

PAA-KO COMMUNITIES SEWER ASSOCIATION

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2022 AND 2021



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**PAA-KO COMMUNITIES SEWER ASSOCIATION
OFFICIAL ROSTER
DECEMBER 31, 2022**

Board of Directors

Derek Wartman	President
Michael Boice	Vice President
James Ellsworth	Secretary
W. Bruce Franks	Treasurer
Michael Boice	Chief Procurement Officer



INDEPENDENT AUDITORS' REPORT

Honorable Joseph M. Maestas, P.E., State Auditor
New Mexico Office of the State Auditor and Board of Directors
Paa-Ko Communities Sewer Association
Albuquerque, New Mexico

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Paa-Ko Communities Sewer Association (the Association) (a nonprofit organization), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents. We also have audited the accompanying budgetary comparison presented as supplementary information, as defined by the Government Accounting Standards Board, as of and for the year ended December 31, 2022, 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 the Association, as of December 31, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparison for the year ended December 31, 2022, 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 (GAAS) 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 the Association and to meet our other 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Honorable Joseph M. Maestas, P.E., State Auditor
New Mexico Office of the State Auditor and Board of Directors
Paa-Ko Communities Sewer Association

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 the Association's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise 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 opinion. 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 GAAS and *Government 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 GAAS and *Government 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 the Association'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 the Association'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 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 GAAS, 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 an opinion on the financial statements that collectively comprise the Association's basic financial statements. The 2022 schedule of deposit accounts and pledged collateral required by 2.2.2 NMAC is presented for purposes of additional analysis and is 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 GAAS. In our opinion, the schedule of deposit accounts and pledged collateral is 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.

Honorable Joseph M. Maestas, P.E., State Auditor
New Mexico Office of the State Auditor and Board of Directors
Paa-Ko Communities Sewer Association

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated May 25, 2023 on our consideration of the Association'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
May 25, 2023

**PAA-KO COMMUNITIES SEWER ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS

The management of the Association offers readers of the Association's financial statements this narrative overview and analysis of the financial position of the Association as of December 31, 2022, and the results of its operations for the year then ended. Data as of December 31, 2021 and 2020 has been provided for comparative purposes.

BASIC FINANCIAL STATEMENTS

The Association is considered a local public body pursuant to statutes and legal rulings but does not employ fund accounting and therefore this format is not presented. The Association is reporting using the business-type activities (BTA) format for the fiscal years ending December 31, 2022, 2021, and 2020.

The basic financial statements include statements of net position, which report the Association's assets, liabilities, and net position (equity), statements of revenues, expenses, and changes in net position, and statements of cash flows. The statement of net position is presented as of December 31, 2022, 2021, and 2020, while the latter two statements cover the years then ended.

CONDENSED COMPARATIVE FINANCIAL INFORMATION

The Association's assets, liabilities, and net position can be summarized as follows as of December 31, 2022, 2021, and 2020:

	2022	2021	2020
Current Assets	\$ 614,638	\$ 516,889	\$ 609,121
Certificate of Deposit	-	78,415	78,174
Capital Assets, Net	1,626,109	1,831,515	2,038,388
Total Assets	<u>2,240,747</u>	<u>2,426,819</u>	<u>2,725,683</u>
Current Liabilities	145,255	131,519	135,284
Noncurrent Liabilities	410,628	498,267	583,013
Total Liabilities	<u>555,883</u>	<u>629,786</u>	<u>718,297</u>
Net Investment in Capital Assets	1,128,219	1,248,527	1,373,121
Unrestricted	556,645	548,506	634,265
Total Net Position	<u>\$ 1,684,864</u>	<u>\$ 1,797,033</u>	<u>\$ 2,007,386</u>

**PAA-KO COMMUNITIES SEWER ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

CONDENSED COMPARATIVE FINANCIAL INFORMATION (CONTINUED)

The Association's revenues and expenses can be summarized as follows for the years ended December 31, 2022, 2021, and 2020:

	2022	2021	2020
Operating Revenues	\$ 468,995	\$ 416,448	\$ 411,510
Interest Income	1,150	922	6,171
Total Revenues	<u>470,145</u>	<u>417,370</u>	<u>417,681</u>
Operating Expenses	567,992	607,804	476,537
Nonoperating Expenses	14,322	19,919	20,975
Total Expenses	<u>582,314</u>	<u>627,723</u>	<u>497,512</u>
Change in Net Position	(112,169)	(210,353)	(79,831)
Net Position - Beginning of Year	<u>1,797,033</u>	<u>2,007,386</u>	<u>2,087,217</u>
Net Position - End of Year	<u><u>\$ 1,684,864</u></u>	<u><u>\$ 1,797,033</u></u>	<u><u>\$ 2,007,386</u></u>

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Current assets increased for 2022 by \$97,749 from 2021 mainly due to an increase in the Association's certificates in deposits and accounts receivable. Current liabilities increased by \$13,736 due mainly to timing of when expenses were paid and timing of when members' assessments were received.

