

**State of New Mexico**  
**ANTHONY WATER**  
**AND SANITATION DISTRICT**  
**Anthony, New Mexico**

**JUNE 30, 2009**

**INDEPENDENT AUDITORS' REPORT**  
**ANNUAL FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**



STATE OF NEW MEXICO  
ANTHONY WATER AND SANITATION DISTRICT  
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JUNE 30, 2009

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STATE OF NEW MEXICO  
ANTHONY WATER AND SANITATION DISTRICT  
FUNCTION OF ENTITY & OFFICIAL ROSTER  
JUNE 30, 2009

The Anthony Water and Sanitation District (District) was organized on January 30, 1978 under the New Mexico Statutes Chapter 73 Article 21 to serve a public use and promote the health, safety, prosperity, security and general welfare of the inhabitants of said district. The district was created for the purpose of: (A) purchasing, acquiring, establishing or constructing waterworks to supply water for domestic, commercial and industrial purposes by any available means to persons within and without the boundaries of the district. For this purpose, the district has the power to extend its water lines outside of the boundaries of the district for the purpose of securing a source of water supply or for the purpose of supplying the water to any lands of the United States, New Mexico, or Indian reservation for use by any person, firm or corporation; (B) purchasing, acquiring, establishing or constructing sanitary sewers or a system of sewage disposal, garbage or refuse disposal; (C) purchasing, acquiring, establishing or constructing street infrastructures; (D) purchasing, acquiring, establishing or constructing park and recreational improvements; (E) purchasing, acquiring, establishing or constructing or operating other public facilities or economic development projects; or (F) all of the improvements in items A through E or any combination of them within or without the district. The district serves approximately 2,700 active meter customers.

***BOARD OF DIRECTORS***

Yolanda Alvarez	Chairman
Elva Flores	Member
Ron Gillette	Member

***ADMINISTRATIVE OFFICIALS***

Patrick Banegas	Superintendent
Loren Schoonover	Office Manager



*Beckham & Penner, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT**

Mr. Hector Balderas, NM State Auditor and  
The Board of Directors of  
Anthony Water and Sanitation District  
Anthony, New Mexico

We have audited the accompanying financial statements of the business-type activities of Anthony Water and Sanitation District (District), as of and for the year ended June 30, 2009, which collectively comprise the District's financial statements as listed in the table of contents. We have also audited the budgetary comparison statement of the District, presented as supplementary information for the year ended June 30, 2009 as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of the internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 Anthony Water and Sanitation District, as of June 30, 2009, and the respective changes in financial position, and cash flows thereof and for the year then ended, in conformity 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 of the Anthony Water and Sanitation District for the year ended June 30, 2009 in conformity with accounting principles generally accepted in the United States of America.

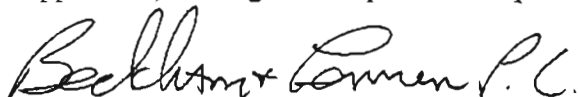




**INDEPENDENT AUDITORS' REPORT, continued**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2010, on our consideration of Anthony 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 describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Anthony Water and Sanitation District has not presented the *Management's Discussion and Analysis* that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements.



September 20, 2010  
Beckham & Penner P.C.  
Certified Public Accountants



STATE OF NEW MEXICO  
 ANTHONY WATER AND SANITATION DISTRICT  
 STATEMENT OF NET ASSETS  
 June 30, 2009

ASSETS

Current Assets:

Cash and cash equivalents	\$ 357,955
Receivable from customers (net of allowance \$22,250)	178,105
Grants Receivable	31,417
Inventory of system parts & supplies	12,944
Prepaid expenses & insurance	<u>14,677</u>
Total current assets	<u>595,098</u>

Other Assets

Restricted cash - debt reserves	226,006
Capital assets not being depreciated	1,053,125
Capital assets (net of accumulated depreciation of \$6,240,515)	9,560,319
Intangible assets (net of accumulated amortization of \$470,400)	<u>801,600</u>
Total other assets	<u>11,641,050</u>

Total assets	<u><u>\$ 12,236,148</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable vendors	\$ 80,155
Accounts payable construction	16,647
Accrued interest	5,491
Accrued payroll taxes and benefits	28,917
Accrued payroll and compensated absences	54,873
Customer meter deposits	118,155
Notes payable, current portion	<u>82,088</u>
Total current liabilities	<u>386,326</u>

Long-Term Liabilities:

Notes payable, net of current portion	<u>2,365,276</u>
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Net Assets:

Invested in capital assets, net of related debt	8,967,680
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Restricted:

Debt Service	226,006
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Unrestricted	290,860
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Total net assets	<u>9,484,546</u>
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Total liabilities and net assets	<u><u>\$ 12,236,148</u></u>
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The Notes to Financial Statements are an integral part of these statements.



STATE OF NEW MEXICO  
 ANTHONY WATER AND SANITATION DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2009

Operating Revenues:	
Charges for services	\$ 1,513,810
Connection fees	146,200
Other revenues	91,501
Total operating revenues	<u>1,751,511</u>
Operating Expenses:	
Personnel services and benefits	650,479
Other operating expenses	912,304
Depreciation	436,948
Amortization	31,800
Allowance for bad debts	0
Total operating expenses	<u>2,031,531</u>
Operating income (loss)	<u>(280,020)</u>
Non-Operating Revenues (Expenses):	
Gain on sale of capital assets	0
Interest income	9,890
Interest expense	(119,512)
Total non-operating revenues (expenses)	<u>(109,622)</u>
Income (loss) before capital contributions	<u>(389,642)</u>
Capital Contributions:	
Grant Revenues:	
State	37,377
Federal	199,988
Total capital contributions	<u>237,365</u>
Change in net assets	(152,277)
Net assets - beginning of year	9,636,823
Net assets - end of year	<u><u>\$ 9,484,546</u></u>

The Notes to Financial Statements are an integral part of these statements.



