

State of New Mexico
Anthony Water
And Sanitation District

*Basic Financial Statements and
Required Supplementary Information
For the Year Ended June 30, 2017
and Independent Auditor's Report*

**STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT**

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JUNE 30, 2017**

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**STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT**

FUNCTION OF ENTITY & OFFICIAL ROSTER

The Anthony Water and Sanitation District (the "District") was organized on January 30, 1978 under the New Mexico Statutes Chapter 73 Article 21 to serve as a public use and promote the health, safety, prosperity, security and general welfare of the inhabitants of the 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 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 2,800 active meter customers.

BOARD OF DIRECTORS

Yolanda Alvarez
Ron Gillette
Veronica Rodriguez

Chairperson
Member
Member

ADMINISTRATIVE OFFICIALS

Jose Terrones
Robert Coleman

Superintendent
Office Manager

WATTS CPA, P.C.

INDEPENDENT AUDITOR'S REPORT

Wayne A. Johnson, New Mexico State Auditor
Members of the Board of Directors
Anthony Water and Sanitation District
Anthony, New Mexico

Report on Financial Statements

I have audited the accompanying financial statements of the business-type activities of Anthony Water and Sanitation District (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. I also have audited the budgetary comparisons presented as supplementary information for the year ended June 30, 2017, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the the business-type activities of Anthony Water and Sanitation District, as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, budgetary comparisons of Anthony Water and Sanitation District for the year ended June 30, 2017 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require the supplementary pension schedules on pages 29 to 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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.

Other Information

My audit was conducted for the purpose of forming opinions on Anthony Water and Sanitation District's financial statements and budgetary comparisons. The other schedules required by Section 2.2.2 NMAC and listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In my opinion, the other schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 12, 2017 on my consideration of the District's internal control over financial reporting and on my 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 my 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 in considering the District's internal control over financial reporting and compliance.

Watts CPA, P.C.

El Paso, Texas
December 12, 2017

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT**

**STATEMENT OF NET POSITION
JUNE 30, 2017**

ASSETS:

Current Assets

Cash and cash equivalents	\$ 496,677
Receivables from customers (net of allowance of \$22,250)	310,453
Grants receivable	75,438
Inventory of system parts and supplies	48,313
Prepaid expenses and insurance	28,533

Total current assets 959,414

Noncurrent assets

Restricted cash	2,452,362
Capital assets, net of accumulated depreciation	19,404,618
Intangible assets, net of accumulated amortization	547,200

Total noncurrent assets 22,404,180

Total assets 23,363,594

DEFERRED OUTFLOWS OF RESOURCES

Related to pension plan 270,377

Total assets and deferred outflows of resources \$ 23,633,971

LIABILITIES:

Current Liabilities:

Accounts payable vendors	\$ 37,232
Accounts payable construction	33,727
Accrued interest	5,200
Accrued payroll, taxes and benefits	20,740
Accrued compensated absences	46,577
Customer meter deposits	137,977
Current maturities of notes payable	158,226

Total current liabilities 439,679

Noncurrent Liabilities:

Notes payable	3,684,935
Net pension liability	679,007

Total liabilities 4,803,621

DEFERRED INFLOWS OF RESOURCES

Related to pension 25,702

Related to grant revenues 1,985,474

Total deferred inflows of resources 2,011,176

NET POSITION:

Net investment in capital assets	16,108,657
Restricted for debt service	388,280
Restricted for capital projects	78,608
Unrestricted	243,629

Total net position 16,819,174

Total liabilities, deferred inflows of resources and net position \$ 23,633,971

See accompanying notes to financial statements and independent auditor's report.

**STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

Operating Revenues:	
Charges for services	\$ 2,221,360
Other revenues	194,211
	<hr/>
Total operating revenues	2,415,571
	<hr/>
Operating Expenses:	
Personnel services and benefits	973,972
Operating expenses	931,151
Fuel and power	178,338
Depreciation	757,021
Amortization	31,800
	<hr/>
Total operating expenses	2,872,282
	<hr/>
Operating loss	(456,711)
	<hr/>
Non-Operating Revenues (Expenses):	
Interest income	4,096
Gain on sale of assets	8,002
Interest expense	(120,744)
	<hr/>
Total non-operating expenses	(108,646)
	<hr/>
Loss before capital contributions	(565,357)
	<hr/>
Capital Contributions:	
Grant revenues:	
State	689,643
Federal	33,922
	<hr/>
Total capital contributions	723,565
	<hr/>
Change in net position	158,208
	<hr/>
Net position - beginning of year	16,660,966
	<hr/>
Net position - end of year	\$ 16,819,174
	<hr/>

See accompanying notes to financial statements and independent auditor's report.

**STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

Cash Flows From Operating Activities:	
Cash received from customers	\$ 2,370,835
Cash payments to employees for services	(937,462)
Cash payments to vendors for goods and services	<u>(1,433,538)</u>
Net cash used in operating activities	<u>(165)</u>
Cash Flows From Capital and Related Financing Activities:	
Purchase and construction of capital assets	(738,859)
Payments on notes payable	(146,727)
Payments for interest on notes payable	(120,744)
Proceeds from capital grants	2,144,598
Proceeds from capital loans	<u>8,000</u>
Net cash provided by capital and related financing activities	<u>1,146,268</u>
Cash Flows From Investing Activities	
Interest received	<u>4,096</u>
Net cash provided by investing activities	<u>4,096</u>
Net increase in cash and cash equivalents	1,150,199
Cash and cash equivalents, beginning of year	<u>1,798,840</u>
Cash and cash equivalents, end of year	<u>\$ 2,949,039</u>
CASH ENDING:	
Cash	\$ 496,677
Restricted cash	<u>2,452,362</u>
Total cash reported in statement of net position	<u>\$ 2,949,039</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (456,711)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Depreciation	757,021
Amortization	31,800
Net pension expense	44,986
Change in:	
Accounts receivable	(7,717)
Inventory	(31,036)
Accounts payable and accrued liabilities	(332,525)
Meter deposits	<u>(5,983)</u>
Total adjustments	<u>456,546</u>
Net cash used in operating activities	<u>\$ (165)</u>

See accompanying notes to financial statements and independent auditor's report.

**STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Overview

The Anthony Water and Sanitation District (the "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 financial statements and notes are the representation of the District's management who is responsible for their integrity and objectivity. The following is a summary of the significant policies:

A. 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 operation, 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.

B. 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.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of American (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial principles. GASB periodically updates its codifications of the existing Governmental Accounting and Financial Standards which along with subsequent GASB pronouncements

(Statements and Interpretations), constitutes GAAP for governmental units.

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 consumers 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 expense 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 grants and investment earnings, result from nonexchange transactions. Grant revenues are recognized when the eligibility requirements are met. The reported net assets are segregated into invested 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.

D. 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

E. Restricted Cash

Restricted cash consists of the following: 1) funds set aside in a separate bank account and restricted through a Board of Directors resolution as required by the New Mexico Environment Department, New Mexico Finance Authority, and the Rural Utilities Service debt agreements. See Note 5 & 8.; 2) loan and grant proceeds held by the New Mexico Finance Authority to be used for specific construction projects and debt service; and 3) funds restricted for debt service and held by the New Mexico Finance Authority.

F. Accounts Receivable

Accounts receivable represents the amounts due from customers' water and sewer accounts. The allowance for doubtful accounts was \$22,250 at June 30, 2017. There was no change in the allowance for doubtful accounts during the year ended June 30, 2017. The allowance consists primarily of amounts owed by renters who have moved from the serviced property.

G. Inventory

Inventory consists 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.

H. 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/systems	20 - 50 years

I. Intangible Assets

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

J. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position reports deferred outflows of resources. This represents consumption of net position that applies to a future period, and will not be recognized as an outflow or resource (expenditure) until then. The District has deferred outflows related to the PERA pension as discussed in Note 9.

In addition to liabilities, the statement of net position reports deferred inflows of resources. This represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. The District has two types of deferred inflows; advances under expenditure driven grants which amounted to \$1,985,474 as of June 30, 2017, and deferred inflows related to the PERA pension as discussed in Note 9.

