities of revenue bonds and loan agreements as of June 30, 2017, are as follows:

	Principal	Interest	Total
Fiscal year ending June 30,			
2018	$ 346,366	$ 242,820	$ 589,186
2019	359,673	234,670	594,343
2020	371,981	226,170	598,151
2021	386,292	217,370	603,662
2022	406,606	208,076	614,682
2023-2027	2,289,822	818,364	3,108,186
2028-2032	2,759,068	580,918	3,339,986
2033-2037	1,437,893	281,282	1,719,175
2038-2042	565,000	157,050	722,050
2043-2045	349,000	30,780	379,780
	$ 9,271,701	$ 2,997,500	$ 12,269,201

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.

<u>Summary of Significant Accounting Policies</u>
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.

<u>General Information about the Pension Plan</u>
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

Divisions, and offers 24 different types of coverage within the PERA plans. 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.

The Authority participates in one PERA plan; the Municipal Plan 1.

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 the following web address: www.nmpera.org/financial-overiew.

Benefits provided: For a complete description of the benefits provided to eligible retirees, see Note 1 in the PERA audited financial statements available at the above website.

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 2016 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 2016 annual audit report at http://www.nmpera.org/financial-overview/comprehensive-annual-financial-report.

The PERA coverage option that applies to the Authority is: Municipal General Division. Statutorily required contributions to the pension plan from the Authority were $46,055 and employer paid member benefits that were "picked up" by the employer were $0 for the year ended June 30, 2017.

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, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date 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 preformed separately for each of the membership group.

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, 2016. Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016, were included in the total contributions for a specific employer. 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 the year ended June 30, 2017, the Authority reported a liability of $794,039 for its proportionate share of the net pension liability. At June 30, 2016, the Authority's proportion was 0.0497% percent.

For the year ended June 30, 2017, the Authority recognized pension expense of $96,705. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

Municipal General Division	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 39,673	$ 7,749
Changes of assumptions	46,561	132
Net difference between projected and actual earnings on pension plan investments	146,102	-
Change in proportion and differences between Authority contributions and proportionate share of contributions	21,251	-
Authority contributions subsequent to the measurement date	46,055	-
Total	$ 299,642	$ 7,881

$46,055 reported as deferred outflows of resources is related to pensions resulting from Authority contributions subsequent to the measurement date June 30, 2016, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ending June 30,		
2018	$	56,106
2019		56,106
2020		95,975
2021		37,519
Total	$	245,706

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, 2015, for each of the membership groups. The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015, actuarial valuation.

Actuarial valuation date:	June 30, 2015
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of pay, Open
Amortization period:	Solved for based on statutory rates
Asset valuation method:	Fair value

Actuarial assumptions:	
Investment rate of return:	7.48% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth:	2.75% for first 10-years, then 3.25% annual rate
Projected salary increases:	2.75% to 14.00% annual rate
Includes inflation at:	2.25% annual rate first 10-years, 2.75% all other years
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 (demographic) and July 1, 2010 through June 20, 2015 (economic)

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
Global equity	43.5%	7.39%
Risk reduction and mitigation	21.5%	1.79%
Credit oriented fixed income	15.0%	5.77%
Real assets	20.0%	7.35%
Total	100.0%	

Discount rate: The rate is 7.25% for the first 10-years (select period) and 7.75% for all other years (ultimate). The equivalent blended rate is 7.48% and will be used to measure the total pension liability. 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 GASB Statement No. 67. Therefore, the 7.48% 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 (6.48%) or one percentage point higher (8.48%) than the single discount rate.

PERA Fund Municipal General Division	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
Authority's proportionate share of the net pension liability	$ 1,183,842	$ 794,039	$ 470,717

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in PERA's audited comprehensive annual financial report and can be obtained at the following web address: www.pera.org/financial-overiew.

9) Commitments and Contingencies

Construction Commitments
At June 30, 2017, the uncompleted construction and other commitments for construction improvements and replacements was $7,262,364. 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, 2017. 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, 2017, was $722,265 and reported in the County's financial statements. The total debt service paid by the Authority in fiscal year 2017 was $52,563 and is reported as debt service expense in the statement of revenues, expenses and change in net position.