STATE OF NEW MEXICO  
 ANTHONY WATER AND SANITATION DISTRICT  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 1,777,636
Cash paid to suppliers for goods and services	(902,861)
Cash paid to and on behalf of employees	(652,055)
Net cash provided by operating activities	<u>222,720</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(459,966)
Principal paid on notes payable	(68,445)
Interest paid on notes payable	(119,130)
Proceeds from capital grants	258,584
Proceeds from capital loans	0
Proceeds from sale of capital assets	0
Increase in customer meter deposits	4,556
Net cash used for capital and related financing activities	<u>(384,401)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on investments	9,890
Net cash provided by investing activities	<u>9,890</u>

Net increase in cash (151,791)

Cash, Beginning of year 735,752

Cash, End of year \$ 583,961

RECONCILIATION OF OPERATING INCOME TO NET CASH  
 PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	(280,020)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	436,948
Amortization	31,800
Allowance for bad debts	0
Change in Assets and Liabilities:	
Change in accounts receivable	26,125
Change in supply inventory and prepaid insurance	(2,264)
Change in accounts payable and accrued expenses	10,131
Net cash provided by operating activities	<u>\$ 222,720</u>

CASH ENDING:

Cash	357,955
Restricted cash	226,006
Total cash reported in the Statement of Net Assets	<u>\$ 583,961</u>

The Notes to Financial Statements are an integral part of these statements.





**STATE OF NEW MEXICO**  
**ANTHONY WATER AND SANITATION DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Overview:**

The Anthony Water and Sanitation District (District) in Anthony, New Mexico has been determined to be 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 has a Board of Directors that consists of three elected officials who are responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District. The purpose of the District is to provide water and wastewater services for the users within and without the boundaries of the district.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies:

**Reporting Entity**

Criterion for determining the entity for financial reporting purposes is whether the governing body (Board of Directors) exercises oversight responsibility. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. Based on the application of these criteria, the District has no component units, and is not a component unit of another governmental agency.

**Basic Financial Statements**

The District has only one fund. The operations of the District include both water and wastewater sanitation sewer services. This activity is accounted for in a proprietary fund, which is a business type activity, generally financed with fees charged to users. The operations of the fund are accounted for with a set of self balancing accounts that comprise its assets, liabilities, net assets, revenues and expenses. The District does not have any fiduciary funds.



**STATE OF NEW MEXICO**  
**ANTHONY WATER AND SANITATION DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District applies all applicable Financial Accounting Standard Board (FASB) pronouncements and Accounting Principal Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The District has elected not to apply FASB pronouncements issued after November 30, 1989. After November 30, 1989, the District applies all relevant Governmental Accounting Standards Boards (GASB) pronouncements.

The financial statement reports were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used regardless of when the related cash flows take place. Operating income reported in the financial statements includes revenue and expenses related to the primary and continuing operation of the fund. Proprietary funds distinguish operating revenues and expenses from non-operating items. Principal operating revenues are charges to customers for sales and services. The District also recognizes as operating revenue, connection fees intended to recover the cost of connecting new customers to the system. Principal operating expenses are the cost of providing goods or services and include administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. The reported net assets are segregated into invested in capital assets, net of related debt, restricted and unrestricted components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

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

**Cash and Cash Equivalents**

The District's cash is 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 OF NEW MEXICO**  
**ANTHONY WATER AND SANITATION DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Restricted Cash**

Restricted cash is funds set aside in a separate bank account and restricted through a Board of Directors resolution as required by the New Mexico Environment Department and the Rural Utilities Service debt agreements. See Note 5 and 8.

**Accounts Receivable**

Accounts receivable represents the amounts due from customers' water and sewer accounts. The allowance for doubtful accounts was \$22,250 at year end. There was no change in the allowance for doubtful accounts during the fiscal year. The allowance consists primarily of amounts owed by renters who have moved from the serviced property.

**Inventory**

Inventories consist of system parts and supplies valued at cost using the first in first out method of accounting. An actual inventory is taken on an annual basis.

**Capital Assets**

Capital assets are valued at historical cost. The District defines capital assets as assets with lives greater than one year and a cost or donated value greater than \$5,000. Donated capital assets are valued at their estimated fair value on the date donated. Software is capitalized and depreciated through the equipment category. Repairs and maintenance are recorded as expenditures; improvements are capitalized. Depreciation is computed using the straight-line method over the following estimated useful lives:

Equipment, Vehicles and Software	5 - 10 years
Buildings, Improvements and plant/system	20 - 50 years

**Intangible Assets**

Intangible assets consist of water rights. Intangible assets are recorded at cost and amortized over 40 years on a straight line basis.



