

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
FOR THE YEAR ENDED JUNE 30, 2023

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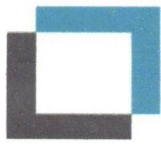
STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2023

Board of Directors

<u>Name</u>	<u>Title</u>
Mark Harding	General Manager/Vice Chairman
Terri Borzoni	Treasurer

Administrators

Brad Howard	Administrative Assistant
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INDEPENDENT AUDITORS' REPORT

Joseph M. Maestas, P.E.
New Mexico State Auditor
and to the Board of Directors of
Timberon Water and Sanitation District
Timberon, NM

Opinion

We have audited the accompanying financial statements of the business- type activities of Timberon Water and Sanitation District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Timberon Water and Sanitation District's basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Timberon Water and Sanitation District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Timberon Water and Sanitation District, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Timberon Water and Sanitation District's ability to continue as a going concern for twelve months beyond the financial statements date, including any currently known information that may rise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Governmental Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Governmental Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Timberon Water and Sanitation District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Timberon Water and Sanitation District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 - 9 and pension schedules on pages 36 - 38 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Timberon Water and Sanitation District's basic financial statements. The Schedule of Collateral Pledged by Depository for Public Funds and Schedule of Deposits and Temporary Investment Accounts are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Collateral Pledged by Depository for Public Funds and Schedule of Deposits and Temporary Investment Accounts are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the official roster and exit conference but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In Accordance with Government Auditing Standards, we have also issued our report dated March 13, 2024 on our consideration of Timberon Water and Sanitation District'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 solely to describe the scope of our testing in internal control over financial reporting and compliance and the results of that testing, and not to provide and opinion on the internal control over financial accordance with Government Auditing Standards in considering Timberon Water and Sanitation District's internal control over financial reporting and compliance.



Beasley, Mitchell & Co., LLP
Las Cruces, New Mexico
March 13, 2024

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED
JUNE 30, 2023

Introduction

As management of the Timberon Water and Sanitation District (the "District"), the Board of Directors offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023.

Financial Highlights

Key events for the Fiscal Year 2023 are:

- The assets and deferred outflows of the District exceeded liabilities and deferred inflows at the close of the most recent fiscal year by \$6,224,635 (total net position). The components of net position include net investment in capital assets \$5,505,502, restricted \$0, and unrestricted net position \$1,010,249.
- The District's total net position decreased by \$131,519 compared to the prior year. This decrease results primarily from increased costs of materials and labor.
- As of June 30, 2023, the District had current and noncurrent assets totaling \$1,789,205 and \$5,505,502, respectively. Capital assets, net of accumulated depreciation totaled \$5,505,502. Current liabilities include \$140,151 in accounts payable, \$9,387 in payroll liabilities, and \$9,722 in current portion of long-term debt. Noncurrent liabilities included notes payable of \$281,394, accrued compensated absences of \$9,387, line extension agreements of \$1,850 and net pension liability of \$2,078,077.

Overview of the Financial Statements

The District is a special purpose government agency engaged only in business-type activities. Therefore, in accordance with GASB Statement No. 34, the District's financial statements are comprised of:

1. Government-wide enterprise fund financial statements consisting of:
 - a. Statement of net position;
 - b. Statement of revenues, expenses and changes in fund net position;
 - c. Statement of cash flows; and
 - d. Notes to the financial statements

These financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The enterprise fund financial statements can be found on pages 11 - 14 of this report.

The Statement of Net Position presents information on all of the District's assets and deferred outflows and liabilities and deferred inflows, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED
JUNE 30, 2023

The Statement of Revenues, Expenses and Changes in Fund Net Position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (e.g., uncollected taxes and accounts payable).

The Statement of Cash Flows presents information on how the District's cash was used. It shows net cash used by or provided by operating activities, capital financing activities, noncapital financing activities and investing activities. It also reconciles beginning cash balances to ending cash balances.

The Notes to the Financial Statements provide additional information that is essential to full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 15 - 34 of this report.

Government-Wide Financial Analysis (Broad Overview of Finance)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, a positive net position balance (assets exceeding liabilities) of \$6,224,635 is reported at the close of the most recent fiscal year.

For the years ended June 30, 2023 and 2022, the District reported \$1,010,249 and \$997,285 of net position as unrestricted, respectively.

Overview of the Statement of Net Position

	2023	2022
Assets:		
Current assets	\$ 1,789,205	\$ 1,112,101
Capital assets, net	<u>5,505,502</u>	<u>5,391,748</u>
Total Assets	7,294,707	6,503,849
Deferred Outflows	<u>1,517,615</u>	<u>27,639</u>
Total Assets and Deferred Outflows	8,812,322	6,531,488
Liabilities:		
Current liabilities	157,037	70,447
Non-Current liabilities	<u>2,370,708</u>	<u>331,838</u>
Total liabilities	2,527,745	402,285
Deferred Inflows	<u>59,942</u>	<u>36,087</u>
Total Liabilities and Deferred Inflows	2,587,687	438,372
Net Position:		
Net investment in capital assets	6,083,394	5,095,831
Unrestricted	<u>141,241</u>	<u>997,285</u>
Total net position	<u>6,224,635</u>	<u>6,093,116</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 8,812,322</u>	<u>\$ 6,531,488</u>

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

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED
JUNE 30, 2023

Overview of the Statement of Revenues, Expenses and Changes in Net Position

	2023	2022
Revenues:		
Water services and fees	\$ 1,176,778	\$ 734,285
Trash collection	68,071	59,420
Recreational fees	2,307	3,123
Cemetery lot sales	1,234	1,463
Facilities and services fees	<u>405,013</u>	<u>305,434</u>
Total Revenues	1,653,403	1,103,725
Operating Expenses:		
Administration	326,706	257,359
General maintenance	236,972	215,217
Parks and recreation	77,609	60,900
Road maintenance	29,220	27,163
Water utilities	1,027,517	726,752
Cemetery	33,442	593
Golf course	15,428	34,455
Bad debt expense	65	21,057
Depreciation	<u>234,545</u>	<u>230,401</u>
Total operating expenses	<u>1,981,504</u>	<u>1,573,897</u>
Non-operating revenue(expenses)	<u>459,620</u>	<u>324,313</u>
Increase (decrease) in net position	131,519	(145,859)
Net Position- beginning	<u>6,093,116</u>	<u>6,238,975</u>
Net Position - ending	<u>\$ 6,224,635</u>	<u>\$ 6,093,116</u>

Financial Analysis of the District's Funds and Fiscal Year 2023 Budgetary Highlights

As noted above, net position decreased by \$131,519 from fiscal year 2022 to fiscal year 2023. Total operating revenues increased by \$549,678, mainly due to an increase in water revenues. Total operating expenses increased in fiscal year 2023 to \$1,981,504, an increase of \$407,607 from the fiscal year 2022 operating expenses of \$1,573,897. The major factor in this increase was due to higher costs of materials and labor.