K. 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 Department of Finance and Administration - Local Government Division (DFA) and may be subsequently amended. DFA 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.

L. 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.

M. 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 required governments to recognize capital contributed 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 restricted for the acquisition or construction of capital assets were recorded as contributed capital.

N. Net Position

Net position comprises the various net earnings from operating, non-operating revenues and expenses, and deferred outflows and inflows of resources. Net position is classified in the following three components: net invested in capital assets; restricted; and unrestricted. Net invested in capital assets, 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 position 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 position consist of all other net asset not include in the above categories.

O. 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.

P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. New Accounting Pronouncements

During the year ended June 30, 2017, the District implemented the following new accounting pronouncements which did not have a material effect on the District's financial statements:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*
- GASB Statement No. 77, *Tax Abatement Disclosures*
- GASB Statement No. 78, *Pensions Provided Through Certain Multiple Employer Defined Benefit Plans*
- GASB Statement No 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*
- GASB Statement 82, *Pension Issues-an Amendment of GASB Statements no. 67, No. 68, and No. 73.*

The following pronouncements have been issued, but are not yet effective for the year ended June 30, 2017.

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*
- GASB Statement No. 83, *Certain Asset Retirement Obligations*
- GASB Statement No. 84, *Fiduciary Activities*
- GASB Statement No. 85, *Omnibus 2017*
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*
- GASB Statement No. 87, *Leases*

The District is evaluating the effect that these statements will have in upcoming years.

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 must follow the above investment policies.

New Mexico State Statutes require collateral pledged for deposits in excess of 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 Corporation public unit, deposits are funds owned by the District. 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 the 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, 2017:

Total deposits in bank	\$ 842,511
Less FDIC coverage	<u>(591,431)</u>
Uninsured public funds	251,080
Pledged Collateral held by the pledging bank's trust department or agent in the District's name	<u>982,960</u>
Uninsured and uncollateralized	<u>\$ -</u>

As of June 30, 2017, the District's bank balances were exposed to custodial credit risk. The amount above identified as uninsured \$251,080 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.

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

Account	Account Type	1st New Mexico Bank	Bank of the West	White Sands FCU	Citizens Bank	Total Balance per Bank
Water/Sewer General	Demand	\$ 261,684	\$ -	\$ -	\$ -	\$ 261,684
Water Tap	Demand	62,675	-	-	-	62,675
Safe Water	Demand	78,407	-	-	-	78,407
Payroll Checking	Demand	30,774	-	-	-	30,774
Projects Account	Demand	-	-	80,318	-	80,318
Projects RUS	Demand	559	-	-	-	559
Safe Water	Demand	-	11,113	-	-	11,113
Debt Service MM	Time	-	-	-	316,981	316,981
Total amounts of deposits		434,099	11,113	80,318	316,981	842,511
FDIC Coverage		<u>250,000</u>	<u>11,113</u>	<u>80,318</u>	<u>250,000</u>	<u>591,431</u>
Total uninsured public funds		184,099	-	-	66,981	251,080
Pledged collateral held by the pledging bank's trust department or agent in the District's name		<u>782,800</u>	<u>-</u>	<u>-</u>	<u>200,160</u>	<u>982,960</u>
Uninsured and uncollateralized		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
50% pledged collateral requirement		\$ 92,050	\$ -	\$ -	\$ 33,491	
Total pledged collateral		<u>782,800</u>	<u>-</u>	<u>-</u>	<u>200,160</u>	
Pledged collateral exceeding the requirements		<u>\$ 690,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 166,669</u>	

A description of the pledged collateral as of June 30, 2017 is as follows:

Description	CUSIP#	Maturity	Market Value
1st New Mexico Bank:			
Alamogordo NM BRH Cmnty Clg	011450CS0	8/1/2022	\$ 305,929
Clovis NM GRT Rev	189387CN1	5/01/2025	209,741
Southern Sandoval NM Flood CTL	843789EJ3	10/01/2018	<u>267,130</u>
Total 1st New Mexico Bank			<u>\$782,800</u>
Citizen's Bank:			
FHLB	N/A	06/09/2017	<u>\$ 200,160</u>
Total Citizen's Bank			<u>\$200,160</u>