Current assets decreased for 2021 by \$92,232 from 2020 mainly due to a decrease in the Association's operating cash. Current liabilities decreased by \$3,765 due mainly to timing of when expenses were paid.

The net decrease in noncurrent assets for 2022 and 2021 is due to the current year's depreciation provision. The decrease in noncurrent liabilities is the result of the Association paying its scheduled loan payments.

Operating revenues for 2022 are \$468,995; an increase from 2021 due to the increase in members' assessments.

Operating revenues for 2021 were \$416,448; an increase from 2020 due to the increase in sewer transfer fees.

Operating expenses for 2022 decreased from those for 2021 by \$39,812. The decrease is primarily attributable to the decrease in maintenance and repairs.

Operating expenses for 2021 increased from those for 2020 by \$131,267. The increase is primarily attributable to the increase in maintenance and repairs.

**PAA-KO COMMUNITIES SEWER ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

BUDGETARY ANALYSIS

The budgetary basis is cash basis.

	Original Budget	Final Budget	Budgetary Basis Actual	Positive (Negative) Variance
Revenues	\$ 460,945	\$ 460,945	\$ 470,145	\$ 9,200
Expenses	550,285	550,285	455,537	94,748
Revenues Over Expenses	<u>\$ (89,340)</u>	<u>\$ (89,340)</u>	<u>\$ 14,608</u>	<u>\$ 103,948</u>

Interest income was below budget expectations, while members' assessments, sewer hookup fees, sewer transfer fees, and gross receipts tax revenues were all more than budgeted for 2022, resulting in revenues being \$9,200 above budget expectations.

The differences in final budget expenses and actual budget results were the result of several expenditure categories coming in below what had been budgeted.

CAPITAL ASSET ACTIVITY

Current depreciation in the amount of \$205,406 was recorded.

DEBT ACTIVITY

There were principal payments totaling \$85,098 made as scheduled in 2022.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

Budgeted revenues and expenditures for 2023 are \$504,917 and \$569,751, respectively. The 2023 budget includes Collection System Upgrades, Waste Water Treatment Plant Upgrades, and Emergency Repairs to be paid from reserves.

CONTACTING THE ASSOCIATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a more understandable and useful overview of the Association and its finances, and to demonstrate the Association's prudent use of the money it receives. If you have any questions about this report or need additional financial information, contact:

The Paa-Ko Communities Sewer Association
1717 Louisiana NE, Suite 111
Albuquerque, NM 87110

PAA-KO COMMUNITIES SEWER ASSOCIATION
STATEMENTS OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 139,994	\$ 139,276
Certificates of Deposit	424,303	345,109
Accounts Receivable	43,881	27,238
Prepaid Insurance	6,460	5,266
Total Current Assets	<u>614,638</u>	<u>516,889</u>
Noncurrent Assets:		
Certificates of Deposit	-	78,415
Property and Equipment, Net of Accumulated Depreciation	<u>1,626,109</u>	<u>1,831,515</u>
Total Noncurrent Assets	<u>1,626,109</u>	<u>1,909,930</u>
Total Assets	2,240,747	2,426,819
LIABILITIES		
Current Liabilities:		
Accounts Payable	34,383	26,526
Accrued Liabilities	-	5,516
Unearned Revenue	15,305	3,670
Current Maturities of Notes Payable	87,262	84,721
Accrued Interest Payable	8,305	11,086
Total Current Liabilities	<u>145,255</u>	<u>131,519</u>
Noncurrent Liabilities:		
Notes Payable, Less Current Maturities	<u>410,628</u>	<u>498,267</u>
Total Noncurrent Liabilities	<u>410,628</u>	<u>498,267</u>
Total Liabilities	555,883	629,786
NET POSITION		
Net Investment in Capital Assets	1,128,219	1,248,527
Unrestricted	<u>556,645</u>	<u>548,506</u>
Total Net Position	<u>\$ 1,684,864</u>	<u>\$ 1,797,033</u>

See accompanying Notes to Financial Statements.