The District did not amend their budget during the year. The District operated within its budget during the year.

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

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED
JUNE 30, 2023

Capital Asset Administration

The District's capital assets for business-type activities as of June 30, 2023 total \$5,505,502 (net of accumulated depreciation). The changes in capital assets for the year besides depreciation expense were \$348,300 in additions to furniture, equipment and vehicle.

Additional information on the District's capital assets can be found on page 24 of this report.

Long-Term Debt

The District's long-term debt at June 30, 2023 was \$291,116. The District paid \$4,801 in principal payments to decrease long-term debt balances in accordance with the debt obligation requirements.

Additional information on the District's long-term debt can be found on pages 25 and 27 of this report.

Financial Outlook for Next Year

The District continues to seek grant funds to improve its water system through various water system projects which are currently included in construction in process. Projects to improve the water system continue as long as funding is available.

Requests for Information

This financial report is designed to provide a general overview of the Timberon Water and Sanitation District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Timberon Water and Sanitation District, 1 Bobwhite Circle, Timberon, New Mexico 88350.

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2023

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (note 3)	\$	588,059
Investments		22,082
Inventory		39,994
Account receivable - customer - metered water and trash (net of allowance 22,824)		50,704
Stand-by fees receivable (net of allowance for doubtful accounts of 413,574)		365,044
Facilities and services fees receivable (net of allowance for doubtful accounts of 660,412)		587,357
Property taxes receivable		36,238
Prepaid expenses		<u>99,727</u>

TOTAL CURRENT ASSETS 1,789,205

NON-CURRENT ASSETS:

Construction in progress (note 6)		206,003
Land (note 6)		195,988
Building and improvements (note 6)		733,018
Infrastructure - water system		6,286,789
Equipment (note 6)		1,181,634
Less: accumulated depreciation (note 6)		<u>(3,097,930)</u>

TOTAL NON-CURRENT ASSETS 5,505,502

TOTAL ASSETS 7,294,707

Deferred outflow of resources - Pension 1,517,615

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES \$ 8,812,322

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

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2023

LIABILITIES AND NET POSITION

CURRENT LIABILITIES:

Accrued payroll and taxes	\$ 7,164
Accounts payables	140,151
Current loans payable (note 7)	<u>9,722</u>

TOTAL CURRENT LIABILITIES 157,037

NON-CURRENT LIABILITIES:

Line extension agreements	1,850
Loans payable, net of current (note 7)	281,394
Compensated absences (note 7)	9,387
Net pension liability	<u>2,078,077</u>

TOTAL NON-CURRENT LIABILITIES 2,370,708

TOTAL LIABILITIES 2,527,745

Deferred inflow of resources 59,942

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES 2,587,687

NET POSITION:

Net investment in capital assets	6,083,394
Unrestricted	<u>141,241</u>

TOTAL NET POSITION 6,224,635

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION \$ 8,812,322

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

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

OPERATING REVENUES:	
Water services and fees	\$ 1,176,778
Trash collection	68,071
Recreational fees	2,307
Cemetery lot sales	1,234
Facilities and services fees	<u>405,013</u>
Total operating revenues	1,653,403
OPERATING EXPENSES:	
Administration	326,706
General maintenance	236,972
Parks and recreation	77,609
Road maintenance	29,220
Water Utilities	1,027,517
Cemetery	33,442
Golf course	15,428
Bad debt expense	65
Depreciation	<u>234,545</u>
Total expenses	<u>1,981,504</u>
Operating income	<u>(328,101)</u>
NON-OPERATING REVENUES (EXPENSES):	
Property tax, net of county's administrative fees	111,124
Rents and royalties	3,408
Interest and investments income	2,886
Grant revenue	438,415
Interest expense	(5,499)
Other expense	<u>(90,714)</u>
Total non-operating expenses	<u>459,620</u>
Net changes in net position	131,519
Net position, beginning of year	<u>6,093,116</u>
Net position, end of year	<u>\$ 6,224,635</u>

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

STATEMENT OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

Cash flows from operating activities:	
Cash received from customers	\$ 1,217,487
Payments to employees for services	82,962
Payments to suppliers and contractors	<u>(1,175,294)</u>
Net cash provided by operating activities	125,155
Cash flows from non-capital activities and related financing activities:	
Net property taxes received	<u>111,124</u>
Net cash provided by (used in) non-capital activities and financing activities:	111,124
Cash flows from capital activities and related financing activities:	
Capital grant	(90,714)
Principal and interest payments	(10,300)
Change in capital assets	<u>(348,300)</u>
Net cash used by capital activities and related financing activities	(449,314)
Cash flows from investing activities:	
Rental income	3,408
Grant revenue	438,415
Interest Income	<u>1,181</u>
Net cash provided by) investing activities	<u>443,004</u>
Net increase in cash and cash equivalents	229,969
Cash and cash equivalents - beginning	<u>358,090</u>
Cash and cash equivalents - ending	<u>\$ 588,059</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	(328,101)
Adjustments to operating income to net cash provided by operating activities:	
Depreciation	234,546
Changes in net position and liabilities:	
Accounts receivables	(408,023)
Inventory	(9,514)
Prepaid expenses	(27,893)
Accounts payable	92,300
Accrued payroll and liabilities and accrued compensation	(3,420)
Net change in pension contributions/liability	<u>575,260</u>
Net cash provided by operating activities	<u>\$ 125,155</u>

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

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. HISTORY AND ORGANIZATION

The Timberon Water and Sanitation District (The District) was organized pursuant to Sections 73-21-1 through 73-21-55, NMSA 1978 Comp, and by order of the New Mexico First Judicial District Court in Santa Fe County, New Mexico in 1990. The District is a governmental subdivision of the State of New Mexico and a body with all the powers of a public or quasi-municipal corporation. The District was created for the statutory purpose of providing a viable water supply and sanitation facilities and to provide operation and maintenance of the water system in the Timberon region. An elected five-member Board of Directors governs the operations of the District.

The District acquired the water system from its predecessor, the Timberon Protective Association in August, 1993. The District also acquired the assets of the Timberon Property Association when that organization disbanded, providing the District's residents and visitors access to fishing lakes, a golf course, swimming pool and the lodge complex. The acquisition also included an unpaved airstrip, which the District deeded to Otero County in 2004.

