

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

JUNE 30, 2012

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

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STATE OF NEW MEXICO
 ANTHONY WATER AND SANITATION DISTRICT
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 JUNE 30, 2012

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STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
FUNCTION OF ENTITY & OFFICIAL ROSTER
JUNE 30, 2012

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 2,800 active meter customers.

BOARD OF DIRECTORS

Yolanda Alvarez	Chairman
Elva Flores	Member
Ron Gillette	Member

ADMINISTRATIVE OFFICIALS

Patrick Banegas	Superintendent
Loren Schoonover	Office Manager
Jose Terrones	Project Manager

FINANCIAL SECTION

Beckham & Penner, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities of Anthony Water and Sanitation District (District), as of and for the year ended June 30, 2012, 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, 2012, 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 and the standards applicable to financial statement audits contained in the New Mexico State Audit Rule 2.2.2 NMAC. 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, 2012, 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, 2012 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 November 30, 2012, 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 omitted the *Management's Discussion and Analysis (MD&A)* which is required 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 (GASB) 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. Our opinion on the basis financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the basis financial statements and the budgetary comparisons. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



November 30, 2012
Beckham & Penner P.C.
Certified Public Accountants

STATE OF NEW MEXICO
 ANTHONY WATER AND SANITATION DISTRICT
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2012

ASSETS

Current Assets:

Cash and cash equivalents	\$ 1,738,947
Receivable from customers (net of allowance \$22,250)	108,486
Grants Receivable	232,017
Inventory of system parts & supplies	15,398
Prepaid expenses & insurance	12,108
Total current assets	2,106,956

Other Assets

Restricted cash - debt reserves	227,358
Capital assets not being depreciated	2,551,504
Capital assets (net of accumulated depreciation of \$7,720,527)	9,710,490
Intangible assets (net of accumulated amortization of \$565,800)	706,200
Total other assets	13,195,552

Total assets	\$ 15,302,508
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable vendors	\$ 68,025
Accounts payable construction	232,017
Accrued interest	5,219
Accrued payroll, taxes and benefits	34,904
Accrued compensated absences	52,717
Customer meter deposits	128,990
Notes payable, current portion	82,303
Total current liabilities	604,175

Long-Term Liabilities:

Notes payable, net of current portion	3,721,024
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Net Assets:

Invested in capital assets, net of related debt	9,164,867
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Restricted:

Debt Service	227,358
Unrestricted	1,585,084

Total net assets	10,977,309
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Total liabilities and net assets	\$ 15,302,508
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See Independent Auditors' Report.
 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, 2012

Operating Revenues:	
Charges for services	\$ 2,050,366
Other revenues	17,759
Total operating revenues	<u>2,068,125</u>
Operating Expenses:	
Personnel services and benefits	776,685
Operating expenses	628,265
Fuel & Power	284,956
Depreciation	502,508
Amortization	31,800
Allowance for bad debts	0
Total operating expenses	<u>2,224,214</u>
Operating income (loss)	<u>(156,089)</u>
Non-Operating Revenues (Expenses):	
Gain on sale of capital assets	0
Interest income	3,087
Interest expense	(108,775)
Total non-operating revenues (expenses)	<u>(105,688)</u>
Income (loss) before capital contributions	<u>(261,777)</u>
Capital Contributions:	
Grant Revenues:	
State	0
Federal	890,506
Total capital contributions	<u>890,506</u>
Change in net assets	628,729
Net assets - beginning of year	10,348,580
Net assets - end of year	<u><u>\$ 10,977,309</u></u>

See Independent Auditors' Report.
 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, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers & others	\$ 2,030,377
Cash paid to suppliers for goods and services	(927,346)
Cash paid to and on behalf of employees	(775,366)
Net cash provided by operating activities	<u>327,665</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(1,126,626)
Principal paid on notes payable	(79,169)
Interest paid on notes payable	(109,486)
Proceeds from capital grants	890,878
Proceeds from capital loans	1,493,000
Proceeds from sale of capital assets	0
Increase in customer meter deposits	2,297
Net cash used for capital and related financing activities	<u>1,070,894</u>

CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on investments	<u>3,087</u>
Net cash provided by investing activities	<u>3,087</u>

Net increase in cash	1,401,646
Cash, Beginning of year	564,659
Cash, End of year	<u><u>\$ 1,966,305</u></u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	(156,089)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	502,508
Amortization	31,800
Allowance for bad debts	0
Change in Assets and Liabilities:	
Change in accounts receivable	(37,748)
Change in supply inventory and prepaid insurance	(842)
Change in accounts payable and accrued expenses	(11,964)
Net cash provided by operating activities	<u><u>\$ 327,665</u></u>

CASH ENDING:	
Cash	1,738,947
Restricted cash	227,358
Total cash reported in the Statement of Net Assets	<u><u>\$ 1,966,305</u></u>

See Independent Auditors' Report.
 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, 2012

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 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:

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, 2012

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, 2012

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, 2012

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, 2012

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, 2012

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, 2012.

Total of deposits in bank	\$ 496,473
Less FDIC coverage	<u>(496,473)</u>
Uninsured public funds	\$ -0-
Pledged Collateral held by the pledging bank's trust department or agent but not in the District's name	<u>(101,386)</u>
Uninsured and uncollateralized	\$ <u><u>-0-</u></u>

As of June 30, 2012, the District's bank balances were not exposed to custodial credit risk. The amount above identified as uninsured (\$-0-) is subject to custodial credit risk. This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk.

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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	\$ 33,648	\$ 0	\$ 0	\$ 0	\$ 33,648
Water Tap	Demand	47,205	0	0	0	47,205
Safe Water	Demand	62,523	0	0	0	62,523
Payroll Checking	Demand	31,113	0	0	0	31,113
Projects Account	Demand	0	0	51,366	0	51,366
Projects BEIF	Demand	600	0	0	0	600
Projects RUS	Demand	600	0	0	0	600
Safe Water	Demand	0	23,800	0	0	23,800
Debt Service Money Market	Time	<u>0</u>	<u>0</u>	<u>0</u>	<u>245,618</u>	<u>245,618</u>
<i>Total amount of deposits</i>		175,689	23,800	51,366	245,618	496,473
FDIC coverage		<u>175,689</u>	<u>23,800</u>	<u>51,366</u>	<u>245,618</u>	<u>496,473</u>
Total uninsured public funds		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Collateral requirements (50% of uninsured public funds)					<u>0</u>	
Pledged security by banks					<u>101,386</u>	
Over (under) collateralization					<u>101,386</u>	
Uninsured and Uncollateralized					<u>0</u>	

Collateral pledged by Citizens Bank is FFCB due October 11, 2012 \$101,386.

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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	\$ 33,648	\$ 3,192	\$ 6,945	\$ 29,895
Water Tap	Demand	47,205	2,206	0	49,411
Safe Water	Demand	62,523	151	0	62,674
Payroll Checking	Demand	31,113	0	10,711	20,402
Projects Account	Demand	51,366	0	0	51,366
Projects BEIF	Demand	600	0	0	600
Projects RUS	Demand	600	0	0	600
Safe Water	Demand	23,800	0	0	23,800
Debt Service Money Market	Time	<u>245,618</u>	<u>0</u>	<u>0</u>	<u>245,618</u>
<i>Total amount of deposits</i>		<u>496,473</u>	<u>5,549</u>	<u>17,656</u>	484,366
Loan Proceeds held by RUS					1,481,139
Petty Cash					<u>800</u>
Total Reconciled Cash Balances Per Books					<u>\$1,966,305</u>
Total as Reported in the Financial Statements: Statement of Net Assets					
Cash and cash equivalent					\$1,738,947
Restricted cash – debt reserve					<u>227,358</u>
Total cash per financial statements					<u>\$1,966,305</u>