PAA-KO COMMUNITIES SEWER ASSOCIATION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
OPERATING REVENUES		
Members' Assessments	\$ 413,056	\$ 381,243
Sewer Hookup Fees	30,000	27,500
Sewer Transfer Fees	3,110	7,705
Gross Receipts Tax Income	22,829	-
Total Operating Revenues	<u>468,995</u>	<u>416,448</u>
OPERATING EXPENSES		
Depreciation	205,406	206,874
Maintenance Fees	139,153	142,270
Maintenance and Repairs	78,764	144,706
Septic Pumping	32,689	32,674
Utilities and Telephone	32,323	32,490
Professional Fees	21,021	19,224
Gross Receipts Tax	20,529	-
Insurance	11,087	10,845
Underground Utilities Locate	7,718	2,150
Bad Debt	5,963	4,472
Office Supplies	3,022	3,262
Licenses and Permits	2,668	7,214
Postage	1,180	1,623
Other	6,469	-
Total Operating Expenses	<u>567,992</u>	<u>607,804</u>
OPERATING LOSS	(98,997)	(191,356)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	1,150	922
Interest Expense	(14,322)	(19,919)
Total Nonoperating Revenues (Expenses)	<u>(13,172)</u>	<u>(18,997)</u>
CHANGE IN NET POSITION	(112,169)	(210,353)
Net Position - Beginning of Year	<u>1,797,033</u>	<u>2,007,386</u>
NET POSITION - END OF YEAR	<u><u>\$ 1,684,864</u></u>	<u><u>\$ 1,797,033</u></u>

See accompanying Notes to Financial Statements.

**PAA-KO COMMUNITIES SEWER ASSOCIATION
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Members	\$ 452,352	\$ 417,222
Cash Paid to Suppliers	<u>(349,804)</u>	<u>(406,846)</u>
Net Cash Provided by Operating Activities	102,548	10,376
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	1,150	922
Interest Reinvested	<u>(779)</u>	<u>(916)</u>
Net Cash Provided by Investing Activities	371	6
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Payments on Notes Payable	(85,098)	(82,279)
Interest Payments on Notes Payable	<u>(17,103)</u>	<u>(19,919)</u>
Net Cash Used by Financing Activities	<u>(102,201)</u>	<u>(102,198)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	718	(91,816)
Cash and Cash Equivalents - Beginning of Year	<u>139,276</u>	<u>231,092</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 139,994</u></u>	<u><u>\$ 139,276</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	\$ (98,997)	\$ (191,356)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	205,406	206,874
Bad Debt	5,963	4,472
Changes in Assets and Liabilities:		
Receivables	(22,606)	(3,698)
Prepaid Insurance	(1,194)	317
Accounts Payable and Accrued Liabilities	13,976	(6,233)
Net Cash Provided by Operating Activities	<u><u>\$ 102,548</u></u>	<u><u>\$ 10,376</u></u>

See accompanying Notes to Financial Statements.

**PAA-KO COMMUNITIES SEWER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Paa-Ko Communities Sewer Association (Paa-Ko or the Association) is a nonprofit sewer association formed to provide sewer service to its members-owned and operated sewer utility system and to develop adequate and sanitary sewer works, including the construction of sewage treatment facilities and other necessary improvements and expansion of its sewer system. The Association services only the Paa-Ko Communities, which are located in Sandia Park, New Mexico. The Association operates facilities located in Sandia Park. The Association has the authority to borrow money, to act as an agent or representative of any members, and to convey, assign, and transfer all of its property and contractual rights to another association or other legal entity that is capable and willing to meet the purposes for which the Association is formed. The board of directors establishes sewer service rates.

On February 13, 2004, the Paa-Ko Communities Sewer Cooperative, Inc., a cooperative association organized on September 1, 1993, acting under the authority granted by the provisions of the Sanitary Projects Act, Sections 3-29-1 through 3-29-19, New Mexico Statutes 1978 (Sanitary Projects Act), reorganized the cooperative association as an association under the Sanitary Projects Act under the new name of Paa-Ko Communities Sewer Association.

All persons who are bona fide owners of land in the service area of the Association and who evidence their present or future need and desire for wastewater collection and treatment services provided by the Association shall be members. Each member is entitled to only one vote, regardless of the number of lots the member owns. Members owning the same lot will jointly have one vote. Membership is not transferable and terminates upon the conveyance of the last property owned by the member.