The various bank account reconciliations as of June 30, 2017 are as follows:

Account	Account Type	Balance per Bank	Deposits in Transit	Outstanding Checks	Total Balance per Bank
Water/Sewer General	Demand	\$ 261,684	\$ 128	\$ -	\$ 261,812
Water Tap	Demand	62,675	2,863	-	65,538
Safe Water	Demand	78,407	3,258	53,933	27,732
Payroll Checking	Demand	30,774	-	2,828	27,946
Projects Account	Demand	80,318	-	1,022	79,296
Projects RUS	Demand	559	-	-	559
Safe Water	Demand	11,113	-	-	11,113
Debt Service Money Market	Time	<u>316,981</u>	<u>-</u>	<u>-</u>	<u>316,981</u>
Total amounts of deposits		<u>\$ 842,511</u>	<u>\$ 6,249</u>	<u>\$ 57,783</u>	790,977
Cash held by NMFA					2,157,162
Petty Cash					<u>900</u>
Total cash					<u>\$ 2,949,039</u>
Total as Reported in the Financial Statements:					
Statement of Net Position:					
Cash and cash equivalent					\$ 496,677
Restricted cash					<u>2,452,362</u>
Total cash per financial statements					<u>\$ 2,949,039</u>

3. CAPITAL ASSETS

Capital assets consist of the following as of June 30, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type capital assets, not being depreciated				
Land, well sites, and easements	\$ 1,261,559	\$ -	\$ -	\$ 1,261,559
Construction in progress	848,508	663,537	-	1,512,045
Total capital assets, not being depreciated	<u>2,110,067</u>	<u>663,537</u>	<u>-</u>	<u>2,773,604</u>
Business-type capital assets, being depreciated				
Buildings and landscaping	1,385,076	25,000	-	1,410,076
Water and sewer plant/system	24,408,154	-	-	24,408,154
Equipment and vehicles	1,482,389	50,321	(99,809)	1,432,901
Total business-type capital assets, being depreciated	<u>27,275,619</u>	<u>75,321</u>	<u>(99,809)</u>	<u>27,251,131</u>
Less accumulated depreciation for:				
Buildings and landscaping	648,294	50,882	-	699,176
Water and sewer plant/system	8,313,599	568,134	-	8,881,733
Equipment and vehicles	1,001,013	138,004	(99,809)	1,039,208
Total accumulated depreciation	<u>9,962,906</u>	<u>757,020</u>	<u>(99,809)</u>	<u>10,620,117</u>
Total capital assets being depreciated, net	<u>17,312,713</u>	<u>(681,699)</u>	<u>-</u>	<u>16,631,014</u>
Business-type capital assets, net	<u>\$ 19,422,780</u>	<u>\$ (18,162)</u>	<u>\$ -</u>	<u>\$ 19,404,618</u>
Intangible Assets:				
Water rights	\$ 1,272,000	\$ -	\$ -	\$ 1,272,000
Less accumulated amortization	693,000	31,800	-	724,800
Total capital assets, not being depreciated	<u>579,000</u>	<u>(31,800)</u>	<u>-</u>	<u>547,200</u>
Total Capital Assets	<u>\$ 20,001,780</u>	<u>\$ (49,962)</u>	<u>\$ -</u>	<u>\$ 19,951,818</u>

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 issue.

5. LONG TERM OBLIGATIONS

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

Note payable Rural Development, Department of Agriculture dated September 16, 1993, maturing June 16, 2033, payable in monthly installments of \$9,631, including interest at 5.25 % secured by the revenues of the water system.

The loan agreement with the Department of Agriculture requires 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 facility cash by a catastrophe or for extensions or improvements to the facility. The reserve has been fully funded.

\$ 1,246,649

Note payable New Mexico Finance Authority (NMFA) dated June 1, 2015 in the amount of \$982,356, maturity April 1, 2038, payable in monthly installments of \$6,798, including interest at .25%, secured by revenues of the system.

