

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

JUNE 30, 2011

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

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
TABLE OF CONTENTS
JUNE 30, 2011

| | <u>PAGE</u> |
|---|-------------|
| Table of Contents | 2 |
| Function of Entity & Official Roster | 3 |
| Financial Section: | |
| Independent Auditors' Report | 4 |
| Financial Statements: | |
| Statement of Net Assets | 6 |
| Statement of Revenues, Expenses and Changes in Net Assets | 7 |
| Statement of Cash Flows | 8 |
| Notes to Financial Statements | 9 |
| Supplementary Information: | |
| Statement of Receipts and Disbursements Budget (Non-GAAP Budgetary Basis) and Actual (Cash Basis) | 24 |
| Compliance Section: | |
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i> | 25 |
| Schedule of Findings and Responses | 27 |
| Exit Conference | 29 |

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
FUNCTION OF ENTITY & OFFICIAL ROSTER
JUNE 30, 2011

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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SOCORRO, NEW MEXICO 87801

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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, 2011, 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, 2011, 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 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, 2011, and the respective changes in financial position, and cash flows thereof 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, 2011 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 December 5, 2011, 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.



December 5, 2011

Beckham & Penner P.C.

Certified Public Accountants

STATE OF NEW MEXICO
 ANTHONY WATER AND SANITATION DISTRICT
 STATEMENT OF NET ASSETS
 as of 6/30/2011

ASSETS

Current Assets:

| | |
|---|----------------|
| Cash and cash equivalents | \$ 356,966 |
| Receivable from customers (net of allowance \$22,250) | 70,738 |
| Grants Receivable | 232,389 |
| Inventory of system parts & supplies | 14,950 |
| Prepaid expenses & insurance | 11,714 |
| Total current assets | <u>686,757</u> |

Other Assets

| | |
|--|-------------------|
| Restricted cash - debt reserves | 207,693 |
| Capital assets not being depreciated | 1,567,673 |
| Capital assets (net of accumulated depreciation of \$7,218,019) | 10,070,575 |
| Intangible assets (net of accumulated amortization of \$534,000) | 738,000 |
| Total other assets | <u>12,583,941</u> |

| | |
|--------------|-----------------------------|
| Total assets | <u><u>\$ 13,270,698</u></u> |
|--------------|-----------------------------|

LIABILITIES AND NET ASSETS

Current Liabilities:

| | |
|--|----------------|
| Accounts payable vendors | \$ 82,930 |
| Accounts payable construction | 232,389 |
| Accrued interest | 5,930 |
| Accrued taxes and benefits | 34,954 |
| Accrued payroll and compensated absences | 49,726 |
| Customer meter deposits | 126,693 |
| Notes payable, current portion | 64,687 |
| Total current liabilities | <u>597,309</u> |

Long-Term Liabilities:

| | |
|---------------------------------------|------------------|
| Notes payable, net of current portion | <u>2,324,809</u> |
|---------------------------------------|------------------|

Net Assets:

| | |
|---|-----------|
| Invested in capital assets, net of related debt | 9,754,363 |
| Restricted: | |
| Debt Service | 207,693 |
| Unrestricted | 386,524 |

| | |
|------------------|-------------------|
| Total net assets | <u>10,348,580</u> |
|------------------|-------------------|

| | |
|----------------------------------|-----------------------------|
| Total liabilities and net assets | <u><u>\$ 13,270,698</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 REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011

| | |
|--|-----------------------------|
| Operating Revenues: | |
| Charges for services | \$ 1,772,194 |
| Other revenues | 14,745 |
| Total operating revenues | <u>1,786,939</u> |
| Operating Expenses: | |
| Personnel services and benefits | 709,700 |
| Operating expenses | 684,782 |
| Fuel & Power | 262,014 |
| Depreciation | 505,593 |
| Amortization | 31,800 |
| Allowance for bad debts | 0 |
| Total operating expenses | <u>2,193,889</u> |
| Operating income (loss) | <u>(406,950)</u> |
| Non-Operating Revenues (Expenses): | |
| Gain on sale of capital assets | 0 |
| Interest income | 4,286 |
| Interest expense | (113,410) |
| Total non-operating revenues (expenses) | <u>(109,124)</u> |
| Income (loss) before capital contributions | <u>(516,074)</u> |
| Capital Contributions: | |
| Grant Revenues: | |
| State | 244,190 |
| Federal | 179,099 |
| Total capital contributions | <u>423,289</u> |
| Change in net assets | (92,785) |
| Net assets - beginning of year | 10,441,365 |
| Net assets - end of year | <u><u>\$ 10,348,580</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, 2011