Per Attorney General Opinion 06-02, the Attorney General of the state of New Mexico ruled that mutual domestic water associations are local public bodies considered governmental nonprofit organizations and, as such, are subject to certain state statutes and should present financial statements in a government format. The Association has a responsibility to abide by the following:

- Open Meeting Act
- Inspection of Public Records Act
- Procurement Code
- Per Diem and Mileage Act
- Section 6-6 NMSA 1978

The Association is not a component unit of a governmental entity nor does it have any component units.

**PAA-KO COMMUNITIES SEWER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Association did not have any leases as defined by GASB Statement No. 87 for the year ended December 31, 2022.

Basic Financial Statements

The financial statements of the Association 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 governmental accounting and financial reporting principles.

Basis of Presentation

The Association is considered a special purpose government engaged in a single business-type activity and presents only financial statements required for enterprise funds. These financial statements and corresponding required supplementary information consist of:

- Statements of Net Position
- Statements of Revenues, Expenses, and Changes in Net Position
- Statements of Cash Flows
- Notes to Financial Statements
- Management's Discussion and Analysis
- Information Required by the State Auditor Rule

Basis of Accounting and Measurement Focus – Proprietary Fund

The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange transactions are recognized when the exchange takes place. The proprietary fund consists of one enterprise fund and as such does not employ any internal service funds.

**PAA-KO COMMUNITIES SEWER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of failure of the financial institution, the Association will not be able to recover its deposits.

The Association maintains its cash in various bank deposit accounts in order to maximize Federal Deposit Insurance Corporation (FDIC) insurance coverage. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant custodial credit risk. The Association does not have an interest rate risk policy but maintains and renews short term certificates of deposits that will reflect changes in interest rates in a shorter time frame.

For the purposes of the statements of cash flows, the Association considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

In accordance with Section 6-10-17, NMSA, 1978 Compilation, the Association is required to obtain collateral in an amount equal to one-half of the deposited public money in excess of \$250,000 for each financial institution with custody of cash and cash equivalents.

Receivables

Receivables represent amounts due for member assessments. The Association considers these amounts to be fully collectible; accordingly, no allowance is deemed necessary. When receivables are determined to be uncollectible, they are charged to operations when that determination is made. Member assessments are billed in January and July of each year, and reminder notices are sent throughout the year for delinquent accounts. At year-end, the Association files liens on large outstanding balances. Late fees are currently being charged on outstanding balances and a \$125 lien release fee is charged as applicable. Accordingly, certain accounts receivable may not be collected within one year of the balance.

Capital Assets

Capital assets are tangible assets that are used in operations and that have initial useful lives that extend beyond a single reporting period. Capital assets are reported at historical cost. Capital assets are depreciated using the straight-line method over their estimated useful lives. The Association capitalizes new asset additions greater than \$5,000 per 12-6-10 NMSA 1978. The Association does not own or lease any vehicles or equipment. Useful lives of capital assets are included in the following table:

Wastewater Treatment Plant	7 to 24 Years
Wastewater Collection System	10 to 25 Years

Maintenance and repairs expense is charged to operations when incurred and major betterments and replacements are capitalized.

Reclassifications

Certain reclassifications have been made to the prior period financial statements to conform to the 2022 financial statement presentation.

**PAA-KO COMMUNITIES SEWER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Components of Net Position

Net position is reported as restricted when constraints placed on net position use are externally imposed by creditors, grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Association has no restrictions on net position at December 31, 2022 and 2021. It is the Association's policy to apply restricted resources first to an expense for which both restricted and unrestricted resources are available.

The Association has significant capital assets, net of related debt as reported on the statement of net position – proprietary fund for 2022 and 2021. They consist principally of sewer facilities and the corresponding debt thereon. Capital assets are defined as tangible or intangible assets that are used in operations and have a useful life extending beyond one reporting period.

Classification of Revenues

The Association has classified its revenues for the proprietary fund as either operating or nonoperating according to the following criteria:

Operating Revenues

Operating revenues include activities that have characteristics of exchange transactions, such as 1) annual association member fees, 2) sewer hookup fees, 3) transfer fees, and 4) gross receipts tax for changes in home ownership.

Nonoperating Revenues

Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as investment income and revenue sources that are defined as nonoperating revenues.

Operating Expenditures

Operating expenditures are associated with providing goods and services in connection with operations. Operating expenditures include administrative expenditures required to manage and operate the fund.

Use of Estimates

The preparation of these financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgetary Basis

The Association budgets on a cash basis. Depreciation is not budgeted. The board of directors is responsible for authorizing the Association's budget. The Association is statutorily required to submit a budget to the Department of Finance and Administration for approval. The Association is in compliance with these requirements for 2022 and 2021. The level of budgetary control is at the fund level.