The Board of Directors consists of five members elected by the New Mexico resident land owners. The Board shall appoint qualified personnel to guide and direct the District, and to approve all major contracts and capital outlay involving the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing U.S. GAAP for state and local government accounting and financial reporting principles

The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (Statements and Interpretations), constitutes U.S. GAAP for state and local government units. The more significant of the District's accounting policies are described below.

In June 1999, the GASB unanimously approved Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments. This Statement provided for the most significant change in financial reporting in over twenty years and was phased in based on size of government. As required, the District implemented the provisions of GASB No. 34, effective July 1, 2001 and also, as required, implemented GASB Statement No. 37. Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus and Statement No. 38. Certain Financial Statement Note Disclosures.

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

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity

The District is a special-purpose government created pursuant to statute and is comprised of an elected Board of Directors. The officers of the District are elected for four-year terms on the second Tuesday in January of each even numbered year at staggered two-year intervals. The District is a governmental subdivision of the State of New Mexico and a body with all the powers of a public or quasi-municipal corporation and these financial statements include all funds and activities over which the District officers have oversight responsibility.

The officers of the District have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The District is not included in any other governmental reporting entity as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. There are no component units.

Basic Financial Statements – GASB Statement No. 34

The GASB No. 34 reporting model focus is on either the District, as a whole, or major individual funds (within the fund financial statements). The District is a single-program government that engages in only business-type activities and has no component units.

Pursuant to GASB Statement No. 34, governments engaged only in business-type activities present only financial statements for enterprise funds. For these governments, basic financial statements consist of: (a) the statement of net position, the statement of revenues, expenses and changes in net position and the statement of cash flows, and (b) notes to the financial statements. The enterprise fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with its activities are reported. Enterprise fund equity is classified as net position. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District first uses restricted resources and then unrestricted resources.

Basis of Presentation – Fund Financial Statements

The accounts of the District are organized on the basis of one fund that is considered a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenses. All assets, all liabilities and deferred outflows and inflows of resources associated with the operations are included on the statement of net position.

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

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation – Fund Financial Statements (Continued)

Government resources are allocated to and accounted for in the fund based upon the purpose for which spending activities are controlled. In this report, the fund is presented in the financial statements as a proprietary fund.

The *Enterprise Fund* is used to account for operations (a) that are financed and operated in a manner similar to private business enterprise - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied. The proprietary fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. The revenues are recognized when earned and expenses are recognized when the liability is incurred or the economic asset is used. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Budgets and Budgetary Accounting

Water and Sanitation Districts follow procedures that are promulgated by the Department of Finance and Administration, Local Government Division (DFA-LGD). Those procedures are as follows:

1. Prior to July 15, the Chairman submits to the Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenses and the means of financing them.
2. After the Board approves the proposed budget, it is then submitted to the Local Government Division for review and certification.
3. Upon certification, the budget becomes a legal binding document which does not allow total expenses in any fund to exceed the amount budgeted. Appropriations lapse at year-end.

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

STATE OF NEW MEXICO
 TIMBERON WATER AND SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (continued)

4. The Board is authorized to make budget revisions with the Local Government Division's approval.
5. Formal budgetary integration is employed as a management control device during the year.

Budgets are adopted on a basis different than accounting principles generally accepted in the United States of America.

Budget information

The Board may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance, New Mexico state law prohibits a governmental agency from exceeding an individual line item. The appropriated budget for the year ended June 30, 2023 was properly amended by the Board through the year. These amendments resulted in the following changes:

Description	Original Budget	Final Budget
Revenues	1,083,890	1,083,890
Expenses	1,082,890	1,082,890

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affects the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates in the District's financial statements include the allowance for uncollectible accounts and depreciation on capital assets.

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

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Net Position or Equity, Revenues and Expenses

Deposits and Investments: The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the District are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Inventories: Inventories are valued at cost using the first-in/first-out (FIFO) method.

Property Taxes: The Board of Directors has the power and authority to levy and collect ad valorem taxes on and against all taxable property within the District. Each year the Board of Directors determine the amount of money necessary to be raised by taxation, taking into consideration other sources of revenue of the District, and submits a budget request to the Department of Finance and Administration, Local Government Division (DFA-LGD) sufficient to meet its operating, debt service, construction and other costs. The DFA-LGD utilizes property valuations obtained from the county assessor's office to set the mil levy. The results are provided to the county treasurer who presents all county-wide mil levies to the Board of County Commissioners for approval by October 1. The Board of County Commissioners levies the tax upon the assessed valuation of all taxable property within the District. Taxes levied are due one-half on November 10 and one-half on April 10. It is the duty of the Board of County Commissioners to levy taxes within the District. The County Treasurer collects the taxes and remits such taxes to the District. All taxes levied until paid, constitute a perpetual lien on and against the property taxed.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets: Capital assets are tangible assets that have initial useful lives that extend beyond a single reporting period. Capital assets are reported at historical cost or estimated fair value, if donated. Capital assets are depreciated using zero salvage value and the straight-line method over their estimated useful lives. Before the 2005 legislative session, only items costing more than \$1,000 were capitalized.

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

STATE OF NEW MEXICO
 TIMBERON WATER AND SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effective June 19, 2005, House Bill 1074 amended Section 12-6-10, NMSA 1978 to increase the capitalization threshold to items costing more than \$5,000. The major classifications of capital assets and their related depreciable lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 - 40
Furniture, equipment and vehicles	5 - 20
Infrastructure - water system	10 - 25

Long-term Obligation: In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Long-term obligations consist of line extension agreements.

Compensated Absences: Vested or accumulated vacation leave is reflected as a liability of the District. Annual leave is earned according to the following schedule:

0-2 year employee	40 hours/year
3-10 year employee	80 hours/year
+10 year employee	120 hours/year

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

Net Position Classifications: Net investment in capital assets represent the historical cost of assets or fair value on the date of receipt less accumulated depreciation, reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by the District or external restrictions by other government's creditors or grantors. Unrestricted net position are all other net position that do not meet the definition of "restricted" or net investment in capital assets.

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

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses: Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or in investing activities. Non-operating revenues are all other revenues. For the District, non-operating revenues include ad valorem taxes (property), miscellaneous income and interest income.

3. DEPOSITS AND INVESTMENTS

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. The District is not aware of any invested funds that did not meet the State investment requirements as of June 30, 2023.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

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

STATE OF NEW MEXICO
 TIMBERON WATER AND SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2023 of the District’s deposits of \$631,663, \$381,663 was exposed to custodial credit risk. \$381,663 was uninsured and collateralized by collateral held by the pledging bank’s trust department not in the District’s name and \$0 was uninsured and uncollateralized.