**STATE OF NEW MEXICO**  
**ANTHONY WATER AND SANITATION DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets and Budgetary Accounting**

Water and sanitation districts follow procedures that are promulgated by the New Mexico Department of Finance and Administration, Local Government Division. The procedures established by the Department of Finance and Administration, Local Government Division, are not consistent with GAAP; budgets are adopted on the modified cash basis. Under the budgetary basis, principal payments on debt are considered expenditures, purchase of capital assets are expenditures and depreciation is not recognized as an expense. The Board approves the original budget at a public meeting for which legal notices are published. The public is invited to comment at the meeting. The original budget must be approved by the District's Board and the Local Government Division and may be subsequently amended. Local Government Division approval is required for any revisions that alter the total budgeted expenditures. Actual expenditures may not legally exceed the appropriations in total. Budget control for expenses is by category of line item. Formal budgetary integration is employed as a management control device. Appropriations lapse at the end of the fiscal year.

**Vacation and Sick Pay**

It is the District's policy to permit employees to accumulate a limited amount of earned but unused vacation benefits, after they have attained the status of permanent employees, which will be paid to employees upon separation from service. Employees who have been employed by the District for more than five years are paid ten percent of their accumulated sick leave upon separation. The amount of accumulated sick leave is also limited by District policy.

**Contributed Capital**

On July 1, 2000, the District was required to adopt Governmental Accounting Standards Board's (GASB) Statement No.33, *Accounting and Financial Reporting for Nonexchange Transactions*. This statement requires governments to recognize capital contributions to proprietary funds as revenues, instead of contributed capital. Previously, grants, entitlements, shared revenue and the fair market value of donated property received by the District which were restricted for the acquisition or construction of capital assets were recorded as contributed capital.





**STATE OF NEW MEXICO**  
**ANTHONY WATER AND SANITATION DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets**

Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted net assets. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net assets consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net assets consist of all other net assets not included in the above categories.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2. CASH**

Deposits of funds may be made in interest or non-interest bearing 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 by collateral deposited as security or by bond given by the financial institution.

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 the deposit.

Excess 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. State statutes authorize the investment of the District's funds in a variety of instruments including certificate of deposits and other similar obligations, state investment pool and money market accounts. The District is also allowed to invest in United States Government obligations. All funds of the District must follow the above investment policies.



**STATE OF NEW MEXICO**  
**ANTHONY WATER AND SANITATION DISTRICT**  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009

**NOTE 2. CASH (continued)**

New Mexico State Statues require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution. According to the Federal Deposit Insurance Authority public unit, deposits are funds owned by the District. Time deposits, savings deposits and interest bearing accounts of a public unit in an institution in the same state will be insured separate from the public unit's demand deposits at that same institution. 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 the State of New Mexico.

The following schedule is designed to disclose the level of custodial credit risk assumed by the District based upon how its deposits were insured or secured with collateral at June 30, 2009.

Total of deposits in bank	\$ 558,590
Less FDIC coverage	<u>(558,590)</u>
Uninsured public funds	\$ -0-
Pledged Collateral held by the pledging bank's trust department or agent but not in the District's name	<u>(107,669)</u>
Uninsured and uncollateralized	\$ <u><u>-0-</u></u>

As of June 30, 2009, the District's bank balance were not exposed to custodial credit risk. The amount above identified as uninsured (\$-0- ) is subject to custodial credit risk. This 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.



**STATE OF NEW MEXICO**  
**ANTHONY WATER AND SANITATION DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 2. CASH (CONTINUED)**

The various bank account balances were collateralized as shown in the following schedule:

Account	Account Type	Balance Per Banks				Total Balance Per Banks
		NMFA	Bank of the West	White Sands Federal Credit Union	Citizens Bank	
Water/Sewer General	Demand	\$ 0	\$ 34,069	\$ 0	\$ 0	\$ 34,069
Water Tap	Demand	0	60,054	0	0	60,054
Safe Water	Demand	0	115,299	0	0	115,299
Payroll Checking	Demand	0	0	0	0	0
Cash Management	Time	0	0	0	0	0
Projects Regular	Demand	0	0	17,044	0	17,044
Projects NMFA	Demand	30,543	0	0	0	30,543
Effluent Outfall	Demand	0	0	0	0	0
Industrial Park	Demand	0	33,965	0	0	33,965
Projects Water	Time	0	0	14,024	0	14,024
Projects Water	Time	0	0	27,586	0	27,586
Debt Service Money Market	Time	0	0	0	226,006	226,006
<i>Total amount of deposits</i>		30,543	243,387	58,654	226,006	558,590
FDIC coverage		<u>30,543</u>	<u>243,387</u>	<u>58,654</u>	<u>226,006</u>	<u>558,590</u>
<b><i>Total uninsured public funds</i></b>		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Collateral requirements (50% of uninsured public funds)		0	0	0	0	
Pledged security by banks		<u>0</u>	<u>0</u>	<u>0</u>	<u>107,669</u>	
Over (under) collateralization		<u>0</u>	<u>0</u>	<u>0</u>	<u>107,669</u>	
Uninsured and Uncollateralized		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	

Collateral pledged by Citizens Bank is FFCB due October 11, 2012 \$107,669.