| | |
|---|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Cash received from customers & others | \$ 1,898,237 |
| Cash paid to suppliers for goods and services | (950,436) |
| Cash paid to and on behalf of employees | (718,440) |
| Net cash provided by operating activities | <u>229,361</u> |

| | |
|--|------------------|
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Acquisition and construction of capital assets | (405,011) |
| Principal paid on notes payable | (81,060) |
| Interest paid on notes payable | (111,206) |
| Proceeds from capital grants | 387,905 |
| Proceeds from capital loans | 100,000 |
| Proceeds from sale of capital assets | 0 |
| Increase in customer meter deposits | 3,378 |
| Net cash used for capital and related financing activities | <u>(105,994)</u> |

| | |
|---|--------------|
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Interest on investments | 4,286 |
| Net cash provided by investing activities | <u>4,286</u> |

Net increase in cash 127,653

Cash, Beginning of year 437,006

Cash, End of year \$ 564,659

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

| | |
|--|-------------------|
| Operating income (loss) | (406,950) |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Depreciation | 505,593 |
| Amortization | 31,800 |
| Allowance for bad debts | 0 |
| Change in Assets and Liabilities: | |
| Change in accounts receivable | 111,298 |
| Change in supply inventory and prepaid insurance | 6,601 |
| Change in accounts payable and accrued expenses | (18,981) |
| Net cash provided by operating activities | <u>\$ 229,361</u> |

CASH ENDING:

| | |
|--|-------------------|
| Cash | 356,966 |
| Restricted cash | 207,693 |
| Total cash reported in the Statement of Net Assets | <u>\$ 564,659</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, 2011

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, 2011

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 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 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, 2011

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, 2011

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, 2011

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, 2011

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. 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, 2011.

| | |
|---|----------------------|
| Total of deposits in bank | \$ 582,743 |
| Less FDIC coverage | <u>(516,118)</u> |
| Uninsured public funds | \$ 66,625 |
| Pledged Collateral held by the pledging bank's trust department or agent but not in the District's name | <u>(105,618)</u> |
| Uninsured and uncollateralized | \$ <u><u>-0-</u></u> |

As of June 30, 2011, the District's bank balances were exposed to custodial credit risk. The amount above identified as uninsured (\$66,625) 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, 2011

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 |
|---|--------------|---------------------------------|------------------|----------------------------------|----------------|-------------------------|
| | | 1 st New Mexico Bank | Bank of the West | White Sands Federal Credit Union | Citizens Bank | |
| Water/Sewer General | Demand | \$ 9,770 | \$ 0 | \$ 0 | \$ 0 | \$ 9,770 |
| Water Tap | Demand | 5,698 | 0 | 0 | 0 | 5,698 |
| Safe Water | Demand | 6,432 | 0 | 0 | 0 | 6,432 |
| Payroll Checking | Demand | 16,234 | 0 | 0 | 0 | 16,234 |
| Projects Regular | Demand | 0 | 0 | 42,907 | 0 | 42,907 |
| Projects BECC | Demand | 600 | 0 | 0 | 0 | 600 |
| Projects RUS | Demand | 595 | 0 | 0 | 0 | 595 |
| NMFA Loan Funds | Demand | 0 | 100,000 | 0 | 0 | 100,000 |
| Safe Water | Demand | 0 | 40,800 | 0 | 0 | 40,800 |
| Projects Water | Time | 0 | 0 | 14,501 | 0 | 14,501 |
| Projects Water | Time | 0 | 0 | 28,581 | 0 | 28,581 |
| Debt Service Money Market | Time | 0 | 0 | 0 | 316,625 | 316,625 |
| <i>Total amount of deposits</i> | | 39,329 | 140,800 | 85,989 | 316,625 | 582,743 |
| FDIC coverage | | <u>39,329</u> | <u>140,800</u> | <u>85,989</u> | <u>250,000</u> | <u>516,118</u> |
| <i>Total uninsured public funds</i> | | <u>0</u> | <u>0</u> | <u>0</u> | <u>66,625</u> | <u>66,625</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>105,618</u> | |
| Over (under) collateralization | | <u>0</u> | <u>0</u> | <u>0</u> | <u>38,993</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 \$105,618.