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3. CAPITAL ASSETS

Capital assets consisted of the following as of June 30, 2012:

	<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>411,488</u>	<u>983,831</u>	<u>0</u>	<u>1,395,319</u>
<i>Total capital assets, not being depreciated</i>	<u>1,567,673</u>	<u>983,831</u>	<u>0</u>	<u>2,551,504</u>
Business-type capital assets, being depreciated:				
Buildings & Landscaping	1,379,104	0	0	1,379,104
Water and sewer plant/system	15,005,371	0	0	15,005,371
Equipment and vehicles	<u>904,119</u>	<u>142,423</u>	<u>0</u>	<u>1,046,542</u>
<i>Total business-type capital assets, being depreciated</i>	<u>17,288,594</u>	<u>142,423</u>	<u>0</u>	<u>17,431,017</u>
Less accumulated depreciation for:				
Buildings	383,406	52,630	0	436,036
Water and sewer plant/system	6,070,727	388,906	0	6,459,633
Equipment and vehicles	<u>763,886</u>	<u>60,972</u>	<u>0</u>	<u>824,858</u>
<i>Total accumulated depreciated</i>	<u>7,218,019</u>	<u>502,508</u>	<u>0</u>	<u>7,720,527</u>
Assets being depreciated, net	<u>10,070,575</u>	<u>(360,085)</u>	<u>0</u>	<u>9,710,490</u>
<i>Business-type capital assets, Total</i>	<u>\$11,638,248</u>	<u>\$623,746</u>	<u>\$ 0</u>	<u>\$12,261,994</u>
<u>Intangible Assets</u>				
Water rights	\$ 1,272,000	\$ 0	\$ 0	\$ 1,272,000
Less accumulated amortization	<u>534,000</u>	<u>31,800</u>	<u>0</u>	<u>565,800</u>
<i>Intangible assets, net</i>	<u>\$ 738,000</u>	<u>(31,800)</u>	<u>\$ 0</u>	<u>\$ 706,200</u>
<i>TOTAL CAPITAL ASSETS</i>	<u>\$12,376,248</u>	<u>\$591,946</u>	<u>\$ 0</u>	<u>\$12,968,194</u>

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 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. \$1,466,628

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 Rural Development, Department of Agriculture dated March 5, 2003, maturing April 5, 2041, payable in monthly installments of \$1,145, including interest at 4.625%, secured by the revenues of the water system. 218,514

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 \$12,815 which equals the required reserve as of 06/30/2012.

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 revenues of the system. 316,616

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 \$10,901 which equals the required reserve as of 06/30/2012.

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5. LONG-TERM DEBT (CONTINUED)

Note payable Rural Development, Department of Agriculture dated July 16, 2008, maturing June 16, 2048, payable in monthly installments of \$780.00, including interest at 4.125%, secured by the revenues of the system. 175,327

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 reserves have been funded to the current required amounts of \$3,666 for the Debt Service Reserve and \$42,676 for the Replacement Reserve as of 06/30/2012.

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. 1,478,505

The loan agreement with the Rural Development requires a Reserve Account to be funded at the rate of \$579.30 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 caused by a catastrophe or for extensions or improvements to the facility. The reserve has been funded to \$1,738 which equals the required reserve as of 06/30/2012.

The above note payable to the Department of Agriculture for the Drinking Water System Improvement Project was also partially funded by a grant from the EPA Border Environmental Infrastructure Fund, which also contains a requirement for; an Operations and Maintenance Reserve Account to be funded at the rate of \$1,152 per month until \$36,849 is accumulated in the account, and a Repair and Replacement Reserve Account to be funded at the rate of \$2,244 per month until \$98,724 is accumulated in the account. The funds may be withdrawn with the prior written approval of the Federal Government. The reserves have been funded to the current required amounts of \$11,515 for the O&M Reserve and \$22,437 for the R&R Reserve as of 06/30/2012.