**STATE OF NEW MEXICO**  
**ANTHONY WATER AND SANITATION DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 2. CASH (CONTINUED)**

The various bank account reconciliations are shown in the following schedule:

Account	Account Type	Balance Per Bank	Deposits in Transit	Outstanding Checks	Balance per Books
Water/Sewer General	Demand	\$ 34,069	\$ 2,327	\$ 1,685	\$ 34,711
Water Tap	Demand	60,054	68,772	10,990	117,837
Safe Water	Demand	115,299	114	0	115,413
Payroll Checking	Demand	0	0	68	-68
Cash Management	Time	0	0	0	0
Projects Regular	Demand	17,044	0	0	17,044
Projects NMFA	Demand	30,543	0	0	30,543
Effluent Outfall	Demand	0	0	0	0
Industrial Park	Demand	33,965	0	33,900	65
Projects Water	Time	14,024	0	0	14,024
Projects Water	Time	27,586	0	0	27,586
Debt Service Money Market	Time	<u>226,006</u>	<u>0</u>	<u>0</u>	<u>226,006</u>
<i>Total amount of deposits</i>		<u>558,590</u>	<u>71,213</u>	<u>46,643</u>	583,161
Petty Cash					<u>800</u>
Total Reconciled Cash Balances Per Books					<u>\$583,961</u>
Total as Reported in the Financial Statements: Statement of Net Assets					
Cash and cash equivalent					\$357,955
Restricted cash – debt reserve					<u>226,006</u>
Total cash per financial statements					<u>\$583,961</u>





**STATE OF NEW MEXICO**  
**ANTHONY WATER AND SANITATION DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 3. CAPITAL ASSETS**

Capital assets consisted of the following as of June 30, 2009:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type capital assets, not being depreciated:				
Land, well sites, and easements	\$ 856,185	\$ 0	\$ 0	\$ 856,185
Construction in process	<u>1,194,668</u>	<u>267,502</u>	<u>1,265,230</u>	<u>196,940</u>
<i>Total capital assets, not being depreciated</i>	<u>2,050,853</u>	<u>267,502</u>	<u>1,265,230</u>	<u>1,053,125</u>
 Business-type capital assets, being depreciated:				
Buildings	1,183,650	0	0	1,183,650
Water and sewer plant/system	12,497,987	1,279,267	0	13,777,254
Equipment and vehicles	<u>770,418</u>	<u>69,512</u>	<u>0</u>	<u>839,930</u>
<i>Total business-type capital assets, being depreciated</i>	<u>14,452,055</u>	<u>1,348,779</u>	<u>0</u>	<u>15,800,834</u>
 Less accumulated depreciation for:				
Buildings	255,363	40,111	0	295,474
Water and sewer plant/system	4,982,326	334,575	0	5,316,901
Equipment and vehicles	<u>565,879</u>	<u>62,261</u>	<u>0</u>	<u>628,140</u>
<i>Total accumulated depreciated</i>	<u>5,803,568</u>	<u>436,947</u>	<u>0</u>	<u>6,240,515</u>
<b><i>Business-type capital assets, net</i></b>	<b><u>\$10,699,340</u></b>	<b><u>\$1,179,334</u></b>	<b><u>\$1,265,230</u></b>	<b><u>\$10,613,444</u></b>
 <b><u>Intangible Assets</u></b>				
Water rights	\$ 1,272,000	\$ 0	\$ 0	\$ 1,272,000
Less accumulated amortization	<u>438,600</u>	<u>31,800</u>	<u>0</u>	<u>470,400</u>
<b><i>Intangible assets, net</i></b>	<b><u>\$ 833,400</u></b>	<b><u>(31,800)</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 801,600</u></b>
 <b>TOTAL CAPITAL ASSETS</b>	<b><u>\$11,532,740</u></b>	<b><u>\$1,147,534</u></b>	<b><u>\$1,265,230</u></b>	<b><u>\$11,415,044</u></b>



**STATE OF NEW MEXICO**  
**ANTHONY WATER AND SANITATION DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 4. COMMITMENT FOR LONG-TERM LEASE**

The District does not own a portion of the wastewater collection system (1977 original system) within its boundaries. The District leases the collection system from Dona Ana County. Under the lease agreement, the District operates and maintains the wastewater collection system. In addition, the District is required to pay Dona Ana County one dollar (\$1.00) annually for the lease.

**NOTE 5. LONG-TERM DEBT**

The District's long-term liabilities consist of the following:

Note payable Rural Development, Department of Agriculture dated February 12, 1993, maturing March 16, 2044, payable in monthly installments of \$9,631, including interest at 5.25%, secured by the gross income and revenues of the water system. \$1,573,469

The note payable to the Department of Agriculture contains a requirement for the District to establish a Reserve Account to be funded at the rate of \$1,014 per month until \$121,610 is accumulated in the account. The funds may be withdrawn with the prior written approval of the Federal Government for repairs to the system caused by a catastrophe or for extensions or improvements to the system. The reserve has been fully funded.

Note payable New Mexico Environmental Department, dated July 31, 1991, maturing March 1, 2011, payable in annual installments of \$32,247, without interest, secured by net revenues of the system. 64,493

The loan agreement with the New Mexico Environmental Department requires the District to establish a repair and replacement sewer reserve fund of \$31,000. The loan agreement also requires that a permanent debt service reserve be established and funded with an amount equal to one full annual loan payment in the amount of \$32,247. The reserve is fully funded.

Discount on New Mexico Environmental Department note computed at 5% (4,533)

Note payable Rural Development, Department of Agriculture dated March 5, 2003, maturing April 5, 2043, payable in monthly installments of \$1,145, including interest at 4.625%, secured by the gross income and revenues of the water system. 228,673

The loan agreement with the Rural Development requires the District to establish a Reserve Account to be funded at the rate of \$116.50 per month until \$55,920 is accumulated in the account. The funds may be withdrawn with the prior written approval of the Federal Government for repairs to the facility caused by a catastrophe or for extensions or improvements to the facility. The reserve has been funded to \$32,253 which exceeds the current required reserve of \$7,223.