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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 | \$ 9,770 | \$ 4,675 | \$ 8,199 | \$ 6,246 |
| Water Tap | Demand | 5,698 | 225 | 0 | 5,923 |
| Safe Water | Demand | 6,432 | 228 | 0 | 6,660 |
| Payroll Checking | Demand | 16,234 | 0 | 15,813 | 421 |
| Projects Regular | Demand | 42,907 | 0 | 0 | 42,907 |
| Projects BECC | Demand | 600 | 0 | 0 | 600 |
| Projects RUS | Demand | 595 | 0 | 0 | 595 |
| NMFA Loan Funds | Demand | 100,000 | 0 | 0 | 100,000 |
| Safe Water | Demand | 40,800 | 0 | 0 | 40,800 |
| Projects Water | Time | 14,501 | 0 | 0 | 14,501 |
| Projects Water | Time | 28,581 | 0 | 0 | 28,581 |
| Debt Service Money Market | Time | <u>316,625</u> | <u>0</u> | <u>0</u> | <u>316,625</u> |
| <i>Total amount of deposits</i> | | <u>582,743</u> | <u>5,128</u> | <u>24,012</u> | 563,859 |
| Petty Cash | | | | | <u>800</u> |
| Total Reconciled Cash Balances Per Books | | | | | <u>\$564,659</u> |
| Total as Reported in the Financial Statements: | | | | | |
| Statement of Net Assets | | | | | |
| Cash and cash equivalent | | | | | \$356,966 |
| Restricted cash – debt reserve | | | | | <u>207,693</u> |
| Total cash per financial statements | | | | | <u>\$564,659</u> |

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3. CAPITAL ASSETS

Capital assets consisted of the following as of June 30, 2011:

| | <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 | \$ 1,156,185 | \$ 0 | \$ 0 | \$ 1,156,185 |
| Construction in process | <u>183,651</u> | <u>423,291</u> | <u>195,454</u> | <u>411,488</u> |
| <i>Total capital assets, not being depreciated</i> | <u>1,339,836</u> | <u>423,291</u> | <u>195,454</u> | <u>1,567,673</u> |
| Business-type capital assets, being depreciated: | | | | |
| Buildings & Landscaping | 1,183,650 | 195,454 | 0 | 1,379,104 |
| Water and sewer plant/system | 15,005,371 | 0 | 0 | 15,005,371 |
| Equipment and vehicles | <u>883,266</u> | <u>20,853</u> | <u>0</u> | <u>904,119</u> |
| <i>Total business-type capital assets, being depreciated</i> | <u>17,072,287</u> | <u>216,307</u> | <u>0</u> | <u>17,288,594</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 335,585 | 47,821 | 0 | 383,406 |
| Water and sewer plant/system | 5,675,233 | 395,494 | 0 | 6,070,727 |
| Equipment and vehicles | <u>701,608</u> | <u>62,278</u> | <u>0</u> | <u>763,886</u> |
| <i>Total accumulated depreciated</i> | <u>6,712,426</u> | <u>505,593</u> | <u>0</u> | <u>7,218,019</u> |
| <i>Business-type capital assets, net</i> | <u>\$11,699,697</u> | <u>\$134,005</u> | <u>\$195,454</u> | <u>\$11,638,248</u> |
| <u>Intangible Assets</u> | | | | |
| Water rights | \$ 1,272,000 | \$ 0 | \$ 0 | \$ 1,272,000 |
| Less accumulated amortization | <u>502,200</u> | <u>31,800</u> | <u>0</u> | <u>534,000</u> |
| <i>Intangible assets, net</i> | <u>\$ 769,800</u> | <u>(31,800)</u> | <u>\$ 0</u> | <u>\$ 738,000</u> |
| <i>TOTAL CAPITAL ASSETS</i> | <u>\$12,469,497</u> | <u>\$102,205</u> | <u>\$195,454</u> | <u>\$12,376,248</u> |

