

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

JUNE 30, 2013

**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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STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
FUNCTION OF ENTITY & OFFICIAL ROSTER
JUNE 30, 2013

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

Jose Terrones	Superintendent
Loren Schoonover	Office Manager

FINANCIAL 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

INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of Anthony Water and Sanitation District, Anthony, New Mexico, ("the District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons statement of the District, presented as supplementary information for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITORS' REPORT, continued

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, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparisons of the Anthony Water and Sanitation District for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

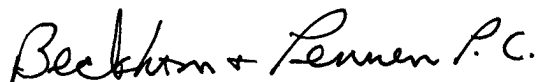
Other Information

Our audit was conducted for the purpose of forming opinions on Anthony Water and Sanitation District's financial statements and the budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2014, 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* in considering Anthony Water and Sanitation District's internal control over financial reporting and compliance.



Beckham & Penner P.C.
Certified Public Accountants
Socorro, New Mexico
February 28, 2014

STATE OF NEW MEXICO
 ANTHONY WATER AND SANITATION DISTRICT
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2013

ASSETS

Current Assets:

Cash and cash equivalents	\$ 301,026
Receivable from customers (net of allowance \$22,250)	123,705
Grants Receivable	232,824
Inventory of system parts & supplies	16,938
Prepaid expenses & insurance	15,490
Total current assets	<u>689,983</u>

Other Assets

Restricted cash - debt reserves	247,810
Capital assets not being depreciated	8,267,869
Capital assets (net of accumulated depreciation of \$8,144,401)	9,369,577
Intangible assets (net of accumulated amortization of \$597,600)	674,400
Total other assets	<u>18,559,656</u>

Total assets	<u><u>\$ 19,249,639</u></u>
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LIABILITIES AND NET POSITION

Current Liabilities:

Accounts payable vendors	\$ 78,882
Accounts payable construction	242,725
Accrued interest	7,175
Accrued payroll, taxes and benefits	22,973
Accrued compensated absences	41,279
Customer meter deposits	131,771
Notes payable, current portion	86,011
Total current liabilities	<u>610,816</u>

Long-Term Liabilities:

Notes payable, net of current portion	<u>3,611,277</u>
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Net Position:

Net Invested in capital assets	14,614,558
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Restricted:

Debt Service	247,810
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Unrestricted	165,178
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Total net position	<u>15,027,546</u>
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Total liabilities and net position	<u><u>\$ 19,249,639</u></u>
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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 POSITION
 FOR THE YEAR ENDED JUNE 30, 2013

Operating Revenues:	
Charges for services	\$ 2,046,337
Other revenues	87,591
Total operating revenues	<u>2,133,928</u>
Operating Expenses:	
Personnel services and benefits	788,829
Operating expenses	668,520
Fuel & Power	241,482
Depreciation	479,021
Amortization	31,800
Allowance for bad debts	0
Total operating expenses	<u>2,209,652</u>
Net Operating income (loss)	<u>(75,724)</u>
Non-Operating Revenues (Expenses):	
Gain on sale of capital assets	1,150
Interest income	3,023
Interest expense	(116,681)
Total non-operating revenues (expenses)	<u>(112,508)</u>
Net Income (loss) before capital contributions	<u>(188,232)</u>
Capital Contributions:	
Grant Revenues:	
State	454,496
Federal	3,783,973
Total capital contributions	<u>4,238,469</u>
Change in net position	4,050,237
Net position - beginning of year	10,977,309
Net position - end of year	<u><u>\$ 15,027,546</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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers & others	\$ 2,121,255
Cash paid to suppliers for goods and services	(893,032)
Cash paid to and on behalf of employees	(811,619)
Net cash provided by operating activities	<u>416,604</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(5,857,925)
Principal paid on notes payable	(107,222)
Interest paid on notes payable	(114,725)
Proceeds from capital grants	4,237,662
Proceeds from capital loans	1,183
Proceeds from sale of capital assets	1,150
Increase in customer meter deposits	2,781
Net cash used for capital and related financing activities	<u>(1,837,096)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on investments	<u>3,023</u>
Net cash provided by investing activities	<u>3,023</u>