**STATE OF NEW MEXICO**  
**ANTHONY WATER AND SANITATION DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 5. LONG-TERM DEBT (CONTINUED)**

Note payable Rural Development, Department of Agriculture dated April 3, 2007, maturing April 3, 2047, payable in monthly installments of \$1,453, including interest at 4.125%, secured by the gross income and revenues of the system. 328,942

The loan agreement with the Rural Development requires the District to establish a Reserve Account to be funded at the rate of \$145.33 per month until \$69,760 is accumulated in the account. The funds may be withdrawn with the prior written approval of the Federal Government for repairs to the facility caused by a catastrophe or for extensions or improvements to the facility. The reserve has been funded to \$3,925 which equals the current required reserve of \$3,925.

Note payable Rural Development, Department of Agriculture dated March 5, 2007, maturing March 5, 2047, payable in monthly installments of \$780.00, including interest at 4.125%, secured by the gross income and revenues of the system. 181,320

The loan agreement with the Rural Development requires the District to establish a Debt Service Reserve Account to be funded at the rate of \$78.00 per month until \$37,440 is accumulated in the account and a Replacement Reserve Account to be funded at the rate of \$908.00 per month until \$108,960 is accumulated in the account. The funds may be withdrawn with the prior written approval of the Federal Government for repairs to the facility caused by a catastrophe or for extensions or improvements to the facility. The reserve funding begins on 08/16/2008.

Note payable New Mexico Finance Authority dated September 28, 2007, maturing June 1, 2027, payable in monthly installments of \$3,911.22, including interest at .25%, secured by the gross income and revenues of the system. There are no reserve requirements. 75,000

TOTAL DEBT	2,447,364
Less current portion	82,088
Long-term liabilities	\$2,365,276



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**ANTHONY WATER AND SANITATION DISTRICT**  
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**NOTE 5. LONG-TERM DEBT (CONTINUED)**

Following is a summary of principal maturities of long-term liabilities:

	<u>Interest</u>	<u>Principal</u>
June 30, 2010	\$113,729	\$82,088
June 30, 2011	111,196	79,535
June 30, 2012	108,857	51,163
June 30, 2013	106,395	53,623
June 30, 2014	103,807	56,213
June 30, 2015 - 2019	475,2483	24,848
June 30, 2020 - 2024	387,098	412,999
June 30, 2025 - 2029	274,497518,778	
June 30, 2030 - 2034	130,331528,446	
June 30, 2035 - 2039	57,1801	45,500
June 30, 2040 - 2044	25,4611	33,425
June 30, 2045 - 2049	<u>3,850</u>	<u>60,746</u>
	<u>\$1,897,649</u>	<u>\$2,447,364</u>

Changes in long-term debt activity for the year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes Payable:					
USDA Rural Development	\$1,605,511	\$0	\$32,042	\$1,573,469	\$33,770
NM Environment Dept.	87,816	0	27,856	59,960	29,249
USDA Rural Development	231,758	0	3,085	228,673	3,232
USDA Rural Development	332,724	0	3,782	328,942	3,941
USDA Rural Development	183,000	0	1,680	181,320	1,916
NM Finance Authority	75,000	0	0	75,000	9,980
<i>Total notes payable</i>	<u>2,515,809</u>	<u>0</u>	<u>68,445</u>	<u>2,447,364</u>	<u>82,088</u>

**NOTE 6. COMPENSATED ABSENCES AND ACCRUED PAYROLL**

Payable at June 30, 2009 consisted of the following:

Accrued Payroll	\$15,507
Accrued Compensated Absences	<u>39,366</u>
TOTAL	<u>\$54,873</u>

Following is a schedule of changes in compensated absences:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	38,490	51,373	50,497	39,366	39,366





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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 7. RISK MANAGEMENT**

The District covers its insurance needs through various insurance policies. The coverage includes worker's compensation, general liability, buildings, business, personal property, electronic data processing losses, contractor's equipment, directors and officers' liability, money or securities, and automobiles. The premiums paid on the policies during the fiscal year were \$48,703. 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 will not receive a refund. Therefore, except for deductible amounts, risk has been transferred to the insurance carrier.

**NOTE 8. NET ASSETS**

Net assets represent the difference between assets and liabilities. The net assets amounts at June 30, 2009 were as follows:

Invested in Capital Assets, Net of Related debt:	
Net property and equipment in service	\$ 11,415,044
Less: Notes payable	<u>2,447,364</u>
Invested in capital assets, net of related debt	<u>8,967,680</u>
 Restricted – Debt Service:	
Rural Development Debt dated 02/12/1993 R&R Reserve	121,610
NMED Debt dated 07/31/1991 R&R Reserve	31,000
NMED Debt dated 07/31/1991 Debt Service Reserve	32,247
NMED Debt dated 03/05/2003 R&R Reserve	24,635
Rural Development Debt dated 04/03/2007 R&R Reserve	5,668
Rural Development Debt dated 08/16/2008 Debt Service Reserve	858
Rural Development Debt dated 08/16/2008 R&R Reserve	<u>9,988</u>
Total Restricted	<u>226,006</u>
 Unrestricted	<u>290,860</u>
<b><i>Total net assets</i></b>	<b><u><u>\$9,484,546</u></u></b>