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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. \$1,504,118

The note payable to the Department of Agriculture contains a requirement for 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. The final note payment was made March 1, 2011. 0

The loan agreement with the New Mexico Environmental Department required a repair and replacement sewer reserve fund of \$31,000. The reserve was fully funded.

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. 222,057

The loan agreement with the Rural Development requires 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 \$11,417 which equals the required reserve.

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. 320,894

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5. LONG-TERM DEBT (CONTINUED)

The loan agreement with the Rural Development requires a Reserve Account 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 \$9,156 which equals the required reserve.

| | |
|---|---------|
| 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. | 177,407 |
|---|---------|

The loan agreement with the Rural Development requires a Debt Service Reserve Account be funded at the rate of \$78.00 per month until \$37,440 is accumulated in the account and a Replacement Reserve Account 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 began on 08/16/2008. The reserves have been funded to the current required amounts of \$2,730 for the Debt Service Reserve and \$31,780 for the Replacement Reserve.

| | |
|---|--------|
| Note payable New Mexico Finance Authority dated September 28, 2007, maturing June 1, 2027, payable in annual installments of \$3,911.22, including interest at .25%, secured by the gross income and revenues of the system. There are no reserve requirements. | 65,020 |
|---|--------|

| | |
|--|---------|
| Note payable New Mexico Finance Authority dated July 23, 2010, maturing June 1, 2030, payable in annual installments of \$5,132.32, including interest at .25%, secured by the gross income and revenues of the system. There are no reserve requirements. | 100,000 |
|--|---------|

| | |
|-----------------------|--------------------|
| TOTAL DEBT | 2,389,496 |
| Less current portion | 64,687 |
| Long-term liabilities | <u>\$2,324,809</u> |

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2012 | \$ 109,471 | \$ 64,687 |
| June 30, 2013 | 106,621 | 58,530 |
| June 30, 2014 | 104,020 | 61,131 |
| June 30, 2015 | 101,285 | 63,866 |
| June 30, 2016 | 98,409 | 66,744 |
| June 30, 2017 - 2021 | 443,403 | 382,355 |
| June 30, 2022 - 2026 | 345,530 | 480,229 |
| June 30, 2027 - 2031 | 219,509 | 585,472 |
| June 30, 2032 - 2036 | 86,390 | 341,274 |
| June 30, 2037 - 2041 | 44,081 | 156,027 |
| June 30, 2042 - 2046 | 15,048 | 111,472 |
| June 30, 2047 - 2051 | <u>760</u> | <u>17,709</u> |
| | <u>\$1,674,527</u> | <u>\$ 2,389,496</u> |

Changes in long-term debt activity for the year ended June 30, 2011, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|----------------------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| USDA Rural Development | \$1,539,704 | \$0 | \$35,586 | \$1,504,118 | \$37,500 |
| NM Environment Dept. | 30,712 | 0 | 30,712 | 0 | 0 |
| USDA Rural Development | 225,442 | 0 | 3,385 | 222,057 | 3,544 |
| USDA Rural Development | 325,001 | 0 | 4,107 | 320,894 | 4,279 |
| USDA Rural Development | 179,404 | 0 | 1,997 | 177,407 | 2,081 |
| NM Finance Authority | 68,759 | 0 | 3,739 | 65,020 | 7,507 |
| NM Finance Authority | 0 | 100,000 | 0 | 100,000 | 9,776 |
| <i>Total notes payable</i> | <u>2,369,022</u> | <u>100,000</u> | <u>79,526</u> | <u>2,389,496</u> | <u>64,687</u> |