Net increase in cash	(1,417,469)
Cash, Beginning of year	1,966,305
Cash, End of year	<u><u>\$ 548,836</u></u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	(75,724)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	479,021
Amortization	31,800
Allowance for bad debts	0
(Gain) Loss on Disposition of Capital Assets	14,160
Change in Assets and Liabilities:	
Change in accounts receivable	(15,219)
Change in supply inventory and prepaid insurance	(4,922)
Change in accounts payable and accrued expenses	(12,512)
Net cash provided by operating activities	<u><u>\$ 416,604</u></u>

CASH ENDING:	
Cash	301,026
Restricted cash	247,810
Total cash reported in the Statement of Net Position	<u><u>\$ 548,836</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, 2013

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, 2013

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The financial statement reports were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used regardless of when the related cash flows take place. Operating income reported in the financial statements includes revenue and expenses related to the primary and continuing operation of the fund. Proprietary funds distinguish operating revenues and expenses from non-operating items. Principal operating revenues are charges to 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, 2013

**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, 2013

**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, 2013

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

Net Position

Net position comprises the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: net invested in capital assets; restricted; and unrestricted. Net Invested in capital assets, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net position consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net position consist of all other net 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 that 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

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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.

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, 2013.

Total of deposits in bank	\$ 623,416
Less FDIC coverage	<u>(580,354)</u>
Uninsured public funds	\$ 43,062
Pledged Collateral held by the pledging bank's trust department or agent but not in the District's name	<u>(1,196,846)</u>
Uninsured and uncollateralized	\$ <u> -0-</u>

As of June 30, 2013, the District's bank balances were exposed to custodial credit risk. The amount above identified as uninsured (\$43,062) 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, 2013

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	\$ 27,069	\$ 0	\$ 0	\$ 0	\$ 27,069
Water Tap	Demand	151,409	0	0	0	151,409
Safe Water	Demand	97,826	0	0	0	97,826
Payroll Checking	Demand	16,158	0	0	0	16,158
Projects Account	Demand	0	0	58,025	0	58,025
Projects RUS	Demand	600	0	0	0	600
Safe Water	Demand	0	24,519	0	0	24,519
Debt Service Money Market	Time	0	0	0	247,810	247,810
<i>Total amount of deposits</i>		293,062	24,519	58,025	247,810	623,416
FDIC coverage		<u>250,000</u>	<u>24,519</u>	<u>58,025</u>	<u>247,810</u>	<u>580,354</u>
Total uninsured public funds		<u>43,062</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Collateral requirements (50% of uninsured public funds)		21,531				
Pledged security by banks		<u>1,196,846</u>				
Over (under) collateralization		<u>1,175,315</u>				
Uninsured and Uncollateralized		<u>-0-</u>				

Collateral pledged by 1st New Mexico Bank is held by The Independent Bankers Bank in Dallas, Texas, in the name of 1st New Mexico Bank, at June 30, 2013 as follows:

Description	Cusip #	Maturity	Par Amount	Market Value
W Las Vegas, NM ISD	953769JF4	10/15/2015	250,000	274,960
Sandoval County, NM	80004PCS9	12/15/2015	100,000	107,220
Bloomfield, NM Call	094072BT1	8/1/2017	120,000	122,212
Tularosa, NM MSD BQ	899172HL7	5/1/2018	225,000	242,272
Chama, NM VY ISD#19	157670FH8	10/1/2018	250,000	248,566
Dona Ana, NM Sch Dist	257584AM4	8/1/2017	120,000	201,616
TOTAL				<u>\$ 1,196,846</u>