**NOTE 9. CHANGE IN INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT**

The change in invested in capital assets, net of related debt can be summarized as follows:

Balance, Beginning	\$9,016,931
Change in net capital assets in service	-117,696
Change in related debt	<u>68,445</u>
Balance, ending	<u><u>\$8,967,680</u></u>



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**ANTHONY WATER AND SANITATION DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 10. PERA PENSION PLAN**

Plan Description

Beginning September 1, 2001, substantially all of the Anthony Water and Sanitation District's full time employees began participating in the public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

Funding Policy

Plan members are required to contribute 7% of their gross salaries. The Anthony Water and Sanitation District is also required to contribute 7%. The contribution requirements of plan members and the District are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by act of the legislature. The District's contributions to PERA for the years ending June 30, 2009, 2008 and 2007 were \$29,359, \$28,490 and \$25,371, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 11. BUDGETARY - GAAP REPORTING RECONCILIATION**

Reconciliation between the Non-GAAP budgetary (cash) basis amounts and the GAAP (accrual) basis financial statements:

Revenues over Expenses on Budgetary Basis	(156,762)
Adjustments to revenue for receivables and other accruals	(47,344)
Adjustment to expenditures for payables and other accruals	(8,249)
Adjustment for depreciation, amortization and bad debts	( 468,748)
Adjustment for purchase of capital assets	459,966
Adjustment for capital loan received	0
Adjustment for basis on capital assets sold	0
Adjustment for principal payments on debt	68,445
Adjustment for change in debt reserve	4,971
Adjustment for change in customer meter deposits	<u>( 4,556)</u>
<b><i>Change in net assets</i></b>	<b><u>(152,277)</u></b>



**STATE OF NEW MEXICO**  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE 12. CONSTRUCTION PROJECTS IN PROGRESS**

The District has begun to plan, design and construct improvements to the water system, which include removal of arsenic and nitrate, which is expected to cost approximately \$9,245,486. The project will be financed with state loans and grants of \$430,938 which have been partially received and expended for the initial planning and design. The construction costs are expected to be financed with state and federal loans and grants in the amount of \$8,814,548 from the State of New Mexico, The Border Environment Cooperation Commission and USDA Rural Development. Some loans and grants have been received and expended and the project was about one percent complete at the end of the fiscal year.

The district completed the sewage effluent outfall line project during the fiscal year at a total cost of \$1,279,267.

The District has also purchased land for the future development of a Multi-purpose community building and a park. These projects are still in the planning process. In addition to the projects described above, the District has routine line extension projects and water improvement projects ongoing in the normal course of operations.

**NOTE 13. JOINT POWERS AGREEMENT**

The District entered into a joint powers agreement with Dona Ana County to act as an agent for the County and be the primary community contact for all wastewater applications, complaints, billing and collections or other customer issues for the county area specifically known as Las Palmeras - Montana Vista. The agreement was entered into on March 20, 2003 and through additional amendments shall be in effect until May 2009 with additional automatic one year renewals. The District is paid \$12.00 per residential connection per month and \$15.00 per commercial connection per month for the first 6,000 gallons of water used plus \$1.00 per 1,000 gallons thereafter. Dona Ana County also pays a capacity replacement fee of \$1,000.00 per connection for all connections occurring after the date of initial operations or the first 175 connections, whichever comes later. The connections have not yet exceeded 175 customers; therefore, the County is not yet required to pay the District. The District collects from customers for usage and is responsible for the operations of the system. These operating activities of the District are included in the audit responsibilities of the District.



STATE OF NEW MEXICO  
 ANTHONY WATER AND SANITATION DISTRICT  
 STATEMENT OF REVENUES AND EXPENDITURES  
 BUDGET (NON-GAAP) AND ACTUAL (CASH BASIS)  
 FOR THE YEAR ENDED JUNE 30, 2009

	Budgeted Amounts <u>Original</u>	Budgeted Amounts <u>Final</u>	Actual on Budgetary <u>Basis</u>	Variance Favorable (Unfavorable)
Operating Revenues:				
Charges for services	\$ 1,706,945	\$ 1,706,945	\$ 1,539,935	\$ (167,010)
Connection fees	415,307	415,307	146,200	(269,107)
Other revenues	47,874	47,874	91,501	43,627
Total operating revenues	<u>2,170,126</u>	<u>2,170,126</u>	<u>1,777,636</u>	<u>(392,490)</u>
Operating Expenses:				
Personnel services and benefits	636,159	636,159	652,055	(15,896)
Other expenses - excluding grant expenses	1,206,740	1,206,740	902,861	303,879
Depreciation, Amortization & Bad Debts	-	-	-	-
Total operating expenses	<u>1,842,899</u>	<u>1,842,899</u>	<u>1,554,916</u>	<u>287,983</u>
Operating income	<u>327,227</u>	<u>327,227</u>	<u>222,720</u>	<u>(104,507)</u>
Non-Operating Revenues (Expenses):				
Interest income	25,000	25,000	9,890	(15,110)
Proceeds from Sale of Capital Assets	-	-	-	-
Capital outlay - other than from grants	(110,986)	(110,986)	(113,686)	(2,700)
Debt proceeds	-	-	-	-
Debt payments - principal	(68,445)	(68,445)	(68,445)	-
Debt payments - interest	(142,796)	(142,796)	(119,130)	23,666
Debt reserve	(30,000)	(30,000)	(4,971)	25,029
Customer deposits	-	-	4,556	4,556
Grants - revenue	2,050,000	2,050,000	258,584	(1,791,416)
Grants & Loan - capital outlay	(2,050,000)	(2,050,000)	(346,280)	1,703,720
Total non-operating revenues (expenses)	<u>(327,227)</u>	<u>(327,227)</u>	<u>(379,482)</u>	<u>(52,255)</u>
Revenues Over (Under) Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>(156,762)</u>	<u>\$ (156,762)</u>
Beginning Unrestricted Cash			514,717	
Ending Unrestricted Cash			<u>\$ 357,955</u>	

The Notes to Financial Statements are an integral part of these statements.