**PAA-KO COMMUNITIES SEWER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 2 CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that in the event of a bank failure the Association's deposits may not be returned to it. The Association has implemented a deposit policy to utilize multiple deposit accounts with different banks so as to maximize the protection of the FDIC insurance coverage. As of December 31, 2022, the bank balances were not exposed to custodial credit risk. The total deposits of cash and cash equivalents and certificates of deposit totaled \$564,297 and \$562,800 as of December 31, 2022 and 2021, respectively.

The Association has funds in a savings account that is unrated as to its credit risk. The Association holds four certificates of deposit in one bank with three issued by two other banks through the formerly known as CDARs program. It is the policy of the Association to invest excess funds in money markets or certificates of deposit.

Securities custodial risk and interest rate rise disclosures do not apply.

NOTE 3 RELATED PARTY TRANSACTIONS

Member assessments of \$32,863 and \$34,571 were paid by Mountain Ranch Limited Partnership (Partnership), the developer of Paa-Ko Communities, during 2022 and 2021, respectively, for developed lots still owned by the Partnership.

The Partnership is obligated to pay all design, construction, and related costs, but not annual operation and maintenance costs, required to provide wastewater collection and/or treatment service to portions of the Association's service area not developed as of September 2004.

Two of the officers of the Association's board of directors were employees or independent contractors of Roger Cox and Associates, Inc. or its affiliates until October 2021. As of December 31, 2021, one of the officers of the Association's board of directors is an employee or independent contractor of Roger Cox and Associates, Inc. or its affiliates. Roger Cox and Associates, Inc. provides administrative assistance to the Association at no charge.

Treated wastewater is disposed of on the Paa-Ko Ridge Golf Course, which is owned by A & M Paa-Ko Ridge Golf Club, LLC, a member of the Association. A & M Paa-Ko Ridge Golf Club, LLC has paid for the pumping equipment, transmission line, and storage ponds necessary to move the treated wastewater to the golf course. Operating expenses associated with transporting the treated wastewater to the golf course are the responsibility of A & M Paa-Ko Ridge Golf Club, LLC.

As of January 1, 2020, an external company performs billing services for the Association.

PAA-KO COMMUNITIES SEWER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 PROPERTY AND EQUIPMENT

The roll forward of capital assets for the year ending December 31, 2022, is as follows:

	2022				
	Beginning of Year	Additions	Deletions	Adjustments	End of Year
Depreciable:					
Treatment Plant	\$ 3,257,934	\$ -	\$ -	\$ -	\$ 3,257,934
Wastewater Collection System	2,642,632	-	-	-	2,642,632
Total	5,900,566	-	-	-	5,900,566
Accumulated Depreciation:					
Treatment Plant	(2,057,094)	(119,756)	-	-	(2,176,850)
Collection System	(2,011,957)	(85,650)	-	-	(2,097,607)
Total	(4,069,051)	(205,406)	-	-	(4,274,457)
Net Capital Assets	<u>\$ 1,831,515</u>	<u>\$ (205,406)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,626,109</u>

The roll forward of capital assets for the year ending December 31, 2021, is as follows:

	2021				
	Beginning of Year	Additions	Deletions	Adjustments	End of Year
Depreciable:					
Treatment Plant	\$ 3,257,934	\$ -	\$ -	\$ -	\$ 3,257,934
Wastewater Collection System	2,642,632	-	-	-	2,642,632
Total	5,900,566	-	-	-	5,900,566
Accumulated Depreciation:					
Treatment Plant	(1,935,870)	(121,224)	-	-	(2,057,094)
Collection System	(1,926,308)	(85,650)	-	1	(2,011,957)
Total	(3,862,178)	(206,874)	-	1	(4,069,051)
Net Capital Assets	<u>\$ 2,038,388</u>	<u>\$ (206,874)</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1,831,515</u>

Depreciation expense for the years ended December 31, 2022 and 2021, was \$205,406 and \$206,874, respectively.