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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	\$ 27,069	\$ 2,788	\$ 26,328	\$ 3,529
Water Tap	Demand	151,409	304	39,580	112,133
Safe Water	Demand	97,826	123	0	97,949
Payroll Checking	Demand	16,158	0	12,687	3,471
Projects Account	Demand	58,025	0	0	58,025
Projects RUS	Demand	600	0	0	600
Safe Water	Demand	24,519	0	0	24,519
Debt Service Money Market	Time	<u>247,810</u>	<u>0</u>	<u>0</u>	<u>247,810</u>
<i>Total amount of deposits</i>		<u>623,416</u>	<u>3,215</u>	<u>78,595</u>	548,036
Petty Cash					<u>800</u>
Total Reconciled Cash Balances Per Books					<u>\$ 548,836</u>
Total as Reported in the Financial Statements: Statement of Net Position					
Cash and cash equivalent					\$ 301,026
Restricted cash – debt reserve					<u>247,810</u>
Total cash per financial statements					<u>\$ 548,836</u>

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 3. CAPITAL ASSETS

Capital assets consisted of the following as of June 30, 2013:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Business-type capital assets, not being depreciated:				
Land, well sites, and easements	\$ 1,156,185	\$ 119,534	\$ 14,160	\$ 1,261,559
Construction in process	<u>1,395,319</u>	<u>5,610,991</u>	<u>0</u>	<u>7,006,310</u>
<i>Total capital assets, not being depreciated</i>	<u>2,551,504</u>	<u>5,730,525</u>	<u>14,160</u>	<u>8,267,869</u>
Business-type capital assets, being depreciated:				
Buildings & Landscaping	1,379,104	5,972	0	1,385,076
Water and sewer plant/system	15,005,371	0	0	15,005,371
Equipment and vehicles	<u>1,046,542</u>	<u>132,136</u>	<u>55,147</u>	<u>1,123,531</u>
<i>Total business-type capital assets, being depreciated</i>	<u>17,431,017</u>	<u>138,108</u>	<u>55,147</u>	<u>17,513,978</u>
Less accumulated depreciation for:				
Buildings	436,036	52,745	0	488,781
Water and sewer plant/system	6,459,633	380,450	0	6,840,083
Equipment and vehicles	<u>824,858</u>	<u>45,826</u>	<u>55,147</u>	<u>815,537</u>
<i>Total accumulated depreciated</i>	<u>7,720,527</u>	<u>479,021</u>	<u>55,147</u>	<u>8,144,401</u>
Assets being depreciated, net	<u>9,710,490</u>	<u>(340,913)</u>	<u>0</u>	<u>9,369,577</u>
<i>Business-type capital assets, Total</i>	<u>\$12,261,994</u>	<u>\$5,389,612</u>	<u>\$ 14,160</u>	<u>\$17,637,446</u>
<u>Intangible Assets</u>				
Water rights	\$ 1,272,000	\$ 0	\$ 0	\$ 1,272,000
Less accumulated amortization	<u>565,800</u>	<u>31,800</u>	<u>0</u>	<u>597,600</u>
<i>Intangible assets, net</i>	<u>\$ 706,200</u>	<u>(31,800)</u>	<u>\$ 0</u>	<u>\$ 674,400</u>
TOTAL CAPITAL ASSETS	<u>\$12,968,194</u>	<u>\$5,357,812</u>	<u>\$ 14,160</u>	<u>\$18,311,846</u>

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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. \$1,427,112

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. 214,803

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 \$14,213 which equals the required reserve as of 06/30/2013.

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. 312,157

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 \$12,644 which equals the required reserve as of 06/30/2013.

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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. 173,158

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 \$4,602 for the Debt Service Reserve and \$53,572 for the Replacement Reserve as of 06/30/2013.

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. 1,429,812

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 \$8,689 which equals the required reserve as of 06/30/2013.

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 \$25,334 for the O&M Reserve and \$7,146 for the R&R Reserve as of 06/30/2013 which is \$42,216 below the combined required reserve of \$74,696.

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. 53,746

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. 85,317

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5. LONG-TERM DEBT (CONTINUED)

Note payable New Mexico Finance Authority dated December 21, 2012, maturing June 1, 2034, payable in annual installments to begin June 1, 2015 of \$10,906, including interest at .25%, secured by the revenues of the system. There are no reserve requirements. There is a two year construction period for the district wide upgrade of water meters. The total project is for \$850,000 funded by this \$212,500 loan and a grant of \$637,500. The draw down on the loan as of June 30, 2013.