The note payable with NMFA requires a reserve account in the amount of \$70,645 for debt service. The reserve funds are held by NMFA and the reserve has been fully funded.

888,824

Note payable Rural Development, Department of Agriculture dated March 7, 2012, maturing March 7, 2052, payable in monthly installments of \$4,733, including interest at 2.250%, secured by the revenues of the water system.

The loan agreement with the Department of Agriculture requires a reserve account to be funded at the rate of \$579 per month until \$69,516 is accumulated in the account. The funds may be withdrawn with the prior written approval of the Federal Government for repairs to the facility cash by a catastrophe or for extensions or improvements to the facility. The reserve has been fully funded to \$29,544 which equals the required reserve at June 30, 2016.

1,326,848

Note payable New Mexico Finance Authority dated September 28, 2007, maturing June 1, 2027, payable in annual installments of \$3,911, including interest at .25%, secured by the revenues of the system. There are no reserve requirements.

38,582

Note payable New Mexico Finance Authority dated July 23, 2010, maturing June 23, 2030, payable in annual installments of \$5,132, including interest at .25%, secured by the revenues of the system. There are no reserve requirements.

65,567

Note payable New Mexico Finance Authority dated April 10, 2015 in the amount of \$10,000, maturing June 1, 2034, payable in annual installments of \$531, including interest at .25%, secured by the revenues of the system. There are no reserve requirements.

8,718

Note payable New Mexico Finance Authority dated December 21, 2012, maturity June 1, 2034, payable in monthly installments of \$1,082 beginning November 21, 2014, including interest at .25% secured by revenues of the system. There are no reserve requirements. There was a two year construction period for the district wide upgrade of water meters. The total project was for \$850,000 funded by this \$212,500 loan and a grant of \$637,500. The project has been completed.	185,057
Note payable New Mexico Finance Authority dated June 24, 2016, maturity June 1, 2036, payable in annual principal only installments of \$3,943 beginning June 1, 2017, secured by revenues of the system. There are no reserve requirements.	74,916
Note payable New Mexico Finance Authority dated October 28, 2016, maturity June 1, 2038, payable in annual principal only installments of \$7,500 beginning June 1, 2019, secured by revenues of the system. There are no reserve requirements.	<u>8,000</u>
Total debt	3,843,161
Less current portion of long-term debt	<u>158,226</u>
Total long-term debt	<u>\$ 3,684,935</u>

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

Years Ending	Interest	Principal
June 30, 2018	\$ 117,016	\$ 158,226
June 30, 2019	112,992	155,231
June 30, 2020	109,175	159,049
June 30, 2021	104,062	163,663
June 30, 2022 - 2026	440,997	896,086
June 30, 2027 - 2031	290,924	917,813
June 30, 2032 - 2036	174,771	641,046
June 30, 2037 - 2041	68,557	281,431
June 30, 2042 - 2046	39,678	244,302
June 30, 2047 - 2051	11,008	226,314
Total	<u>\$ 1,469,180</u>	<u>\$ 3,843,161</u>

Changes in long-term debt activity for the ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reduction	Ending Balance	Due Within One Year
USDA Rural Development	\$ 1,295,370	\$ -	\$ 48,721	\$ 1,246,649	\$ 51,347
NM Finance Authority	936,606	-	47,782	888,824	48,245
USDA Rural Development	1,353,463	-	26,615	1,326,848	27,222
NM Finance Authority - WTB	42,387	-	3,805	38,582	3,815
NM Finance Authority - WTB	70,523	-	4,956	65,567	4,968
NM Finance Authority - WTB	9,231	-	513	8,718	513
NM Finance Authority - WTB	195,700	-	10,643	185,057	10,673
NM Finance Authority - WTB	78,608	-	3,692	74,916	3,943
NM Finance Authority - WTB	-	<u>8,000</u>	<u>-</u>	<u>8,000</u>	<u>7,500</u>
Total notes payable	<u>\$ 3,981,888</u>	<u>\$ 8,000</u>	<u>\$ 146,727</u>	<u>\$ 3,843,161</u>	<u>\$ 158,226</u>