**PAA-KO COMMUNITIES SEWER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 NOTES PAYABLE

Notes payable activities are as follows for the year ended December 31, 2022:

<u>Description</u>	<u>2021</u>	<u>Payments</u>	<u>2022</u>	<u>Amount Due Within One Year</u>
Note payable #RIP 2004-11 with New Mexico Environment Department (NMED); 3% interest rate per annum; due in annual payments of \$33,895 through April 11, 2027. Uncollateralized loan balance includes construction period interest.	\$ 184,183	\$ (27,999)	\$ 156,184	\$ 29,210
Note payable #RIP 2005-04 with New Mexico Environment Department (NMED); 3% interest rate per annum; due in annual payments of \$33,805 through July 23, 2027. Uncollateralized loan balance includes construction period interest.	183,474	(28,657)	154,817	29,160
Note payable #RIP 2006-01 with New Mexico Environment Department (NMED); 3% interest rate per annum; due in annual payments of \$34,499 through June 30, 2028. Uncollateralized loan balance includes construction period interest.	<u>215,331</u>	<u>(28,442)</u>	<u>186,889</u>	<u>28,892</u>
Total	<u>\$ 582,988</u>	<u>\$ (85,098)</u>	<u>\$ 497,890</u>	<u>\$ 87,262</u>

Notes payable activities are as follows for the year ended December 31, 2021:

<u>Description</u>	<u>2020</u>	<u>Payments</u>	<u>2021</u>	<u>Amount Due Within One Year</u>
Note payable #RIP 2004-11 with New Mexico Environment Department (NMED); 3% interest rate per annum; due in annual payments of \$33,895 through April 11, 2027. Uncollateralized loan balance includes construction period interest.	\$ 211,742	\$ (27,559)	\$ 184,183	\$ 28,359

**PAA-KO COMMUNITIES SEWER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 NOTES PAYABLE (CONTINUED)

<u>Description</u>	<u>2020</u>	<u>Payments</u>	<u>2021</u>	<u>Amount Due Within One Year</u>
Note payable #RIP 2005-04 with New Mexico Environment Department (NMED); 3% interest rate per annum; due in annual payments of \$33,805 through July 23, 2027. Uncollateralized loan balance includes construction period interest.	\$ 210,960	\$ (27,486)	\$ 183,474	\$ 28,311
Note payable #RIP 2006-01 with New Mexico Environment Department (NMED); 3% interest rate per annum; due in annual payments of \$34,499 through June 30, 2028. Uncollateralized loan balance includes construction period interest.	242,565	(27,234)	215,331	28,051
Total	<u>\$ 665,267</u>	<u>\$ (82,279)</u>	<u>\$ 582,988</u>	<u>\$ 84,721</u>

In the event of default by the Association on the NMED notes, after 90 days NMED is authorized to set wastewater rates in order to provide sufficient monies for repayment of the loans and proper operation and maintenance of the project. Interest owing on a defaulted note can be compounded at the discretion of NMED. The annual member assessments are the revenue stream that pays the notes.

As of December 31, 2022 and 2021, accrued interest on loan amounts is:

<u>Loan Number</u>	<u>2022</u>	<u>2021</u>
Loan #RIP 2004-11	\$ 3,402	\$ 5,114
Loan #RIP 2005-04	2,061	3,287
Loan #RIP 2006-01	2,842	2,685
Total Accrued Interest	<u>\$ 8,305</u>	<u>\$ 11,086</u>

The debt service requirements are as follows for all currently outstanding loans:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 87,262	\$ 14,937	\$ 102,199
2024	89,880	12,319	102,199
2025	92,576	9,623	102,199
2026	95,355	6,845	102,200
2027	99,322	3,984	103,306
Thereafter	33,495	1,005	34,500
Total	<u>\$ 497,890</u>	<u>\$ 48,713</u>	<u>\$ 546,603</u>

**PAA-KO COMMUNITIES SEWER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 6 COMMITMENTS AND CONTINGENCIES

Agreements

The Association entered into an agreement with Prodigy Builders Inc. to provide certain operations and maintenance services in connection with the management and operations and maintenance of the wastewater system. The term of the agreement is for an initial one-year probation period plus three years, with up to four optional one-year extensions beginning November 1, 2020. The Association is required to pay a monthly service fee of \$9,676, adjusted annually based on the change in the annual Consumer Price Index (CPI).

Legal Proceedings

From time to time, the Association is involved in claims and legal actions arising from the ordinary course of business and member relations. In the opinion of management, the ultimate disposition of the various claims and legal actions will not have a material adverse effect on the Association's financial statements. The Association carries standard insurance for risk purposes.

Discharge Permit

The Association's discharge permit was renewed effective December 31, 2015 and is for five years. The Association has applied for renewal during 2020 and has not yet received approval for such renewal. The Association is currently operating under the previous permit. The State of New Mexico Environment Department has the authority to fine the Association for the expiration of the discharge permit.