NOTE 6. COMPENSATED ABSENCES AND ACCRUED PAYROLL

Payable at June 30, 2011 consisted of the following:

| | |
|------------------------------|-----------------|
| Accrued Payroll | \$ 0 |
| Accrued Compensated Absences | <u>49,726</u> |
| TOTAL | <u>\$49,726</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 | 47,510 | 52,655 | 50,439 | 49,726 | 49,726 |

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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 \$49,449. 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, 2011 were as follows:

| | |
|--|--------------------------------|
| Invested in Capital Assets, Net of Related debt: | |
| Net property and equipment in service | \$ 12,376,248 |
| Less: Notes payable and construction accounts payable | <u>2,621,885</u> |
| Invested in capital assets, net of related debt | <u>9,754,363</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 03/05/2003 R&R Reserve | 11,417 |
| Rural Development Debt dated 04/03/2007 R&R Reserve | 9,156 |
| Rural Development Debt dated 08/16/2008 Debt Service Reserve | 2,730 |
| Rural Development Debt dated 08/16/2008 R&R Reserve | <u>31,780</u> |
| Total Restricted | <u>207,693</u> |
| Unrestricted | <u>386,524</u> |
| <i>Total net assets</i> | <u><u>\$10,348,580</u></u> |

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 | \$9,915,960 |
| Change in net capital assets in service | (93,249) |
| Change in related debt | <u>(68,348)</u> |
| Balance, ending | <u><u>\$9,754,363</u></u> |

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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.

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% of the gross covered salary. 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, 2011, 2010 and 2009 were \$30,650, \$29,901 and \$29,359, 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 | 149,380 |
| Adjustments to revenue for receivables and other accruals | (75,914) |
| Adjustment to expenditures for payables and other accruals | (33,288) |
| Adjustment for depreciation, amortization and bad debts | (537,393) |
| Adjustment for purchase of capital assets | 405,011 |
| Adjustment for capital loan received | (100,000) |
| Adjustment for basis on capital assets sold | 0 |
| Adjustment for principal payments on debt | 81,060 |
| Adjustment for change in debt reserve | 21,727 |
| Adjustment for change in customer meter deposits | <u>(3,378)</u> |
| <i>Change in net assets</i> | <u>(92,785)</u> |

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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 \$8,164,453. The project will be financed with state loans and grants of \$1,605,000 and federal loans and grants of \$6,559,453 which have been partially received and expended for the initial planning, design and construction. The construction costs are expected to be fully financed with state and federal loans and grants 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 sixteen percent complete at the end of the fiscal year.

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 RECEIPTS AND DISBURSEMENTS
 BUDGET (NON-GAAP) AND ACTUAL (CASH BASIS)
 FOR THE YEAR ENDED JUNE 30, 2011