TOTAL DEBT	3,697,288
Less current portion	86,011
Long-term liabilities	\$3,611,277

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

	<u>Interest</u>	<u>Principal</u>
June 30, 2014	\$ 135,937	\$ 86,011
June 30, 2015	132,636	90,494
June 30, 2016	129,265	92,683
June 30, 2017	125,565	96,382
June 30, 2018	121,778	100,169
June 30, 2019 - 2023	545,598	564,140
June 30, 2024 – 2028	420,038	685,790
June 30, 2029 – 2033	261,244	807,411
June 30, 2034 – 2038	143,313	343,348
June 30, 2039 – 2043	87,021	369,595
June 30, 2044 – 2048	35,464	339,926
June 30, 2049 - 2053	3,130	121,339
	<u>\$2,140,989</u>	<u>\$ 3,697,288</u>

Changes in long-term debt activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
USDA Rural Development	\$1,466,628	\$ 0	\$39,516	\$1,427,112	\$41,641
USDA Rural Development	218,514	0	3,711	214,803	3,887
USDA Rural Development	316,616	0	4,459	312,157	4,647
USDA Rural Development	175,327	0	2,169	173,158	2,260
USDA Rural Development	1,478,505	0	48,693	1,429,812	24,880
NM Finance Authority-WTB	57,513	0	3,767	53,746	3,777
NM Finance Authority-WTB	90,224	0	4,907	85,317	4,919
NM Finance Authority-WTB	0	1,183	0	1,183	0
<i>Total notes payable</i>	<u>3,803,327</u>	<u>1,183</u>	<u>107,222</u>	<u>3,697,288</u>	<u>86,011</u>

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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	52,717	57,292	68,730	41,279	41,279

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 \$51,755. 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 POSITION

Net position represents the difference between assets and liabilities. The net position amounts at June 30, 2013 were as follows:

Net Invested in Capital Assets:	
Net property and equipment in service	\$ 18,311,846
Less: Notes payable	3,697,288
Invested in capital assets, net of related debt	14,614,558
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	14,213
Rural Development Debt dated 04/03/2007 R&R Reserve	12,644
Rural Development Debt dated 07/16/2008 Debt Service Reserve	4,602
Rural Development Debt dated 07/16/2008 R&R Reserve	53,572
Rural Development Debt dated 03/07/2012 R&R Reserve	8,689
Border Environmental Infrastructure Fund Grant 08/10/11 O&M Reserve	25,334
Border Environmental Infrastructure Fund Grant 08/10/11 R&R Reserve	7,146
Total Restricted	247,810
Unrestricted	165,178
<i>Total net position</i>	\$15,027,546

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 9. PERA PENSION PLAN

Plan Description

Substantially all of the Anthony Water and Sanitation District's full time employees participate in a 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 <http://www.pera.state.nm.us>.

Funding Policy

Plan members are required to contribute 7% of their gross salaries. The Anthony Water and Sanitation District is also required to contribute 7% 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 fiscal years ending June 30, 2013, 2012 and 2011 were \$33,689, \$33,693 and \$30,650, 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	(1,437,921)
Adjustments to revenue for receivables and other accruals	16,026
Adjustment to expenditures for payables and other accruals	4,770
Adjustment for depreciation, amortization and bad debts	(510,821)
Adjustment for purchase of capital assets	5,868,633
Adjustment for capital loan received	(1,183)
Adjustment for basis on capital assets sold	(14,160)
Adjustment for principal payments on debt	107,222
Adjustment for change in debt reserve	20,452
Adjustment for change in customer meter deposits	<u>(2,781)</u>
<i>Change in net assets</i>	<u>4,050,237</u>

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 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. Loans and grants have been received and expended and the project was about eighty-four percent complete at the end of the fiscal year.