NOTE 7 RISK MANAGEMENT

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance.

During the year ended December 31, 2022, the Association did not reduce insurance coverages from coverage levels in place as of December 31, 2021. No settlements have exceeded coverage levels in place during 2022 or 2021.

**PAA-KO COMMUNITIES SEWER ASSOCIATION
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Budget	Actual	Positive (Negative) Variance
REVENUES				
Members' Assessments	\$ 410,715	\$ 410,715	\$ 413,056	\$ 2,341
Sewer Hookup Fees	24,000	24,000	30,000	6,000
Sewer Transfer Fees	3,000	3,000	3,110	110
Gross Receipts Tax	21,886	21,886	22,829	943
Interest Income	1,344	1,344	1,150	(194)
Total Revenues	460,945	460,945	470,145	9,200
EXPENSES				
Operations and Maintenance Contract	132,000	132,000	127,410	4,590
Septic Tank Pumping	32,200	32,200	32,689	(489)
Electric	30,500	30,500	28,135	2,365
Accounting and Audit Fees	22,000	22,000	14,882	7,118
Repairs (Noncapital)	30,000	30,000	50,237	(20,237)
Engineering Services - Monthly Monitoring	9,200	9,200	10,483	(1,283)
Insurance	12,000	12,000	11,087	913
Telephone	3,200	3,200	3,806	(606)
Tank Pumping - Plant and Lift Stations	2,700	2,700	-	2,700
Professional Fees	6,000	6,000	6,139	(139)
Testing and Analysis	4,000	4,000	1,260	2,740
Bad Debt	1,000	1,000	5,963	(4,963)
Water	1,000	1,000	382	618
Postage and Delivery	1,200	1,200	1,180	20
Collection System Upgrades-R&M	45,000	45,000	20,326	
Waste Water Treatment Plant Upgrades-R&M	55,000	55,000	8,201	46,799
Emergency Repairs-R&M	30,000	30,000	-	30,000
811 - Underground Utilities Locate	6,000	6,000	7,718	
License, Permits and Fees	800	800	2,668	(1,868)
Annual Debt Service - RIP-2004-11	33,895	33,895	32,698	1,197
Annual Debt Service - RIP 2005-04	33,805	33,805	33,063	742
Annual Debt Service - RIP 2006-01	34,499	34,499	33,659	840
Office Supplies and Miscellaneous	2,400	2,400	3,022	(622)
Gross Receipts Tax	21,886	21,886	20,529	1,357
Total Expenses	550,285	550,285	455,537	71,792
REVENUES OVER EXPENSES	(89,340)	(89,340)	14,608	80,992
CASH BALANCES	89,340	89,340	-	-
NET CHANGE	\$ -	\$ -	\$ 14,608	\$ 80,992

**PAA-KO COMMUNITIES SEWER ASSOCIATION
SCHEDULE OF REVENUES AND EXPENSES (CONTINUED)
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022**

Revenues, Budgetary Basis	<u>Actual</u> <u>\$ 470,145</u>
Total Operating and Nonoperating Revenues, GAAP Basis	<u>\$ 470,145</u>
Expenses, Budgetary Basis	\$ 455,537
Debt Service Principal	(85,098)
Depreciation Not Budgeted	205,406
Other	<u>6,469</u>
Total Operating and Nonoperating Expenses, GAAP Basis	<u>\$ 582,314</u>

**PAA-KO COMMUNITIES SEWER ASSOCIATION
SCHEDULE OF DEPOSIT ACCOUNTS AND PLEDGED COLLATERAL
DECEMBER 31, 2022**

ACCOUNT	<u>Bank Balance</u>	<u>Book Balance</u>
Alliance Association Bank:		
Checking Account (Interest bearing)	\$ 48,787	\$ 40,074
Total Alliance Association Bank	<u>48,787</u>	<u>40,074</u>
Western Alliance Bank:		
Savings Account	75,204	75,204
Certificate of Deposit	<u>78,658</u>	<u>78,658</u>
Total Western Alliance Bank	<u>153,862</u>	<u>153,862</u>
Main Bank:		
Checking Account (Non-interest bearing)*	24,716	24,716
Certificate of Deposit	<u>230,346</u>	<u>230,346</u>
Total Main Bank	<u>255,062</u>	<u>255,062</u>
Five Star Bank:		
Certificates of Deposit	<u>115,299</u>	<u>115,299</u>
Total Five Star Bank	<u>115,299</u>	<u>115,299</u>
Total Balances	<u>\$ 573,010</u>	<u>\$ 564,297</u>
FDIC COVERAGE	<u>\$ 573,010</u>	
TOTAL UNINSURED PUBLIC FUNDS	<u>\$ -</u>	
COLLATERAL REQUIREMENTS - 50% (SECTION 6-10-17)	<u>\$ -</u>	

*Temporarily moved on December 30, 2022. Transferred to a new Certificate of Deposit with Provident Bank on January 19, 2023.