6. COMPENSATED ABSENCES

Following is a schedule of changes in compensated absences for the year ended June 30, 2017:

	Beginning Balance	Additions	Reduction	Ending Balance	Due Within One Year
Compensated absences	<u>\$ 52,921</u>	<u>\$ 38,485</u>	<u>\$ 44,829</u>	<u>\$ 46,577</u>	<u>\$ 46,577</u>

7. RISK MANAGEMENT

The District covers its insurance needs through various insurance policies. The coverage includes worker's compensation, general liability, buildings and improvements, personal property, automobiles, directors' and officers' liability, and employee bonds. 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.

8. NET POSITION

Net Position represents the difference between assets, deferred outflows, liabilities and deferred inflows. The net position amounts at June 30, 2017 were as follows:

Net Investment in capital assets:	
Net Property and equipment in service	\$ 19,951,818
Less: note payable	<u>(3,843,161)</u>
Net Investment in Capital Asset	<u>16,108,657</u>
Restricted - Debt Service	
Rural Development Debt dated 09/16/1993 R&R Reserve	121,610
Rural Development Debt dated 03/07/2012 R&R Reserve	36,496
NM Finance Authority Debt dated 06/01/2015 Debt Service Reserve	71,298
Border Environmental Infrastructure Fund Grant 08/10/11 O&M Reserve	36,849
Border Environmental Infrastructure Fund Grant 08/10/11 R&R Reserve	98,724
Excess Funds in Reserve	<u>23,303</u>
Total Restricted - Debt Service	<u>388,280</u>
Restricted - Capital Projects	
NMFA Program Funds and Grant Funds	786,082
NMFA Program Funds	1,278,000
Less: deferred outflows related to grant revenues	<u>(1,985,474)</u>
	<u>78,608</u>
Unrestricted	<u>243,629</u>
Total net position	<u>\$ 16,819,174</u>

9. PERA PENSION PLAN

General Information about the Pension Plan

Plan description. The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

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

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2016 available at:
https://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2016.pdf

Contributions. The contribution requirements of defined benefit plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY16 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 43 of the PERA FY16 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2016.pdf. The PERA coverage options that apply to the District is the Municipal General Division. Statutorily required contributions to the pension plan from the District were \$33,489 and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2016.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative

members. The District's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2016. Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2016 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General, at June 30, 2017, the District reported a liability of \$679,007 for its proportionate share of the net pension liability. At June 30, 2017, the District's proportion was .0425 percent, which was a decrease from its proportion measured as of June 30, 2016, which was .0449 percent.

For the year ended June 30, 2017, the District recognized PERA Fund Division Municipal General pension expense of \$72,755. At June 30, 2017, the District reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 33,926	\$ 6,627
Change in assumptions	39,816	113
Net difference between projected and actual earnings on pension plan investments	124,936	-
Changes in proportion and differences between District contributions and proportionate share of contributions	37,209	18,962
District contributions subsequent to the measurement date	<u>34,490</u>	<u>-</u>
Total	<u>\$ 270,377</u>	<u>\$ 25,702</u>

\$34,490 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	52,400
2019	52,400
2020	74,324
2021	31,061
Thereafter	-

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2015 for each of

the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2016. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2016 actuarial valuation.

Actual valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based of statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
• Investment rate of return	7.48 % annual rate, net of investment expense
• Payroll growth	2.75% for the first 10 years, then 3.25% annual rate
• Projected salary increases	2.75% to 14.00% annual rate
• Included inflation at	2.25% annual rate for first 10 years 2.75% all other years
• Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirements, Employee table for active members, and Disabled table for disabled retirees before retirement age) with protection to 2018 using Scale AA
• Experience study dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 30, 2015 (economic)

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

All Funds - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.5%	7.39%
Risk Reduction & Mitigation	21.5	1.79
Credit Oriented Fixed Income	15.0	5.77
Real Assets	20.0	7.35
Total	<u>100.00%</u>	

Discount rate: A select and ultimate rate of return assumption has been adopted funding purposes. The rate is 7.25% for the first 10 years (select period) and 7.75% for all other years (ultimate). The equivalent blended rate is 7.48% and will be used as the discount rate used to measure the total pension liability. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to

provide all projected future benefit payments of current plan members as determined in accordance with GASB Statement No. 67. Therefore, the 7.48% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the District's net pension liability in each PERA Fund Division that the District participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.48%) or one percentage point higher (8.48%) than the single discount rate.