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 revenues of the system. There are no reserve requirements. 57,513

Note payable New Mexico Finance Authority dated July 23, 2010, maturing June 23, 2030, payable in annual installments of \$5,132.32, including interest at .25%, secured by the revenues of the system. There are no reserve requirements. 90,224

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5. LONG-TERM DEBT (CONTINUED)

TOTAL DEBT	3,803,327
Less current portion	82,303
Long-term liabilities	\$3,721,024

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

	<u>Interest</u>	<u>Principal</u>
June 30, 2013	\$ 139,644	\$ 82,304
June 30, 2014	136,502	85,445
June 30, 2015	133,214	88,733
June 30, 2016	129,772	92,176
June 30, 2017	126,168	95,779
June 30, 2018 - 2022	570,541	539,197
June 30, 2023 - 2027	451,030	658,709
June 30, 2028 - 2032	299,974	779,944
June 30, 2033 - 2037	161,091	435,011
June 30, 2038 - 2042	103,285	367,070
June 30, 2043 - 2047	50,515	342,558
June 30, 2048 - 2052	11,334	236,401
	<u>\$2,313,070</u>	<u>\$ 3,803,327</u>

Changes in long-term debt activity for the year ended June 30, 2012, was as follows:

	<u>Beginning</u>		<u>Ending</u>	<u>Due Within</u>	
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	
				<u>One Year</u>	
USDA Rural Development	\$1,504,118	\$ 0	\$37,490	\$1,466,628	\$39,516
USDA Rural Development	222,057	0	3,543	218,514	3,712
USDA Rural Development	320,894	0	4,278	316,616	4,459
USDA Rural Development	177,407	0	2,080	175,327	2,168
USDA Rural Development	0	1,493,000	14,495	1,478,505	23,774
NM Finance Authority-WTB	65,020	0	7,507	57,513	3,767
NM Finance Authority-WTB	100,000	0	9,776	90,224	4,907
<i>Total notes payable</i>	<u>2,389,496</u>	<u>1,493,000</u>	<u>79,169</u>	<u>3,803,327</u>	<u>82,303</u>

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 6. COMPENSATED ABSENCES

Following is a schedule of changes in compensated absences:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	49,726	58,777	55,786	52,717	52,717

NOTE 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. The premiums paid on the policies during the fiscal year were \$51,257. 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, 2012 were as follows:

Invested in Capital Assets, Net of Related debt:	
Net property and equipment in service	\$ 12,968,194
Less: Notes payable	<u>3,803,327</u>
Invested in capital assets, net of related debt	<u>9,164,867</u>
 Restricted – Debt Service:	
Rural Development Debt dated 09/16/1993 R&R Reserve	121,610
Rural Development Debt dated 03/05/2003 R&R Reserve	12,815
Rural Development Debt dated 04/03/2007 R&R Reserve	10,901
Rural Development Debt dated 07/16/2008 Debt Service Reserve	3,666
Rural Development Debt dated 07/16/2008 R&R Reserve	42,676
Rural Development Debt dated 03/07/2012 R&R Reserve	1,738
Border Environmental Infrastructure Fund Grant 08/10/11 O&M Reserve	11,515
Border Environmental Infrastructure Fund Grant 08/10/11 R&R Reserve	<u>22,437</u>
Total Restricted	<u>227,358</u>
 Unrestricted	 1,585,084
 Total net assets	 <u><u>\$10,977,309</u></u>

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 9. 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 1 978. The requirements may be amended by act of the legislature. The District's contributions to PERA for the years ending June 30, 2012, 2011 and 2010 were \$33,693, \$30,650 and \$29,901, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 10. 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	1,381,981
Adjustments to revenue for receivables and other accruals	37,376
Adjustment to expenditures for payables and other accruals	13,517
Adjustment for depreciation, amortization and bad debts	(534,308)
Adjustment for purchase of capital assets	1,126,626
Adjustment for capital loan received	(1,493,000)
Adjustment for basis on capital assets sold	0
Adjustment for principal payments on debt	79,169
Adjustment for change in debt reserve	19,665
Adjustment for change in customer meter deposits	<u>(2,297)</u>
<i>Change in net assets</i>	<u>628,729</u>