*Beckham & Penner, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

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**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***

Mr. Hector Balderas, NM State Auditor and  
The Board of Directors of  
Anthony Water and Sanitation District  
Anthony, New Mexico

We have audited the financial statements of the business-type activities of the Anthony Water and Sanitation District (District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 20, 2010.

We have also audited the budgetary comparison statements of the District presented as supplementary information for the year ended June 30, 2009, as listed in the table of contents. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Anthony Water and Sanitation District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that



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**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***

there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting; items 2002-02, 2002-03, 2002-10, 2005-01, and 2009-01.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the District's internal control.

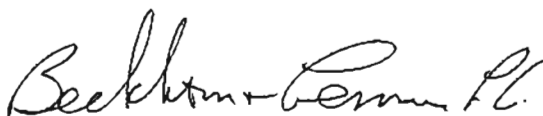
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2002-02, 2002-03, 2002-10, 2005-01, and 2009-01 to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2004-03 and 2006-01.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the District's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, the New Mexico State Auditor, the New Mexico Department of Finance and Administration, the New Mexico Legislature, and other state and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.



September 20, 2010  
Beckham & Penner P.C.  
Certified Public Accountants



**STATE OF NEW MEXICO**  
**ANTHONY WATER AND SANITATION DISTRICT**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

SUMMARY OF FINDINGS:

PRIOR YEAR FINDINGS:

Status

2002-02 Reconciling Bank Balance to General Ledger	Modified & Repeated
2002-03 Reconciliation of Accounts Receivable to GL	Modified & Repeated
2002-10 Recording Accounts Payable and Accrued Expenses	Modified & Repeated
2004-03 Untimely Delivery of Audit Report	Modified & Repeated
2005-01 Recording Payroll Transactions	Modified & Repeated
2006-01 Financial Reports not timely submitted to DFA	Modified & Repeated

CURRENT YEAR FINDINGS:

2002-02 Reconciling Bank Balance to General Ledger

2002-03 Reconciliation of Accounts Receivable to GL

2002-10 Recording Accounts Payable and Accrued Expenses

2004-03 Untimely Delivery of Audit Report

2005-01 Recording Payroll Transactions

2006-01 Financial Reports not timely submitted to DFA

2009-01 Recording Direct Pay Grant Activity



**STATE OF NEW MEXICO**  
**ANTHONY WATER AND SANITATION DISTRICT**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**2002-02 Reconciling Bank Balance to General Ledger**

**Statement of Condition** – Items that are identified in the bank reconciliations that need to be corrected in the general ledger are not being posted to the general ledger. After conversion to the new financial software, numerous posting errors occurred; duplicate postings, posting to incorrect accounts, missing items, and voided checks not properly posted.

**Criteria** - In order to ensure that financial reports are accurate and the cash positions reported to DFA are correct, the general ledger should be corrected to the actual bank reconciliation held by the District.

**Cause** – Reconciling items noted in the bank reconciliations were just being carried forward each month and then the review process did not provide that the adjustments be made to the general ledger.

**Effect** - Inaccurate general ledger cash account balances produce inaccurate financial reports.

**Recommendation** - We recommend that all bank reconciliations be properly reviewed and adjustments be timely posted to the general ledger.

**Management's Response** - The District will implement procedures to insure that the adjusting journal entries are properly posted to the general ledger and will monitor the reconciliation of the bank accounts to the general ledger.

**2002-03 Reconciliation of Accounts Receivable to General Ledger**

**Statement of Condition** - The customer accounts receivable subsidiary records are not reconciled monthly to the general ledger. The water, wastewater, connection fees, billings and collections are not being reconciled from the subsidiary records to the general ledger.

**Criteria** – Regular, periodic reconciliations between subsidiary ledgers and the general ledger should be made to ensure the accuracy and completeness of reported financial information.

**Cause** - Accounts receivable transactions are now being posted to the general ledger; however, there are no procedures in place to reconcile the general ledger to the subsidiary records.

**Effect** - Inaccurate general ledger account balances produce inaccurate financial reports.

**Recommendation** - We recommend that accounts receivable per the general ledger be reconciled





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SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

to the subsidiary records on a monthly basis. The accounts receivable general ledger and subsidiary records should be reviewed and adjusted on a regular basis. Proper aging reports should be generated for management.

**Management's Response** - The District has implemented a new financial accounting software package to address this problem and will provide training to their employees to record the customer billing on the accrual basis of accounting and to perform regular reconciliations.

**2002-10 Recording Accounts Payable and Accrued Expenses**

**Statement of Condition** - Accounts payable and accrued expenses recorded in the general ledger were not complete. The District is now maintaining their general ledger on the accrual basis of accounting; however, all of the proper accrual items were not recorded.