| | Budgeted Amounts <u>Original</u> | Budgeted Amounts <u>Final</u> | Actual on Budgetary <u>Basis</u> | Variance Favorable <u>(Unfavorable)</u> |
|---|--|-------------------------------------|--|---|
| RECEIPTS: | | | | |
| Operating Revenues: | | | | |
| Charges for services | \$ 1,923,945 | \$ 1,923,945 | \$ 1,775,342 | \$ (148,603) |
| Other revenues | 21,000 | 21,000 | 122,895 | 101,895 |
| Non-Operating Receipts: | | | | |
| Interest income | 3,000 | 3,000 | 4,286 | 1,286 |
| Proceeds from Sale of Capital Assets | - | - | - | - |
| Customer deposits | - | - | 3,378 | 3,378 |
| Grants & Loans | 1,104,929 | 1,104,929 | 487,905 | (617,024) |
| Total Receipts | <u>3,052,874</u> | <u>3,052,874</u> | <u>2,393,806</u> | <u>(659,068)</u> |
| DISBURSEMENTS: | | | | |
| Operating Expenses: | | | | |
| Personnel services and benefits | 753,147 | 753,147 | 718,440 | 34,707 |
| Other expenses - excluding grant expenses | 891,532 | 891,532 | 950,436 | (58,904) |
| Depreciation, Amortization & Bad Debts | - | - | - | - |
| Non-Operating Disbursements: | | | | |
| Customer deposits | - | - | - | - |
| Debt proceeds | - | - | - | - |
| Debt payments - principal | 81,060 | 81,060 | 81,060 | - |
| Debt payments - interest | 111,206 | 111,206 | 111,206 | - |
| Debt reserve (Released) | 20,000 | 20,000 | (21,727) | 41,727 |
| Capital outlay - other than from grants | 91,000 | 91,000 | 29,597 | 61,403 |
| Capital outlay - grants & loans | 1,104,929 | 1,104,929 | 375,414 | 729,515 |
| Total Disbursements | <u>3,052,874</u> | <u>3,052,874</u> | <u>2,244,426</u> | <u>808,448</u> |
| Excess Receipts over (under) Disbursements | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 149,380</u> | <u>\$ 149,380</u> |
| Beginning Unrestricted Cash | | | 207,586 | |
| Ending Unrestricted Cash | | | <u>\$ 356,966</u> | |

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

Beckham & Penner, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

103 6TH ST. N.E., P.O. BOX 179

SOCORRO, NEW MEXICO 87801

PHONE 575/835-1091 FAX 575/835-1224

bppccpa@sdc.org

**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, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2011. We have also audited the budgetary comparison statements of the District presented as supplementary information for the year ended June 30, 2011, 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weakness have been identified. However, as described in the accompany schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

**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***

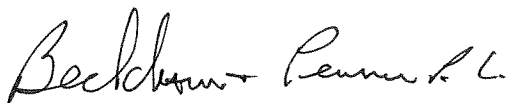
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses; item 2002-10.

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* and which are described in the accompanying schedule of findings and responses as item 2004-03.

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 applicable state and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.



December 5, 2011
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, 2011

SUMMARY OF FINDINGS:

PRIOR YEAR FINDINGS:

Status

| | |
|---|---------------------|
| 2002-10 Reconciling Accounts Payable | Modified & Repeated |
| 2004-03 Untimely Delivery of Audit Report | Modified & Repeated |
| 2005-01 Recording Payroll Transactions | Resolved |
| 2009-01 Recording Direct Pay Grant Activity | Resolved |
| 2010-01 Employee Payroll Advances | Resolved |

CURRENT YEAR FINDINGS:

- 2002-10 Reconciling Accounts Payable
- 2004-03 Untimely Delivery of Audit Report

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

2002-10 Reconciling Accounts Payable

Statement of Condition - Accounts payable as recorded in the general ledger were not reconciled to the actual unpaid vendor invoices. Payables need to be recorded in the proper period and then reconciled to the unpaid vendor invoices.

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 – Incorrect procedures for recording payables and no reconciliation procedures in place to detect or correct the misstatements.

Effect - The incorrect procedures for recording accounts payable results in incorrect expenditure accounts.

Recommendation - We recommend the District correct the procedures to record accounts payable and implement procedures to reconcile the accounts payable per the general ledger to the actual unpaid vendor bills.

Management's Response - The District concurs with the auditors' recommendation and will implement procedures to record accounts payable and implemented procedures to have the proper reconciliation performed on a regular basis.

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, 2011 was not delivered to the State Auditor by the due date of December 1, 2011.

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

Cause - The Auditor was unable to submit the audit report on a timely basis as a result of health problems encountered prior to the due date.

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 Auditor should have made arrangements to insure that the audit reports were submitted in a timely manner.

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

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, 2011; however, management acknowledges and accepts responsibility for the financial statements

EXIT CONFERENCE:

The exit conference was held December 5, 2011 and was attended by the following:

From Anthony Water and Sanitation District:

Ron Gillette, Board Member
Loren Shoonover, Office Manager

From Beckham & Penner P.C. CPA's:

Rick Penner, CPA