	First National Bank
Total amounts of deposits	\$ 631,663
FDIC coverage	250,000
Total uninsured public funds	381,663
Collateralized by securities held by pledging institutions	525,835
Uninsured and uncollateralized (over collateralized)	(275,835)
Collateral requirement (50% of uninsured public funds)	190,832
Pledged collateral	525,835
Total over (under) collateralized	\$ 335,003

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

The District learned it was the holder of Principal Financial Group, Inc. stock through a dividend payment notification. Upon further research prior unclaimed dividends were claimed and the stock was recorded at fair value. The fair value was determined by quoted market price (Level 1 – quoted prices in active markets) as of June 30, 2020.

During the fiscal year ended June 30, 2023 the District recorded unrealized gains of \$1,706 reported as investment income:

Investment at fair value	\$ 22,082
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See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

4. PROPERTY TAX RECEIVABLE

At June 30, 2023, the receivables represent delinquent taxes. The District considers the amount fully collectible and therefore has not estimated the amount of taxes levied that will be uncollectible. Property taxes are as follows:

Property taxes receivable	\$ <u>36,238</u>
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5. ACCOUNTS RECEIVABLE

Accounts receivable – metered water and trash is utility revenue billed but uncollected. The District does not consider the balance at June 30, 2023 to be fully collectible. The District has determined \$22,824 to be doubtful.

Stand-by fees receivable is the uncollected balance of stand by fees billed annually. At June 30, 2023, the balance was \$778,618 of which the collection of \$413,574 has been determined to be doubtful.

The District charges a fee to all lot owners for the maintenance of the communities' facilities and services provided. The fee is billed annually currently at \$30 per lot owner. Facilities and services fees receivable at June 30, 2023 were \$1,247,769 of which the collection of \$660,412 has been determined to be doubtful.

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

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

6. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2023 follows.

	<u>Balance June 30, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2023</u>
Capital assets, not depreciated:				
Land	\$ 195,988	\$ -	\$ -	\$ 195,988
CIP	<u>206,003</u>	<u>-</u>	<u>-</u>	<u>206,003</u>
Total capital assets	401,991	-	-	401,991
Capital assets depreciated:				
Infrastructure- water system	6,286,789	-	-	6,286,789
Buildings and improvements	733,018	-	-	733,018
Furniture, equipment, and vehicles	<u>833,334</u>	<u>348,300</u>	<u>-</u>	<u>1,181,634</u>
Total capital assets, depreciated	7,853,141	348,300	-	8,201,441
Less accumulated depreciation:				
Infrastructure- water system	(1,653,993)	(187,160)	-	(1,841,153)
Buildings and improvements	(531,548)	(20,824)	-	(552,372)
Furniture, equipment, and vehicles	<u>(677,843)</u>	<u>(26,562)</u>	<u>-</u>	<u>(704,405)</u>
Total accumulated depreciation	<u>(2,863,384)</u>	<u>(234,546)</u>	<u>-</u>	<u>(3,097,930)</u>
Net capital assets	<u>\$ 5,391,748</u>	<u>\$ 113,754</u>	<u>\$ -</u>	<u>\$ 5,505,502</u>

Depreciation expense for the year ended June 30, 2023 was \$234,546.

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

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

7. LONG-TERM DEBT

The following summarizes the changes in long-term debt:

	<u>Balance June 30, 2022</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance at June 30, 2023</u>	<u>Due Within One Year</u>
Notes payable- NMFA	\$ 56,591	\$ -	\$ -	\$ 56,591	\$ 4,821
Notes payable-USDA	239,326	-	(4,801)	234,525	4,901
Accrued compensated absences	<u>6,988</u>	<u>-</u>	<u>(6,988)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 302,905</u>	<u>\$ -</u>	<u>\$ (11,789)</u>	<u>\$ 291,116</u>	<u>\$ 9,722</u>

Note Payable – NMFA #2998 CIF

On March 14, 2014, the District borrowed \$58,432 in accordance with Grant/Loan agreement #2998-CIF. The funds are to be used for water system improvements. The loan is interest free and is to be repaid in full by June 1, 2033. The District is to make annual payments on June 1st every year until paid in full. The next annual payment will be for \$3,041 and then \$3,041 in the following years until June 1, 2033.

Amortized as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2024	\$ 3,041	\$ -	\$ 3,041
2025	3,041	-	3,041
2026	3,041	-	3,041
2027	3,041	-	3,041
2028	3,041	-	3,041
2029-2033	<u>18,247</u>	<u>-</u>	<u>18,247</u>
Totals	<u>\$ 33,452</u>	<u>\$ -</u>	<u>\$ 33,452</u>

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

STATE OF NEW MEXICO
 TIMBERON WATER AND SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

7. LONG-TERM DEBT (CONTINUED)

Note Payable – NMFA #3363

On February 26, 2016, the District borrowed \$23,693 in accordance with Grant/Loan agreement #3363-CIF. The funds are to be used for water system improvements. The loan is interest free and is to be repaid in full by June 1, 2035. The District is to make annual payments on June 1st every year until paid in full. The next annual payment will be for \$1,230 and then \$1,230 in the following years until June 1, 2035.

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2024	\$ 1,230	\$ -	\$ 1,230
2025	1,230	-	1,230
2026	1,230	-	1,230
2027	1,230	-	1,230
2028	1,230	-	1,230
2029-2033	6,150	-	6,150
2034-2035	3,689	-	3,689
Totals	\$ 15,989	\$ -	\$ 15,989

Note Payable – NMFA #3197 CIF

The District entered into a Grant/Loan agreement #3197-CIF through NMFA during the year with a loan amount of \$11,000. The funds are to be used for water system improvements – pond liner. The loan is interest free with a maturity date of June 1, 2035. Loan payments of \$550 are due annually beginning June 1, 2016.

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2024	\$ 550	\$ -	\$ 550
2025	550	-	550
2026	550	-	550
2027	550	-	550
2028	550	-	550
2029-2033	2,750	-	2,750
2034-2035	1,650	-	1,650
Totals	\$ 7,150	\$ -	\$ 7,150

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

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

7. LONG-TERM DEBT (CONTINUED)

Note Payable – USDA Rural Development #0802-01

The District entered into a Grant/Loan agreement #0802-01 through USDA during the year with a loan amount of \$266,000. The funds are to be used for water system improvements, monthly payments of \$844. The loan accrues interest at 2.25% annually, maturing February, 2056.