10) Restatement of Beginning Net Position

The accompanying financial statements reflect adjustments to the Authority's previously reported net position, which was necessary to correct accounting errors related to unearned revenues as of July 1, 2016, and is summarized as follows:

Net position as previously reported	$ 45,745,748
Adjustment to report unearned revenue balances as of June 30, 2016, that were previously recognized as revenue	(1,045,995)
Net position, as restated	$ 44,699,753

Required Supplementary Information

Camino Real Regional Utility Authority

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

	2017	2016	2015
The Authority's proportion of the net pension liability	0.05%	0.05%	0.06%
The Authority's proportionate share of the net pension liability	$ 794,039	$ 482,264	$ 365,870
The Authority's covered payroll	$ 571,270	$ 499,986	$ 501,940
The Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	139.00%	96.46%	72.89%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	76.99%	81.29%

*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*

	2017	2016	2015
Contractually required contribution	$ 46,055	$ 42,274	$ 36,999
Contributions in relation to the contractually required contribution	46,055	42,274	36,999
Contribution deficiency (excess)	$ -	$ -	$ -
Authority's covered payroll	$ 622,362	$ 571,270	$ 499,986
Contributions as a percentage of covered-employee payroll	7.40%	7.40%	7.40%

*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.

Notes to Required Supplementary Information

Summary of Actuarial Methods and Assumptions

Change in Accounting Principle: For the year ended June 30, 2017, the Authority implemented the provisions of GASB Statement No, 82, *Pension Issues*. The statement changed the measure of payroll that is required to be presented in required supplementary information from covered-employee payroll to covered payroll. Accordingly, payroll amounts presented in the pension plan schedules and related ratios for prior periods have been restated.

Actuarial Assumptions for Valuation Performed: The information presented in the required supplementary information schedules was determined as part of the actuarial valuations at the dates indicated, which is most recent actuarial valuation. The actuarial assumptions are disclosed in the notes to the financial statements.

Changes in Benefit Terms: The PERA Fund cost-of-living and retirement eligibility benefit changes in recent years are described in Note 1 of the PERA audited comprehensive annual financial report available at the following web address: www.nmpera.org/financial-overiew.

Changes in Assumptions: The PERA annual actuarial valuation as of June 30, 2016, is available at the web address listed above. The summary of Key Findings for the PERA Fund states "New economic assumptions were adopted for the June 30, 2016, valuations." The impact of this change resulted in a decrease in the accrued liability of PERA and a decrease in the expected dollar amount of future contributions.

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, 2017

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
Operating Revenues				
Charges for water services	$ 2,400,000	$ 2,400,000	$ 2,424,491	$ 24,491
Charges for wastewater services	1,500,000	1,500,000	1,690,972	190,972
Charges for other services	617,494	617,494	519,237	(98,257)
Water system expansion revenue	15,000	15,000	89,640	74,640
Other revenue	110,060	110,060	119,231	9,171
Total revenues	4,642,554	4,642,554	4,843,571	201,017
Operating Expenses				
Salaries and benefits	1,258,066	1,107,066	947,275	159,791
Utilities	819,500	826,500	751,484	75,016
Repairs and maintenance	800,300	1,079,300	807,466	271,834
Professional services	1,147,696	1,065,696	756,963	308,733
General and administrative	306,260	306,260	390,620	(84,360)
Supplies and chemicals	347,080	344,080	261,714	82,366
Rents and leases	27,000	27,000	20,655	6,345
Capital outlay	9,352,426	12,575,426	5,378,614	7,196,812
Total operating expenses	14,058,328	17,331,328	9,314,791	8,016,537
Nonoperating Revenue (Expenses)				
Grant and developer revenue	9,352,426	12,523,126	3,878,498	(8,644,628)
Loan proceeds	-	102,300	-	(102,300)
Debt service				
Debt service - principal	(229,849)	(229,849)	(215,000)	14,849
Debt service - interest	(423,408)	(423,408)	(421,171)	2,237
Total nonoperaring revenue (expenses)	8,699,169	11,972,169	3,242,327	(8,729,842)
Deficiency of operating revenue under operating expenses and nonoperating revenue (expenses)	(716,605)	(716,605)	(1,228,893)	
Cash reserve, beginning	2,439,308	2,439,308		
Cash reserve, ending	$ 1,722,703	$ 1,722,703		
Change in net position (Non-GAAP budget basis)			(1,228,893)	
To adjust applicable revenue accruals and deferrals			1,410,145	
Capital outlay			6,113,051	
To adjust applicable expense accruals			(260,796)	
Depreciation not budgeted			(1,559,313)	
Change in net position (GAAP basis)			$ 4,474,194	

Camino Real Regional Utility Authority
Combining Statement of Changes in Statement of Fiduciary Assets and Liabilities – Agency Funds
For the Year Ended June 30, 2017