PERA Fund Division Municipal General	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
The District's proportionate share of the net pension liability	\$ 1,012,339	\$ 679,007	\$ 402,525

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY16 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

10. CONSTRUCTION PROJECTS IN PROGRESS

The District has purchased land for the development of a multi-purpose community and farmer's complex, which is expected to cost approximately \$4,500,000. The project will be financed with state and local grants. \$712,976 has been received and expended as of June 30, 2017. The project is in the construction phase.

The District has begun a major sewer lift station project, which is expected to cost approximately \$1,500,000. The project is expected to be financed with state and federal grants. \$336,742 has been received and expended as of June 30, 2017. The project is still in the planning and design process.

The District has begun a major waste water treatment plant project, which is expected to cost approximately \$20,000,000. The project is expected to be financed with state and federal grants. \$241,158 has been received and expended as of June 30, 2017. The project is still in the planning and design process.

The District has begun a major water system improvement project, which is expected to cost approximately \$3,000,000. The project is expected to be financed with state and federal grants. \$221,168 has been received and expended as of June 30, 2017. The project is still in the planning and design 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.

11. 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 contract 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 with 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.

12. SUBSEQUENT REVIEW

Anthony Water and Sanitation District has evaluated subsequent events through December 12, 2017, which is the date the financial statements were available to be issued.

13. NEW MEXICO RETIRE HEALTHCARE

The District does not participate in the NM Retirement Health Care Act.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT**

**STATEMENT OF RECEIPTS AND DISBURSEMENTS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Favorable (Unfavorable)
RECEIPTS:				
Operating revenues:				
Charges for services	\$ 2,317,579	\$ 2,317,579	\$ 2,213,643	\$ (103,936)
Other revenues	249,477	249,477	194,211	(55,266)
Non-operating revenues				
Interest income	3,000	3,000	4,096	1,096
Gain on sale of assets	-	-	8,002	8,002
Grants and loans	4,803,098	5,057,400	874,593	(4,182,807)
	<u>7,373,154</u>	<u>7,627,456</u>	<u>3,294,545</u>	<u>(4,332,911)</u>
Total receipts				
	<u>7,373,154</u>	<u>7,627,456</u>	<u>3,294,545</u>	<u>(4,332,911)</u>
DISBURSEMENTS:				
Operating expenses:				
Personnel services and benefits	1,028,393	1,028,393	982,448	45,945
Operations	884,928	884,928	969,376	(84,448)
Fuel and power	307,590	307,590	178,338	129,252
Non-operating disbursements				
Debt payments - principal	263,779	263,779	146,727	117,052
Debt payments - interest	-	-	120,744	(120,744)
Debt reserve	60,366	60,366	-	60,366
Capital outlay - other than grants	25,000	25,000	20,773	4,227
Capital outlay - grants and loans	4,803,098	5,057,400	718,086	4,339,314
	<u>7,373,154</u>	<u>7,627,456</u>	<u>3,136,492</u>	<u>4,490,964</u>
Total disbursements				
	<u>7,373,154</u>	<u>7,627,456</u>	<u>3,136,492</u>	<u>4,490,964</u>
Excess receipts over (under) disbursements	<u>-</u>	<u>-</u>	<u>158,053</u>	<u>158,053</u>
Beginning unrestricted cash			<u>619,698</u>	
Ending unrestricted cash			<u>\$ 777,751</u>	
Reconciliation of budgetary basis to GAAP basis:				
Net excess receipts over (under) disbursements budgetary basis			\$ 158,053	
Net revenue accruals			(143,311)	
Net expenditure accruals			46,701	
Capital outlay			738,859	
Depreciation			(788,821)	
Principal payments on debt			146,727	
Change in net position GAAP basis			<u>\$ 158,208</u>	

See accompanying notes to financial statements and independent auditor's report.

REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF
PERA FUND DIVISION MUNICIPAL GENERAL
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS***

JUNE 30, 2017

	2017	2016	2015
District's proportion of the net pension liability	0.0425%	0.04494%	0.0384%
District's proportionate share of the net pension liability	\$ 679,007	\$ 457,794	\$ 299,561
District's covered employee payroll	\$ 452,551	\$ 469,903	\$ 407,916
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	150%	97%	73%
Plan fiduciary net position as a percentage of the total pension liability	69%	77%	81%

* The amounts presented were determined as of June 30, using the prior June 30 fiscal year as the measurement date. This schedule is presented to illustrate the requirements to show information for 10 years, however, until a full 10 year trend is completed, the District will present information for those years for which information is available.

See accompanying notes to financial statements and independent auditor's report.

**STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT**

**SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA FUND DIVISION MUNICIPAL GENERAL
LAST 10 FISCAL YEARS***

JUNE 30, 2017

	2017	2016	2015
Contractually required contributions	\$ 33,489	\$ 41,494	\$ 35,483
Contributions in relation to contractually required contribution	<u>33,489</u>	<u>41,494</u>	<u>35,483</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 452,551	\$ 469,903	\$ 407,916
Contributions as a percentage of covered employee payroll	7.4%	8.8%	8.7%

* This schedule is presented to illustrate the requirements to show information for 10 years however, until a for 10 year-trend is completed, the District will present information for those years for which information is available.

See accompanying notes to financial statements and independent auditor's report.

**STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY16 audit available at https://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2016.pdf.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2016-PERA-Valuation-Report-FINAL.pdf>. For details about changes in the actuarial assumptions see the report. For a description of actuarial assumptions, see Appendix B of the report.

OTHER SUPPLEMENTAL INFORMATION

**STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT**

**SCHEDULE OF LEGISLATIVE APPROPRIATIONS
FOR THE YEAR ENDED JUNE 30, 2017**

	16-A4035 STB	16-A2414 STB	SAP 14-L-1905	SAP 15-0758
Original appropriation	\$ 250,000	\$ 180,000	\$ 140,000	\$ 200,000
Funds reverted	-	-	-	-
Appropriation remaining	<u>\$ 250,000</u>	<u>\$ 180,000</u>	<u>\$ 140,000</u>	<u>\$ 200,000</u>
Expended through June 30, 2017	\$ 63,297	\$ 110,747	\$ 140,000	\$ 200,000
Encumbrances	-	33,727	-	-
Total committed	<u>\$ 63,297</u>	<u>\$ 144,474</u>	<u>\$ 140,000</u>	<u>\$ 200,000</u>
Project expiration date	June 30, 2019	Sept. 1, 2019	June 30, 2018	Dec. 31, 2019

See accompanying notes to financial statements and independent auditor's report.

COMPLIANCE SECTION

WATTS CPA, P.C.

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

Wayne A. Johnson, New Mexico State Auditor and
Members of the Board of Directors
Anthony Water and Sanitation District
Anthony, New Mexico

I 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 Anthony Water and Sanitation District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the related budget comparisons of the District, presented as supplemental information, and have issued my report thereon dated December 12, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit, of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Watts CPA, P.C.

El Paso, Texas
December 12, 2017

**STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

CURRENT YEAR FINDINGS:

None

STATUS OF PRIOR YEAR FINDINGS

None

**STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT**

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2017**

An exit conference was conducted on December 12, 2017 with the following individuals in attendance:

Anthony Water and Sanitation District

Veronica Rodriguez
Jose Terrones
Robert Coleman
Victor Chavarria

Board Member
Superintendent
Office Manager
Accountant - IT

Watts CPA, P.C.

Brad Watts

Shareholder

Financial Statement Preparation

The financial statements were prepared by Watts CPA, P.C. from the books and records of the Anthony Water and Sanitation District. However, the contents of these financial statements remain the responsibility of the District's management.