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2024	\$ 4,901	\$ 5,227	\$ 10,128
2025	5,013	5,115	10,128
2026	5,127	5,001	10,128
2027	5,243	4,885	10,128
2028	5,363	4,765	10,128
2029-2033	28,698	21,942	50,640
2034-2038	32,112	18,528	50,640
2039-2043	35,932	14,708	50,640
2044-2048	40,206	10,434	50,640
2049-2053	44,989	5,651	50,640
2054-2056	26,941	866	27,807
Totals	\$ 234,525	\$ 97,122	\$ 331,647

8. LINE EXTENSION AGREEMENTS

Line extension agreements payables are originated when a property owner of the District agrees to pay the costs associated with the extension of an existing water line to the property owner's lot. The District agrees to repay the owner by funding the repayment from the collection of standby water fee from the owners who stand to benefit from the line extension but have not connected to the new extension will not have to incur additional extension costs when the decision is made to connect to the water line. Each year the District accumulates the standby water fees from those benefiting owners and uses those funds to repay the property owner who initially agreed to extend the line. The agreement has not stated repayment schedule or interest rate and is dependent on the collection of standby fees from the other property owners along the extension. The following is a summary of the activity for the year ended June 30, 2023.

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

STATE OF NEW MEXICO
 TIMBERON WATER AND SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

8. LINE EXTENSION AGREEMENTS (CONTINUED)

	<u>Balance June 30, 2022</u>	<u>Additions</u>	<u>Write off/ Payments</u>	<u>Balance June 30, 2023</u>
Line extension agreements	\$ 1,850	\$ -	\$ -	\$ 1,850

Compensated Absences- Employees of the District are able to accrue a limited amount of vacation time during the year. During fiscal year June 30, 2023, compensated absences increased \$176 over the prior year accrual.

9. LEASES

The District has a 5 year lease for a building starting June 1, 2019 and ending June 1, 2024. The effect of the new lease accounting under GASB 87 is immaterial to the financial statements and therefore the District has chosen not to report this lease in accordance with Governmental Accounting Standards. As of June 30, 2023 the lease qualifies as a short-term lease and therefore, was expensed by the District.

10. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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 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), each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund unless specifically excluded.

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

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

10. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

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

TIER II - TIER 2 members are eligible to retire from PERA when they meet the age and service credit requirement for the plan they participate in. You are a TIER 2 member if you were hired for the first time on or after July 1, 2013; or refunded your employee contributions on or before June 30, 2013, and returned to work for a PERA-affiliated employer on or after July 1, 2013. The normal age and service credit retirement eligibility requirements for TIER 2 members are listed below:

General Member Plans for State General Plan 3 and Municipal General Plans 1 - 4.

- Rule of 85 (members must have 5* or more years of service credit and age at time of retirement and years of service credit must equal 85); or

- Age 65 with 5* or more years of service credit.

*Does not apply to Judicial and Magistrate members who took the bench on or after July 1, 2014.

Public Safety Plans for State Police Member and Adult Correctional Officer Plan 1, Juvenile Correctional Officer Plan 2, Municipal Police Member Plans 1 - 5, Municipal Fire Member Plans 1 - 5, Municipal Detention Officer Plan 1 & State General Member Plan 3- Peace Officers*

- Any age with 25 or more years of service credit; or

- Age 60 or older with 5 or more years of service credit

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

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

10. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

**"Peace Officer" means "any employee of the state with a duty to maintain public order or to make arrests for crimes, whether that duty extends to all crimes or is limited to specific crimes, and who is not specifically covered by another coverage plan." Peace Officer positions include Special Investigators and Motor Transportation Officers for the Department of Public Safety and Conservation Officers for the Department of Game and Fish. As a TIER 2 member, you are considered a vested member when you accrue 5 years of service credit.

Contributions - See PERA's Annual Comprehensive Financial Report for Contribution Provided Description

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, 2021. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2022, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2022.

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 Timberon Water and Sanitation District'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, 2022. Only employer contributions for the pay period end dates that fell within the period of July 1, 2020 to June 30, 2022 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2022 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.

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

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

10. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

For PERA Fund Division Municipal General, at June 30, 2023, the Timberon Water and Sanitation District reported a liability of \$2,078,077 for its proportionate share of the net pension liability. At June 30, 2022, the Timberon Water and Sanitation District's proportion was 0.1172 percent, which was changed from its proportion measured as of June 30, 2021, of 0.0033 percent.

For the year ended June 30, 2023, the Timberon Water and Sanitation District recognized PERA Fund Division Municipal General pension expense of \$620,404. At June 30, 2023, the Timberon Water and Sanitation District reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

<u>Municipal General Division</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,331	\$ 50,538
Net difference between projected and actual earnings on pension plan investments	205,658	-
Change in proportion and differences between the District contributions and proportionate share of contributions	1,281,942	9,404
Contributions subsequent to the measurement date	<u>21,684</u>	<u>-</u>
Total	<u>\$ 1,517,615</u>	<u>\$ 59,942</u>

\$21,684 reported as deferred outflows of resources related to pensions resulting from Timberon Water and Sanitation District contributions subsequent to the measurement date June 30, 2022 will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2024	\$ 538,472
2025	525,332
2026	209,803
2027	<u>162,382</u>
Total	<u>\$ 1,435,989</u>

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

STATE OF NEW MEXICO
 TIMBERON WATER AND SANITATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

10. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Actuarial assumptions. The total pension liability in the June 30, 2023 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

PERA FUND

Actuarial Valuation Date	June 30, 2021
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll, open
Payroll growth rate	3.00%
Remaining amortization period	25 years
Asset Valuation Method	4-Year Smoothed Market Value
Actuarial Assumptions:	
- Investment Rate of Return*	7.25% annual rate, net of investment expense
- Projected Benefit Payment	100 years
- Administrative expenses	0.50% of payroll
- Projected Salary Increases*	3.25% to 13.50% annual rate
- Post-retirement benefit increases	1.60% compounded annually beginning 7/1/2023. (2.50% for certain retirees, beneficiaries, and disabled participants age 75 or older as of June 30, 2020; or with annual benefits less than \$25,000)

* Includes inflation at 2.50%

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:

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

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

10. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	35.50 %	5.90 %
Risk Reduction & Mitigation	19.50 %	1.00 %
Credit Oriented Fixed Income	15.00 %	4.20 %
Real Assets to include Real Estate Equity	20.00 %	6.00 %
Multi-Risk Allocation	<u>10.00 %</u>	6.40 %
Total	<u>100.00 %</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.25 percent. 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 7.25% 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 the Timberon Water and Sanitation District'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 Timberon Water and Sanitation District's net pension liability in each PERA Fund Division that Timberon Water and Sanitation District participates in, under the current single rate assumption; as if it were calculated using a discount rate one percentage point lower (6.25%) or one percentage point higher (8.25%) than the single discount rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
PERA Fund Division	<u>\$ 3,144,576</u>	<u>\$ 2,078,077</u>	<u>\$ 1,192,098</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERA financial report. The report is available at www.pera.state.nm.us.