The District has begun a district wide project to upgrade water meters, which is expected to cost \$850,000. The project is fully funded with a loan of \$212,500 and a grant of \$637,500 through the New Mexico Finance Authority. Loan and grant funds have been received and expended and the project was about one 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 with automatic one year renewals. The District is paid \$12.00 per residential connection per month and \$15.00 per commercial connection per month for the first 6,000 gallons of water used plus \$1.00 per 1,000 gallons thereafter. Dona Ana County also pays a capacity replacement fee of \$1,000.00 per connection for all connections occurring after the date of initial operations or the first 175 connections, whichever comes later. The connections have not yet exceeded 175 customers; therefore, the County is not yet required to pay the District. The District collects from customers for usage and is responsible for the operations of the system. These operating activities of the District are included in the audit responsibilities of the District.

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, 2013

	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	\$ 2,186,610	\$ 2,186,610	\$ 2,019,526	\$ (167,084)
Other revenues	53,980	53,980	101,729	47,749
Non-Operating Receipts:				
Interest income	4,000	4,000	3,023	(977)
Proceeds from Sale of Capital Assets	-	-	1,150	1,150
Customer deposits	-	-	2,781	2,781
Grants & Loans	7,245,205	7,355,005	4,238,845	(3,116,160)
Total Receipts	<u>9,489,795</u>	<u>9,599,595</u>	<u>6,367,054</u>	<u>(3,232,541)</u>
DISBURSEMENTS:				
Operating Expenses:				
Personnel services and benefits	807,592	807,592	811,619	(4,027)
Other expenses - excluding grant expenses	983,452	983,452	893,032	90,420
Non-Operating Disbursements:				
Customer deposits	-	-	-	-
Debt payments - principal	107,222	107,222	107,222	-
Debt payments - interest	114,724	114,724	114,725	(1)
Debt reserve	50,000	50,000	20,452	29,548
Capital outlay - other than from grants	181,600	181,600	147,842	33,758
Capital outlay - grants & loans	7,245,205	7,355,005	5,710,083	1,644,922
Total Disbursements	<u>9,489,795</u>	<u>9,599,595</u>	<u>7,804,975</u>	<u>1,794,620</u>
Excess Receipts over (under) Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$(1,437,921)</u>	<u>\$(1,437,921)</u>
Beginning Unrestricted Cash			1,738,947	
Ending Unrestricted Cash			<u>\$ 301,026</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@sdc.org

INDEPENDENT AUDITOR'S 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, State Auditor, and
Members of the Board of Directors
Anthony Water and Sanitation District
Anthony, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Anthony Water and Sanitation District (District), Anthony, New Mexico, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the budget comparisons of the District, presented as supplemental information, and have issued our report thereon dated February 28, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. 2013-03

INDEPENDENT AUDITOR'S 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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 questioned costs as items 2013-01 and 2013-02.

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Beckham & Penner P.C.
Certified Public Accountants
Socorro, New Mexico
February 28, 2014

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 FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Anthony Water and Sanitation District's 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 Anthony Water and Sanitation District's major federal programs for the year ended June 30, 2013. Anthony Water and Sanitation District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Anthony Water and Sanitation District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Anthony Water and Sanitation 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Anthony Water and Sanitation District's compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133, continued

Opinion on Each Major Federal Program

In our opinion, Anthony Water and Sanitation District complied, in all material respects, with the types of 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, 2013.

Report on Internal Control over Compliance

Management of Anthony Water and Sanitation District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Anthony Water and Sanitation District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Anthony Water and Sanitation 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Beckham & Penner P.C.
Certified Public Accountants
Socorro, New Mexico
February 28, 2014

STATE OF NEW MEXICO
 ANTHONY WATER AND SANITATION DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2013

	<u>Federal CFDA Number</u>	<u>Federal Grant/Project Number</u>	<u>Federal Expenditures</u>
Federal Grants and Loans:			
Direct loan / grant from the US Department Agriculture, Rural Development, Rural Utilities Service:			
Major Programs:			
Direct Loan - RUS	10.770	36-007-0850303980	\$ 1,481,139
Colonias Grant	10.770	36-007-0850303980	2,120,832
Pass-through Grant from the US Environmental Protection Agency, North American Development Bank,			
Major Programs:			
Border Environmental Infrastructure Fund	66.931	BEIF-NM2360	1,575,881
Border Environmental Infrastructure Fund	66.931	TAA 13-015	87,260
Total Expenditure of Federal Awards			<u>\$ 5,265,112</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 \$3,557,042 outstanding at June 30, 2013.