	Balance at June 30, 2016	Increases	Decreases	Balance at June 30, 2017
South Central Solid Waste Authority—50041				
Assets				
Cash and cash equivalents	$ 63,196	$ 774,284	$ (771,488)	$ 65,992
Receivables, net	106,009	788,458	(782,169)	112,298
Total assets	169,205	1,562,742	(1,553,657)	178,290
Liabilities				
Accounts payable	169,205	2,186,772	(2,177,687)	178,290
Sunland Park Solid Waste—55125				
Assets				
Cash and cash equivalents	58	185	(243)	-
Receivables, net	6,103	6	(180)	5,929
Total assets	6,161	191	(423)	5,929
Liabilities				
Accounts payable	6,161	242	(474)	5,929
Totals—All Agency Funds				
Assets				
Cash and cash equivalents	63,254	774,469	(771,731)	65,992
Receivables, net	112,112	788,464	(782,349)	118,227
Total assets	175,366	1,562,933	(1,554,080)	184,219
Liabilities				
Accounts payable	175,366	2,187,014	(2,178,161)	184,219
Total liabilities	$ 175,366	$ 2,187,014	$ (2,178,161)	$ 184,219

Camino Real Regional Utility Authority
Schedule of Deposits and Investments by Financial Institution
June 30, 2017

Financial Institution	Account Name	Type of Account	Bank Balance	Outstanding Items	Book Balance
Wells Fargo Bank	CRRUA	Business Checking	$ 1,982,011	$ (41,189)	$ 1,940,822
Wells Fargo Bank	Wells Fargo - CRRUA	Business Checking	820,216	(783)	819,433
Wells Fargo Bank	Wells Fargo - CRRUA MOA	Business Checking	392,614	-	392,614
Total cash deposit accounts			$ 3,194,841	$ (41,972)	$ 3,152,869

Camino Real Regional Utility Authority
Schedule of Pledged Collateral
June 30, 2017

Bank of New York Mellon	CUSIP	Market Value	Maturity Date	Coupon Rate
FMAC FGPC	31294MBP5	$ 1,247	11/1/2025	3.50%
FNMA FNMS	3138WYCN3	2,310	6/1/2043	3.50%
FNMA FNMS	31417AX87	1,007,415	1/1/2042	3.50%
Total pledged collateral of cash deposits		$ 1,010,972		

Camino Real Regional Utility Authority
Schedule of Joint Powers Agreements and Memorandums of Understanding
For the Year Ended June 30, 2017

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	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

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. Wayne A. Johnson
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, 2017, 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 December 1, 2017.

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.

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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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2017-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Water Authority's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2017-002.

The Authority's Responses to Findings

The Authority's response to the findings 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

Phoenix, Arizona
December 1, 2017

Camino Real Regional Utility Authority
Schedule of Findings and Responses
For the Year Ended June 30, 2017

Financial Statement Finding

2017-001 (2016-001) Account Reconciliation and Analysis (Material Weakness)

Criteria: Accounting records must include a complete, balanced general ledger that records all transactions and permits the preparation of accurate financial statements and other information. All accounts should be analyzed, reviewed and reconciled to subsidiary ledgers and other supporting documents at least monthly.

Condition: Due to the change in fiscal agent during fiscal year 2017, management of the Authority and the County's first priority was to correct accounting errors made by the former fiscal agent during fiscal year 2016. Therefore, significant year-end adjusting journal entries were required. Adjusting journal entries were required for the following accounts in the general ledger to present financial information in accordance with generally accepted accounting principles (GAAP):

- Net pension liability – The Authority did not report their net pension liability, deferred outflows of resources, deferred inflows of resources, or pension expense in the trial balance as of June 30, 2017. Adjusting journal entries were required to accurately present these balances.
- Notes payable – The Authority did not accurately present their notes payable balances as of June 30, 2017. An adjusting journal entry was required to accurately present notes payable as of June 30, 2017.
- Construction in progress – The Authority expensed construction in progress purchases that should have been reported in the statement of net position as of June 30, 2017. An adjusting journal entry was required to accurately record construction in progress and operating expenses.

Cause and Effect: The Authority's previous fiscal agent made accounting errors that were not detected by the Authority. The Authority changed the fiscal agent back to Dona Ana County during fiscal year 2017. As a result, significant audit 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 annual and monthly account reconciliations and designate an individual with sufficient accounting experience to review the reconciliations for accuracy and to ensure they are completed timely.