Payables to the pension plan. The District is legally required to make defined contributions to the cost sharing pension plan on behalf of its' participant employees. At June 30, 2023, the District had paid all required contributions and therefore, there is no payable to the pension plan.

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

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

11. RISK MANAGEMENT

The District covers its insurance needs through various insurance policies. The coverage includes business and personal property, commercial general liability, owned, non-owned and hired automobiles, fidelity bond, and directors' and officers' liability. The District pays annual premiums and all risk of loss is transferred.

If the District's losses exceed its premiums, there is no supplemental assessment; on the other hand, if the District's losses are low, they do not receive a refund. Therefore, except for deductible amounts, risk has been transferred to the insurance carrier.

12. TAX ABATEMENTS

There are no tax abatements to report under GASB 77.

13. SUBSEQUENT EVENTS

Subsequent events were evaluated through March 13, 2024, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS*
FOR THE YEAR ENDED JUNE 30, 2023

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
The District's proportion of the net pension liability (asset)	\$ 62,409	\$ 107,057	\$ 169,353	\$ 104,430	\$ 98,851	\$ 95,210	\$ 76,844	\$ 36,696	\$2,078,077
The District's proportionate share of the net pension liability (asset)	0.0080%	0.0105%	0.0106%	0.0076%	0.0062%	0.0055%	0.0038%	0.0033%	0.1172%
The District's covered-employee payroll	\$ 84,391	\$ 111,870	\$ 116,876	\$ 85,992	\$ 62,930	\$ 65,242	\$ 63,007	\$ 350,578	\$ 307,991
The District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	73.95 %	95.70 %	144.90 %	121.44 %	157.08 %	145.93 %	121.96 %	10.46 %	674.72 %
Plan fiduciary net position as a percentage of the total pension liability	81.50 %	76.99 %	69.18 %	73.74 %	71.13 %	70.52 %	66.36 %	77.25 %	69.35 %

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

STATE OF NEW MEXICO
 TIMBERON WATER AND SANITATION DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
 PERA MUNICIPAL GENERAL DIVISION
 LAST 10 FISCAL YEARS*
 FOR THE YEAR ENDED JUNE 30, 2023

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contribution	\$ 8,278	\$ 8,649	\$ 6,363	\$ 4,624	\$ 4,823	\$ 4,820	\$ 3,055	\$ 26,714	\$ 21,684
Contributions in relation to the contractually required contribution	<u>8,278</u>	<u>8,649</u>	<u>6,363</u>	<u>4,624</u>	<u>4,823</u>	<u>4,820</u>	<u>3,055</u>	<u>26,714</u>	<u>21,684</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
The District's covered-employee payroll	<u>\$ 111,870</u>	<u>\$ 116,876</u>	<u>\$ 85,992</u>	<u>\$ 62,930</u>	<u>\$ 65,242</u>	<u>\$ 63,007</u>	<u>\$ 39,941</u>	<u>\$ 350,578</u>	<u>\$ 307,991</u>
Contributions as a percentage of covered-employee payroll	<u>7.40 %</u>	<u>7.40 %</u>	<u>7.40 %</u>	<u>7.40 %</u>	<u>7.40 %</u>	<u>7.65 %</u>	<u>7.65 %</u>	<u>7.62 %</u>	<u>7.04 %</u>

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

STATE OF NEW MEXICO
TIMBERON WATER & SANITATION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes of benefit terms: There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2021.

Assumptions: The Public Employees Retirement Association (PERA) of the NEW Mexico Annual Actuarial Valuation as of June 30, 2021 is available at www.nmpera.org.

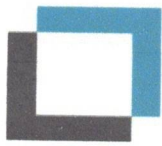
OTHER SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
 TIMBERON WATER AND SANITATION DISTRICT
 SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Value June 30, 2023</u>	<u>Name of Location of Safekeeper</u>
First National Bank	FNMA Pool #AJ1441	9/1/2026	3138ASS78	\$ 52,068	Federal Home Loan Bank
First National Bank	FHLMC Pool #C92003	7/1/2038	3128P8GL9	280,433	Federal Home Loan Bank
First National Bank	GNMA II Pool #BJ6738	10/20/2048	3167HUPX5	<u>193,334</u>	Federal Home Loan Bank
				<u>\$ 525,835</u>	

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
SCHEDULE OF DEPOSITS AND TEMPORARY INVESTMENTS ACCOUNTS
JUNE 30, 2023

Name of Depository/ Account Type	Account Type	Bank Balance June 30, 2023	Net Reconciling Items	Book Balance June 30, 2023
<hr/>				
First National Bank				
Operational	Checking-interest bearing	\$ 631,663	\$ (43,604)	\$ 588,059
Total First National Bank		<u>631,663</u>	<u>(43,604)</u>	<u>588,059</u>
Cash and cash equivalents - Statement of Net Position				<u>\$ 588,059</u>



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

Joseph M. Maestas, P.E.,
New Mexico State Auditor
and the Board of Directors of
Timberon Water and Sanitation District
Timberon, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Timberon Water and Sanitation District for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the basic financial statements of Timberon Water and Sanitation District presented as supplemental information, and have issued our report thereon dated March 13, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered Timberon Water and Sanitation District's internal control over financial reporting 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 Timberon Water and Sanitation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Timberon Water and Sanitation District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings, we did identify certain deficiencies in internal control that we consider to be significant deficiencies.

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 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. We consider the deficiencies described in the accompany schedule of findings as items 2023-001 (2022-004), 2023-004 and 2023-006 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Timberon Water and Sanitation District'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. We consider the deficiencies described in the accompanying schedule of findings as items 2023-002 (2020-003), 2023-003 (2022-006) and 2023-005.