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

Notes to Financial Statements, page 17, Capital Assets:

Increase Construction in Progress		
Water Improvement Project	5,523,731	
Sonic Lift Station	<u>87,260</u>	
		5,610,991
Non-Federal Portion of Project Capital Expenditures		(345,879)
Federal Expenditures for Capital Assets		<u>\$ 5,265,112</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, 2013**

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements:

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

<u>CFDA</u>	<u>Federal Program</u>
Number	
10.770	RUS – Direct Loan/Grant
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, 2013

SUMMARY OF FINDINGS:

PRIOR YEAR FINDINGS:

Status

NONE

CURRENT YEAR FINDINGS:

2013-01 Untimely Submission of Audit Report - Compliance

2013-02 Unfunded Reserve – Compliance

2013-03 Budget vs Actual Monitoring – Internal Control – Significant Deficiency

FEDERAL AWARDS FINDINGS:

NONE

2013-01 Untimely Submission of Audit Report

Statement of Condition - The audit report of the Anthony Water and Sanitation District for the fiscal year ended June 30, 2013 was not delivered to the State Auditor by the due date of December 1, 2013.

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 had a death in his family and was unable to complete the audit in a timely manner.

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

Recommendation - The District should get ready for the audit process earlier and communicate with the auditor to help insure that future audit reports can be 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 QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

2013-02 Unfunded Reserves

Statement of Condition - The District has a \$42,216 unfunded required reserve balance in the BEIF RRR. The District's minimum required reserve for the BEIF RRR as of June 30, 2013 was \$49,362; however, the actual funded reserve amount was only \$7,146. All other required reserves were properly funded.

Criteria – The District entered into a Construction Assistance Grant Agreement with the North American Development Bank (NADB) for assistance from the Border Environmental Infrastructure Fund (BEIF) in an amount up to \$2,796,754 for part of their major Water Improvement Project. This agreement requires the District to establish both an Operations and Maintenance Reserve (OMR) along with a Repair and Replacement Reserve (RRR). The OMR was properly funded; however, the RRR was only partially funded.

Cause - The District is still in the construction phase of the Water Improvement Project and did not realize that the RRR funding requirement had already begun.

Effect - Noncompliance with grant agreements. Unfunded reserves would not provide the necessary funds for major repairs and replacements on an as needed basis.

Recommendation - The District should provide the required reserve funding in a timely manner.

Management's Response - The District concurs with the recommendation above and will transfer funds into the reserve account.

2013-03 Budget vs Actual Monitoring

Statement of Condition - The District did not monitor their actual revenue and expenditures with their approved budget.

Criteria – Budget regulations require that the District monitor their actual results to the approved budget. Formal budget integration should be employed as a management control device during the fiscal year.

Cause - The District did not enter their approved budget into their accounting system, therefore, the monitoring reports that would normally be available to them were not.

Effect - Noncompliance with budget requirements could have occurred and gone undetected.

Recommendation - The District should enter their approved budget into their accounting system and monitor their actual results with the approved budget.

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

STATE OF NEW MEXICO
ANTHONY WATER AND SANITATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 2013; however, management acknowledges and accepts responsibility for the financial statements.

EXIT CONFERENCE:

The exit conference was held at the district on February 28, 2014 and was attended by the following:

From Anthony Water and Sanitation District:

Ron Gillette, Board Member
Jose Terrones, Project Manager
Loren Shoonover, Office Manager
Sergio Vasquez, Accountant

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

Rick Penner, CPA.