Financial Statement Finding — continued

2017-001 (2016-001) Account Reconciliation and Analysis (Material Weakness) — continued

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Management's Response: Adjusting journal entries and all other information related to net pension liability for fiscal year 2017 were prepared by the authority. This was a very time consuming effort. This information was provided separate from the trial balance to the auditors to be included in the financial statements. For the notes payable, adjusting journal entries along with supporting documentation was provided to REDW. This entry was to reverse prior year audit entries and to correct loan balances that were incorrectly posted in fiscal year 2016 by the previous fiscal agent. This was brought up to REDW's attention that the information pertaining to NMFA was incorrect. For construction in progress, a subsequent journal entry was provided to REDW to reclassify the expenses to construction in progress. Management of the Authority and County anticipate this finding to be resolved by June 30, 2018.

Camino Real Regional Utility Authority
Schedule of Findings and Responses — continued
For the Year Ended June 30, 2017

Other Findings, as Required by New Mexico State Statute, Section 12-6-5, NMSA 1978

2017-002 Cash Collateralization (Other Noncompliance)

Criteria: In accordance with Section 6-10-17, New Mexico Statues Annotated (NMSA) 1978, the Authority is required to collateralize an amount equal to one-half of the public money in excess of Federal Deposit Insurance Corporation (FDIC) insurance coverage at each financial institution.

Condition: At June 30, 2017, the Authority had uninsured bank demand deposits of $2,944,841 at Wells Fargo Bank. NMSA requires that $1,472,421 of these uninsured bank deposits be collateralized, however the Authority only obtained $1,010,972 in pledged collateral.

Cause: The Authority did not obtain sufficient pledged collateral from Wells Fargo Bank to meet the NMSA requirement.

Effect: The Authority's bank demand deposits were not collateralized in accordance with the requirements of NMSA 1978.

Auditor's Recommendations: Develop a monthly checklist that lists each of the Authority's demand deposit accounts and reference back to the Authority's monthly pledged collateral statement to ensure compliance with the cash collateralization requirements outlined in NMSA 1978.

Management's Response: We acknowledge and agree that the Authority's bank deposits were not collateralized in accordance to Section 6-10-17 NMSA 1978 as of June 30, 2017. The Dona Ana County (the "County") Treasurer's office manages the Authority's bank accounts under the County's bank depository contract. County funds are consistently over collateralized by millions of dollars. Unfortunately, the collateral reports do not itemize the accounts safeguarded and thus it was only natural for our office to assume that the Authority's funds were also included within the pledged collateral. In addition, our staff was never aware of the uninsured amounts because the collateral reports were being sent directly to the Authority. As of November 17, 2017, the Authority's accounts have been sufficiently collateralized at 100% to meet minimum statute requirement. We have requested that all Authority collateral reports be sent directly to the County Treasurer's office. Furthermore, to ensure that each account is fully collateralized, we have also requested custom reports with itemized collateral amounts by account held. This will take affect within the next reporting cycle.

Camino Real Regional Utility Authority
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2017

Prior Audit Findings	Current Status
2016-001 Trial Balance Maintenance and Monthly Financial Statement Preparation (Significant Deficiency)	Modified and repeated. This finding was modified rather than resolved due to the change of the Authority's fiscal agent in fiscal year 2017. See modified finding 2017-001 (2016-001). This is expected to be resolved by the Authority's and the County's management by June 30, 2018.

Camino Real Regional Utility Authority
Exit Conference
For the Year Ended June 30, 2017

An exit conference was held on November 21, 2017, with the following in attendance:

Camino Real Regional Utility Authority and Dona Ana County Officials
Billy G. Garrett, Chair, Commissioner District 1
Eric Rodriguez, Treasurer of Dona Ana County
Fernando Macias, District Judge / Upcoming County Manager of Dona Ana County
Joey Rowe, Director of Finance of Dona Ana County
Nasreen Nelson, CPA, CGMA, Controller of Dona Ana County
Brent Westmoreland, Executive Director of Camino Real Regional Utility Authority
Raquel Quiroga, Accountant III-Finance of Dona Ana County
Mireya Moreno, Accountant III-Finance of Dona Ana County
Pat Dillaway, Accountant III-Treasurer's Office of Dona Ana County
Chuck McMahon, Interim County Manager

REDWLLC Personnel
Stephen Harris, Principal
Chris Bitakis, Senior Manager
Daniela Moya, Supervisor

Financial Statements

The Authority's independent public accountants prepared the accompanying financial statements; however, the Authority is responsible for the contents of the financial statements and related footnotes.