**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***

Honorable Joseph M. Maestas, P.E., State Auditor
New Mexico Office of the State Auditor and Board of Directors
Paa-Ko Communities Sewer Association
Albuquerque, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Paa-Ko Communities Sewer Association (the Association) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and the related budgetary comparison of the Association presented as supplementary information, and have issued our report thereon dated May 25, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that may not have been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2022-001 that we consider to be a material weakness.

Honorable Joseph M. Maestas, P.E., State Auditor
New Mexico Office of the State Auditor and Board of Directors
Paa-Ko Communities Sewer Association

Report on Compliance and Other Matters

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

Association's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Association's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The Association'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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
May 25, 2023

[illegible]

Financial Statements

Unmodified

- Material weakness(es) identified? x yes no
- Significant deficiency(ies) identified
that are not considered to be
material weakness(es)? yes x none reported

 yes x no

**PAA-KO COMMUNITIES SEWER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

Section II – Financial Statement Findings

2022 – 001 Accounts Receivable

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: During our audit, we noted the following issues related to accounts receivable.

- Journal entry of approximately \$5.9K was proposed and posted to adjust accounts receivable for a balance determined to be uncollectable.
- The Association has not filed liens on large outstanding balances due greater than 120 days which is not in accordance with Association policy. The balances account for approximately \$28.7K of the accounts receivable as of December 31, 2022.

Criteria or specific requirement: According to NMSA 1978 §6-5-2, the Financial Control Division (the division) shall issue a manual of model accounting practices containing the procedures and policies for use by state agencies in connection with fiscal matters. State agencies shall comply with the model accounting practices established by the division, and the administrative head of each state agency shall ensure that the model accounting practices are followed. According to FIN 16 *General Accounting Practices in the Manual of Model Accounting Practices*, all reporting of financial information must be timely, complete, and accurate, to the state agency's management and to oversight agencies and entities.

Effect: The Association's accounts receivable was overstated. Also, the Association may not be able to fully collect on the receivables.

Cause: The Association did not perform a sufficient review of the accounts receivable at year-end to adjust the receivable for balances determined to be uncollectable. Also, the Association did not ensure that liens had been filed for overdue accounts receivable.

Recommendation: We recommend the Association implement a year-end review process of accounts receivable to ensure balances determined to be uncollectable are properly captured and reported in the accounting records. The year-end review process should also include filing liens for overdue accounts receivable.

Views of responsible officials and planned corrective actions: The board is planning on formally adopting updated procedures for late fees, penalties and recording of liens on delinquent member fees at the next special board meeting planned to occur no later than June 2023. Liens will be recorded on the December 31, 2022 delinquent accounts not brought current thus far in 2023 once the board adopts these procedures. Future delinquent accounts will be attended to in a more timely manner. The collectability of the December 31, 2022 receivables is believed to be positive as the liens will be filed as mentioned above. The board does receive monthly financial reports which include monthly listing of aged receivables from our contract accounting and billing company, Hoamco. The point of contact is the treasurer.

**PAA-KO COMMUNITIES SEWER ASSOCIATION
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

Section III – Prior Year Findings

2021 – 001 Internal Control Over Financial Close and Reporting – Resolved

2021 – 002 Late Audit Report – Resolved

**PAA-KO COMMUNITIES SEWER ASSOCIATION
EXIT CONFERENCE
YEAR ENDED DECEMBER 31, 2022**

An exit conference was held with the Paa-Ko Communities Sewer Association virtually on May 24, 2023. In attendance were:

Paa-Ko Communities Sewer Association

W. Bruce Franks, Treasurer, Board Member

Michael Boice, Vice President and Chief Procurement Officer, Board Member

CliftonLarsonAllen LLP

Laura Beltran-Schmitz, CPA, CFE, CGFM, CICA, Principal

Jane Tinker, CPA, Director

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the independent auditor and were reviewed and approved by the Paa-Ko Communities Sewer Association. However, the financial statements remain the responsibility of management, as addressed in the Independent Auditors' Report. Management reviewed and approved the financial statements.