Timberon Water & Sanitation District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Timberon Water and Sanitation District, New Mexico's response to the findings identified in our audit and described in the accompanying schedule of findings. Timberon Water and Sanitation District, New Mexico's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

Beasley, Mitchell & Co. LLP

Beasley, Mitchell & Co.
Las Cruces, New Mexico
March 13, 2024

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED
JUNE 30, 2023

Section I - Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued	Unmodified
2. Internal control over financial reporting:	
• Material weakness (es) identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	Yes
• Noncompliance material to financial statements noted?	Yes

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
SUMMARY SCHEDULE OF PRIOR AND CURRENT YEAR FINDINGS
FOR THE YEAR ENDED
JUNE 30, 2023

Section 1 - Financial Statements Findings

Current status

PRIOR YEAR AUDIT FINDINGS

2022-001 (2020-003)	Annual Capital Asset Inventory Not performed and Certified - Other Non- Compliance	Repeated
2022-002	Lack of Maintenance of Capital Asset Schedule - Significant Deficiency	Resolved
2022-003	Payroll Documentation - Significant Deficiency	Resolved
2022-004	Financial Reporting - Material Weakness	Modified and Repeated
2022-005	Travel and Per Diem Reimbursement Not Compliance with State Requirements - Other Non-Compliance	Resolved
2022-006	Late Audit Report - Other Non-Compliance	Repeated

CURRENT YEAR AUDIT FINDINGS

2023-001 (2022-004)	Financial Reporting - Significant Deficiency	Modified and Repeated
2023-002 (2020-003)	Annual Capital Asset Inventory Not Performed and Certified - Other- Non Compliance	Repeated
2023-003 (2022-006)	Late Audit Report - Other Non-Compliance	Repeated
2023-004	Supply Inventory - Significant Deficiency	New
2023-005	Certified Procurement Officer - Other- Non-Compliance	New
2023-006	Internal Control - Investments - Significant Deficiency	New

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED
JUNE 30, 2023

SECTION I - FINANCIAL STATEMENT OF FINDINGS REQUIRED BY GAGAS

2023-001 (2022-004) Financial Reporting - Significant Deficiency

CONDITION	<p>General ledger maintenance and accounting is inaccurate and incomplete. The reconciliation for the Standby account was not reconciled to the general ledger at June 30, 2023, for a total difference of \$1,744.</p> <p>The District has made progress towards this finding, all other bank accounts were reconciled to the general ledger as of June 30, 2023.</p>
CRITERIA	<p>Sound internal control requires that cash in bank be reconciled to general ledger cash monthly as well as all assets and liabilities Transactions should be reviewed and correctly recorded to assure correct financial reports, including information from third party resources to assure information is accurate and reconciled.</p>
CAUSE	<p>The frequent changes and vacancies in personnel in the finance area, general manager and board of directors have created a weakness and lack of resources to perform accounting functions and positions have not been given the attention and training necessary or qualified resources to assure accuracy and reconciliation.</p>
EFFECT	<p>There is an increased likelihood that the District's general ledger does not reflect the actual cash balances, assets and liabilities of the District and cannot be relied upon for making sound financial decisions.</p>
RECOMMENDATION	<p>District should ensure all reconciliations are reconciled to the general ledger on a monthly basis.</p>
RESPONSE	<p>The District's accounting firm Granite Mountain Accounting, LLC has taken over the managing of reconciling the monthly bank accounts. The board will review/approve the reconciled bank statements at the monthly board meetings. The accounting firm will have oversight of all accounting functions of the District. The District, with the help of the accounting firm, will become familiar with the outside agencies and reports that need to be obtained and reviewed</p>
RESPONSIBLE PARTY	<p>Treasurer and General Manager</p>
IMPLEMENTATION	<p>Expected Completion: June 30, 2024</p>

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED
JUNE 30, 2023

SECTION I - FINANCIAL STATEMENT OF FINDINGS REQUIRED BY GAGAS

2023-004 Supply Inventory- Significant Deficiency

CONDITION	The inventory list provided by the District did not have any monetary values, therefore, the amount in the trial balance could not be reconciled.
CRITERIA	Good inventory controls require there to be a system in a place to control inventory of supplies, including monetary values.
CAUSE	The District has an inventory software system that is currently not set up to attach any monetary values to the inventory on hand.
EFFECT	Without monetary values, there is not way to verify the accuracy of the inventory amount reported.
RECOMMENDATION	The District should maintain an inventory list that includes monetary values associated with each inventory item. Additionally, the District needs to reconcile this information with the amounts reported in their trial balance.
RESPONSE	The District currently utilizes an inventory software and has designated an employee for daily inventory checks. Going forward, the District plans to assign monetary values to each inventory item.
RESPONSIBLE PARTY	General Manager
IMPLEMENTATION	Expected Completion: June 30, 2024

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED
JUNE 30, 2023

SECTION I - FINANCIAL STATEMENT OF FINDINGS REQUIRED BY GAGAS

2023-006 Internal Control Investments - Significant Deficiency

CONDITION	The balance for shares of stock owned by the District was not reported in the trial balance.
CRITERIA	The Auditing Standards (AU) Section 325 Exhibit B lists the following circumstance as a possible control deficiency, significant deficiency, or material weakness: inadequate documentation of the components of internal control.
CAUSE	The District holds stock in Preferred Financial Group. The origins of how the District acquired this stock remain uncertain. Both the current Board and previous Boards have attempted to sell the stock, but their efforts have been unsuccessful.
EFFECT	Lack of reporting stock balances can cause financial statement misstatements.
RECOMMENDATION	We recommend the District use the statements provided by Preferred Financial Group to report the value of the stock in their trail balance and record realized and unrealized gains, as necessary.
RESPONSE	The District will make sure that proper procedures are implemented to record stock balances in their accounting system.
RESPONSIBLE PARTY	General Manager
IMPLEMENTATION	Expected Completion: June 30, 2024

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED
JUNE 30,2023

SECTION II - FINDINGS REQUIRED BY SECTION 12-6-5 NMSA 1978

2023-002 (2020-003) Annual Capital Inventory Not performed and Certified - Other- Non Compliance

CONDITION	An annual capital asset physical inventory was not performed for the year. The District has made progress towards this finding and is working on providing an accurate capital asset listing with the assistance of RCAC.
CRITERIA	Section 12-6-10 NMSA 1978 and 2.20.1.15 NMAC require an annual physical inventory of capital assets and a certification of the list by the governing authority.
CAUSE	Change in management and other key positions resulting in lack of awareness of the requirement to perform the annual physical inventory and certification.
EFFECT	Without a complete and accurate capital asset inventory, there is a greater risk of undetected misappropriation of assets.
RECOMMENDATION	The District should perform a physical inventory of all capital assets each year and present to the Board for certification.
RESPONSE	The District is receiving assistance from RCAC and is working on a complete and accurate capital asset listing and depreciation schedule.
RESPONSIBLE PARTY	General Manager
IMPLEMENTATION	Expected Completion: June 30, 2024