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 11. CONSTRUCTION PROJECTS IN PROGRESS

The District has begun to plan, design and construct improvements to the water system, which include removal of arsenic and nitrate, which is expected to cost approximately \$9,285,971. The project will be financed with state loans and grants of \$1,450,000 and federal loans and grants of \$7,835,971 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 Environmental Infrastructure Fund and USDA Rural Development. Some loans and grants have been received and expended and the project was about twenty-four 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 12. 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.

SUPPLEMENTARY INFORMATION

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, 2012

	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	\$ 2,056,904	\$ 2,056,904	\$ 2,012,618	\$ (44,286)
Other revenues	27,400	27,400	17,759	(9,641)
Non-Operating Receipts:				
Interest income	4,000	4,000	3,087	(913)
Proceeds from Sale of Capital Assets	-	-	-	-
Customer deposits	-	-	2,297	2,297
Grants & Loans	6,636,408	8,229,408	2,383,878	(5,845,530)
Total Receipts	<u>8,724,712</u>	<u>10,317,712</u>	<u>4,419,639</u>	<u>(5,898,073)</u>
DISBURSEMENTS:				
Operating Expenses:				
Personnel services and benefits	804,680	804,680	775,366	29,314
Other expenses - excluding grant expenses	956,890	956,890	927,346	29,544
Non-Operating Disbursements:				
Customer deposits	-	-	-	-
Debt payments - principal	90,690	90,690	79,169	11,521
Debt payments - interest	136,044	136,044	109,486	26,558
Debt reserve (Released)	50,000	50,000	19,665	30,335
Capital outlay - other than from grants	50,000	50,000	142,423	(92,423)
Capital outlay - grants & loans	6,636,408	8,229,408	984,203	7,245,205
Total Disbursements	<u>8,724,712</u>	<u>10,317,712</u>	<u>3,037,658</u>	<u>7,280,054</u>
Excess Receipts over (under) Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,381,981</u>	<u>\$ 1,381,981</u>
Beginning Unrestricted Cash			356,966	
Ending Unrestricted Cash			<u>\$ 1,738,947</u>	

See Independent Auditors' Report.
 The Notes to Financial Statements are an integral part of these statements.

COMPLIANCE SECTION

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@sdcc.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), Anthony, New Mexico, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 30, 2012. 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

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the 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.

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.

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, continued*

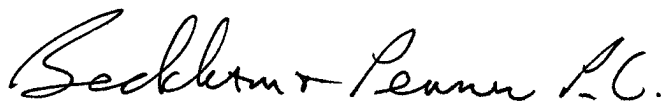
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be a significant deficiency, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, Board of Directors, others within the entity, the New Mexico State Auditor, the New Mexico Legislature, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Beckham & Penner P.C.
November 30, 2012

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

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

Compliance

We have audited Anthony Water and Sanitation District's (District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, Anthony Water and Sanitation District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133, continued

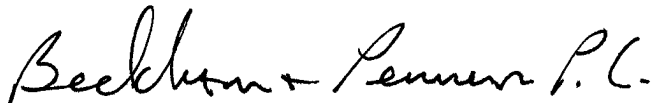
Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, the New Mexico State Auditor, the New Mexico Legislature, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Beckham & Penner P.C.
November 30, 2012

STATE OF NEW MEXICO
 ANTHONY WATER AND SANITATION DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2012

	<u>Federal CFDA Number</u>	<u>Federal Grant/Project Number</u>	<u>Federal Expenditures</u>
Federal Grants and Loans:			
Direct loan from the US Department Agriculture, Rural Development, Rural Utilities Service:			
Major Programs:			
Direct Loan - RUS	10.770	36-007-0850303980	\$ 11,861
Pass-through Grant from the US Environmental Protection Agency, North American Development Bank,			
Major Programs:			
Border Environmental Infrastructure Fund	66.931	BEIF-NM2360	890,506
Total Expenditure of Federal Awards			<u><u>\$ 902,367</u></u>