**Criteria** - Financial records should be maintained on the accrual basis of accounting or converted to the accrual basis of accounting on a regular schedule. Regular, periodic reconciliations between subsidiary ledgers and the general ledger should be made to ensure the accuracy and completeness of reported financial information.

**Cause** - Accounts payable and accrued expenses transactions are only being posted to the general ledger when they are ready to be included in the current voucher run. Accounts payable and accrued expenses are not being recorded as they are incurred.

**Effect** - Inaccurate general ledger account balances produce inaccurate financial reports.

**Recommendation** - We recommend the District implement the use of an accounts payable subsidiary and the accounts payable and accrued expense general ledger accounts be recorded as incurred and reconciled on a regular basis.

**Management's Response** - The District has implemented a new financial accounting software package to address this problem and will provide training to their employees to record the accounts payable and accrued expenses on the accrual basis of accounting and to perform regular reconciliations.



**STATE OF NEW MEXICO**  
**ANTHONY WATER AND SANITATION DISTRICT**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**2004-03 Untimely Delivery of Audit Report**

**Statement of Condition** - The audit report of Anthony Water and Sanitation District for the fiscal year ended June 30, 2009 was not delivered to the State Auditor by the due date of December 1, 2009.

**Criteria** – The State Auditor Rule NMAC Subsection 2.2.2.9.A requires the audit reports be submitted by the due date.

**Cause** - The District was unable to submit the audit report on a timely basis as a result of the problems encountered with the conversion to the new financial software.

**Effect** - Noncompliance with State Auditor Rule NMAC Subsection 2.2.2.9.A. Timely audit reports were needed by management, the State of New Mexico, and others to properly monitor and evaluate the performance of the District.

**Recommendation** - The District should resolve the conversion issues with the financial software and contract on a timely basis with an approved auditor to insure that future audit reports are submitted in a timely manner.

**Management's Response** - The District concurs with the recommendation above.

**2005-01 Recording Payroll Transactions**

**Statement of Condition** - During our field work, we noted that some payroll checks were not properly posted and some payroll deduction items were not properly identified and posted to the proper general ledger accounts.

**Criteria** - All transactions should be properly and timely recorded in the District's accounting records.

**Cause** - The employee assigned this duty had not been properly trained on the new financial software to record the payment of the payroll related payments to the proper general ledger accounts.

**Effect** - The accounting records were incomplete for payroll expense, payroll tax expense, and payroll tax liabilities for all interim financial reporting throughout the fiscal year.

**Recommendation** - The District should provide the proper training to insure that the payroll related payments are accurately post and reconcile all payroll transactions to the general ledger.



**STATE OF NEW MEXICO**  
**ANTHONY WATER AND SANITATION DISTRICT**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**Management's Response** - The District concurs with the recommendation and will provide training to their employees to properly record the payroll transactions in the general ledger and to perform regular reconciliations.

**2006-01 Financial Reports not timely submitted to DFA**

**Statement of Condition** – Quarterly financial reports for the fiscal year 2008/2009 were not timely submitted to the New Mexico Department of Finance and Administration's Local Government Division.

**Criteria** – NMSA 1978 Section 6-6-2 requires quarterly financial reports be submitted to the New Mexico Department of Finance and Administration's Local Government Division.

**Cause** - The District has not properly maintained and reconciled their general ledger throughout the year to allow accurate financial reports to be completed and submit to DFA.

**Effect** – The District is in noncompliance with NMSA 1978 Section 6-6-2. In addition, timely accurate financial statements were not available for management to utilize.

**Recommendation** - The District should maintain and reconcile the general ledger on a regular basis and timely prepare and submit the required quarterly financial reports to DFA.

**Management's Response** - The District concurs with the recommendation and will provide training to their employees to maintain and reconcile the general ledger on a regular basis and prepare and submit the required quarterly financial reports to DFA.

**2009-01 Recording Direct Pay Grant Activity**

**Statement of Condition** – Grant activity transactions that were directly paid to the vendors by the grantor were not recorded in the accounting records for the District.

**Criteria** – All financial activity should be recorded through the District's accounting records. Regular, periodic reconciliations between grant expenses and income should be made to ensure the accuracy and completeness of reported financial information.



**STATE OF NEW MEXICO**  
**ANTHONY WATER AND SANITATION DISTRICT**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**Cause** – Grant activity transactions that were directly paid to the vendors by the grantor did not flow through the District’s bank accounts and therefore the transactions were not posted to the accounting records.

**Effect** – Omitted grant activity transactions produce inaccurate financial reports.

**Recommendation** – We recommend the District record all grant income and expenses in the accounting records and regularly reconcile the actual grant activity to the general ledger.

**Management’s Response** – The District concurs and will make sure that all grant activity is recorded and reconciled.

**FINANCIAL STATEMENT PREPARATION:**

The financial statements together with the related notes and supplementary information were prepared by Beckham & Penner, P.C. for the District as of and for the year ended June 30, 2009; however, management acknowledges and accepts responsibility for the financial statements

**EXIT CONFERENCE:**

The exit conference was held September 20, 2010 and was attended by the following:

**From Anthony Water and Sanitation District:**

Elva Flores, Board Member  
Patrick Banegas, Superintendent  
Loren Shoonover, Office Manager

**From Beckham & Penner P.C. CPA’s:**

Rick Penner, CPA