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED
JUNE 30, 2023

SECTION II - FINDINGS REQUIRED BY SECTION 12-6-5 NMSA 1978

2023-003 (2022-006) Late Audit Report - Other Non - Compliance

CONDITION	<p>The audit report was submitted to the State Auditor's Office after the December 15, 2023 deadline.</p> <p>There has been progress towards this finding, the District is working with their new auditors to ensure there is a timely submission for the FYE 6/30/2024 audit.</p>
CRITERIA	<p>Per State Audit Rule 2.22 NMAC New Mexico Special District audit reports are due December 15.</p>
CAUSE	<p>The District reached out to 10 accounting firms and received only one response, resulting in a delay in contract submission and fieldwork dates.</p>
EFFECT	<p>Non compliance with NM State audit Rule.</p>
RECOMMENDATION	<p>The auditors and the District should anticipate and prepare for an earlier start of fieldwork. The District should ensure all documentation for the audit is available and all audit inquiries are addressed in a timely manner.</p>
RESPONSE	<p>The board of directors is committed to preparing and obtaining the records required and documents as soon as the fiscal year 2024 has ended. The District will start collecting and obtaining these records on July 1, 2024. The District will also engage the audit firm to start conducting our annual audit at an earlier date to be sure the district meets the deadline. The District with the help of the auditors will compile a list of the required documents needed for the audit. The District with the help of Granite Mountain Accounting, LLC will have the required documents available prior to the audit.</p>
RESPONSIBLE PARTY	<p>Board of Directors and General Manager</p>
IMPLEMENTATION	<p>Expected Completion: June 30, 2024</p>

2023-003 (2022-006) Late Audit Report - Other Non – Compliance

Condition: The audit report was submitted to the State Auditor's Office after the December 15, 2023 deadline.

Auditors' Recommendation: The auditors and the District should anticipate and prepare for an earlier start of fieldwork. The District should ensure all documentation for the audit is available and all audit inquiries are addressed in a timely manner.

Corrective Action: The board of directors is committed to preparing and obtaining the records required and documents as soon as the fiscal year 2024 has ended. The District will start collecting and obtaining these records on July 1, 2024. The District will also engage the audit firm to start conducting our annual audit at an earlier date to be sure the district meets the deadline. The District, with the help of the auditors, will compile a list of the required documents needed for the audit. The District with the help of Granite Mountain Accounting, LLC will have the required documents available prior to the audit.

2023-004 Supply Inventory- Significant Deficiency

Condition: The inventory list provided by the District did not have any monetary values, therefore, the amount in the trial balance could not be reconciled.

Auditors' Recommendation: The District should maintain an inventory list that includes monetary values associated with each inventory item. Additionally, the District needs to reconcile this information with the amounts reported in their trial balance.

Corrective Action: The District currently utilizes an inventory software and has designated an employee for daily inventory checks. Going forward, the District plans to assign monetary values to each inventory item.

2023-005 Certified Procurement Officer - Other Non- Compliance

Condition: During our NM Compliance testwork, it was noted that the District did not have a Chief Procurement Officer during the FYE June 30, 2023.

Auditors' Recommendation: The District should designate an agent to become certified and registered as a Chief Procurement Officer.

Corrective Action: The District and the Board of Directors will appoint a chief procurement officer for the District.

2023-006 Internal Control Investments - Significant Deficiency

Condition: The balance for shares of stock owned by the District was not reported in the trial balance.

Auditors' Recommendation: We recommend the District use the statements provided by Preferred Financial Group to report the value of the stock in their trail balance and record realized and unrealized gains, as necessary.

Corrective Action: The District will make sure that proper procedures are implemented to record stock balances in their accounting system.

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED
JUNE 30, 2023

SECTION II - FINDINGS REQUIRED BY SECTION 12-6-5 NMSA 1978

2023-005 Certified Procurement Officer - Other Non- Compliance

CONDITION	During our NM Compliance testwork, it was noted that the District did not have a Chief Procurement Officer during the FYE June 30, 2023.
CRITERIA	Section 13-1-97 NMSA 1978, required that purchases be made through a central purchasing office which properly authorizes and approves the purchase prior to payment. An authorized official should indicate that the goods or services have been received prior to payment for the goods or services.
CAUSE	The District failed to designate and register a purchasing agent during employee turnover.
EFFECT	The District does not implement a proper purchasing process which exposes the town to the risk of following an improper purchasing process and increases the risk of errors in payments issues by District due to the lack of proper supervision by the certified procurement officer.
RECOMMENDATION	The District should designate an agent to become certified and registered as a Chief Procurement Officer.
RESPONSE	The District and the Board of Directors will appoint a chief procurement officer for the District.
RESPONSIBLE PARTY	General Manager and Board of Directors
IMPLEMENTATION	Expected Completion: June 30, 2024

March 13, 2024

Timberon Water & Sanitation District (the "District") respectfully submits the following corrective action plan for the year ended June 30, 2023.

Name and address of independent public accounting firm:

Beasley Mitchell & Co

509 S. Main Suite A

Las Cruces NM, 88001

The findings from the June 30, 2023 schedule of findings are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

2023-001 (2022-004) Financial Reporting - Significant Deficiency

Condition: General ledger maintenance and accounting is inaccurate and incomplete. The reconciliation for the Standby account was not reconciled to the general ledger at June 30, 2023, for a total difference of \$1,744.

Auditors' Recommendation: District should ensure all reconciliations are reconciled to the general ledger on a monthly basis.

Corrective Action: The District's accounting firm Granite Mountain Accounting, LLC has taken over the managing of reconciling the monthly bank accounts. The board will review/approve the reconciled bank statements at the monthly board meetings. The accounting firm will have oversight of all accounting functions of the District.

2023-002 (2020-003) Annual Capital Inventory Not performed and Certified - Other Non – Compliance?

Condition: An annual capital asset physical inventory was not performed for the year.

Auditors' Recommendation: The District should perform a physical inventory of all capital assets each year and present to the Board for certification.

Corrective Action: The District is receiving assistance from RCAC and is working on a complete and accurate capital asset listing and depreciation schedule.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Mark Harding". The signature is written in a cursive style with a prominent initial "M" and a long, sweeping underline.

Mark Harding, General Manager

STATE OF NEW MEXICO
TIMBERON WATER AND SANITATION DISTRICT
ENTRANCE AND EXIT CONFERENCE AND FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED
JUNE 30, 2023

An entrance conference was conducted September 11, 2023 in a closed meeting pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Timberon Water and Sanitation District

Mark Harding
Brad Howard

Chairperson
Administrative Assistant

Beasley, Mitchell & Co., LLP

Itza Sosa, CPA
Cesar Ortega

Audit and Assurance Senior
Staff Accountant

An exit conference was conducted March 13, 2024 in a closed meeting pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Timberon Water and Sanitation District

Mark Harding

Chairperson

Beasley, Mitchell & Co., LLP

Itza Sosa, CPA
Cesar Ortega

Audit and Assurance Senior
Staff Accountant

FINANCIAL STATEMENT PREPARATION

The financial statements of the Timberon Water and Sanitation District as of, and for the year ended, June 30, 2023 were prepared by Beasley, Mitchell & Co., LLP, with the aid of responsible District management. Official responsible personnel agree that the presentations are made with their knowledge and agreement.

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