Notes to Schedule of Expenditures of Federal Awards:

- 1) Basis of Presentation:
 The accompanying schedule of expenditures of federal awards (schedule) is presented on the accrual basis of accounting, which is the same basis as was used to prepare the financial statements, however, the information is presented in accordance with the requirements of OMB Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations, therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.
- 2) The District did not provide any federal awards to sub-recipients grantees during the fiscal year.
- 3) The District did not receive any noncash assistance during the fiscal year.
- 4) The District had federal loans of \$3,655,590 outstanding at June 30, 2012.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total Schedule of Expenditures of Federal Awards	<u>\$ 902,367</u>
Notes to Financial Statements, page 17, Capital Assets:	
Water Improvement Project - Construction in Progress	983,831
Non-Federal Portion of Project Capital Expenditures	<u>(81,464)</u>
Federal Expenditures for Capital Assets	<u><u>\$ 902,367</u></u>

SEE INDEPENDENT AUDITORS' REPORT
 The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements:

- | | |
|--|-------------|
| 1. Type of auditors’ report issued | Unqualified |
| 2. Internal Control over financial reporting: | |
| a. Material weakness identified? | NO |
| b. Significant deficiencies identified not considered to be material weaknesses? | NO |
| c. Noncompliance material to the financial statements noted | NO |

Federal Awards:

- | | | | | | | | | | |
|--|--|------------------------|--------|--|--------|-------------------|--------|--|--|
| 1. Internal control over major programs: | | | | | | | | | |
| a. Material weaknesses identified? | NO | | | | | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | NO | | | | | | | | |
| 2. Type of auditors’ report issued on compliance for major programs | Unqualified | | | | | | | | |
| 3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | NO | | | | | | | | |
| 4. Identification of major programs: | | | | | | | | | |
| <table style="border: none;"> <tr> <td style="text-align: center;"><u>CFDA</u></td> <td style="text-align: center;"><u>Federal Program</u></td> </tr> <tr> <td style="text-align: center;">Number</td> <td></td> </tr> <tr> <td style="text-align: center;">10.770</td> <td style="text-align: center;">RUS – Direct Loan</td> </tr> <tr> <td style="text-align: center;">66.931</td> <td style="text-align: center;">Border Environmental Infrastructure Fund</td> </tr> </table> | <u>CFDA</u> | <u>Federal Program</u> | Number | | 10.770 | RUS – Direct Loan | 66.931 | Border Environmental Infrastructure Fund | |
| <u>CFDA</u> | <u>Federal Program</u> | | | | | | | | |
| Number | | | | | | | | | |
| 10.770 | RUS – Direct Loan | | | | | | | | |
| 66.931 | Border Environmental Infrastructure Fund | | | | | | | | |
| 5. Dollar threshold used to distinguish between type A and B programs: | \$300,000 | | | | | | | | |
| 6. Auditee qualified as low-risk auditee? | NO | | | | | | | | |

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

SUMMARY OF FINDINGS:

PRIOR YEAR FINDINGS:

Status

2002-10 Reconciling Accounts Payable

Resolved

2004-03 Untimely Delivery of Audit Report

Resolved

CURRENT YEAR FINDINGS:

NONE

FEDERAL AWARDS FINDINGS:

NONE

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, 2012; however, management acknowledges and accepts responsibility for the financial statements.

EXIT CONFERENCE:

The exit conference was held November 30, 2012 and was attended by the following:

From Anthony Water and Sanitation District:

Elva Flores, Board Member

Jose Terrones, Project Manager

Loren Shoonover, Office Manager

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

Rick Penner, CPA.