

**State of New Mexico
Anthony Water
And Sanitation District**

*Basic Financial Statements and
Required Supplementary Information
For the Year Ended June 30, 2016
and Independent Auditor's Report*

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

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JUNE 30, 2016**

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

FUNCTION OF ENTITY & OFFICIAL ROSTER

The Anthony Water and Sanitation District (the "District") was organized on January 30, 1978 under the New Mexico Statutes Chapter 73 Article 21 to serve as a public use and promote the health, safety, prosperity, security and general welfare of the inhabitants of the District. The District was created for the purpose of: (A) purchasing, acquiring, establishing or constructing waterworks to supply water for domestic, commercial and industrial purposes by any available means to persons within and without the boundaries of the District. For this purpose, the District has the power to extend its water lines outside of the boundaries of the District for the purpose of securing a source of water supply or for the purpose of supplying water to any lands of the United States, New Mexico, or Indian reservation for use by any person, firm or corporation; (B) purchasing, acquiring, establishing or constructing sanitary sewers or a system of sewage disposal, garbage or refuse disposal; (C) purchasing, acquiring, establishing or constructing street infrastructures; (D) purchasing, acquiring, establishing or constructing park and recreational improvements; (E) purchasing, acquiring, establishing or constructing or operating other public facilities or economic development projects; or (F) all of the improvements in items A through E or any combination of them within or without the District. The District serves approximately 2,800 active meter customers.

BOARD OF DIRECTORS

Yolanda Alvarez
Ron Gillette
Veronica Rodriguez

Chairperson
Member
Member

ADMINISTRATIVE OFFICIALS

Jose Terrones
Victor Chavarria

Superintendent
Office Manager

WATTS CPA, P.C.

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

I have audited the accompanying financial statements of the business-type activities of Anthony Water and Sanitation District (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. I also have audited the budgetary comparisons presented as supplementary information for the year ended June 30, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the the business-type activities of Anthony Water and Sanitation District, as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, budgetary comparisons of Anthony Water and Sanitation District for the year ended June 30, 2016 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require the supplementary pension schedules on pages 28 to 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The other schedules required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to

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

The schedule of vendor information listed as "Other Information" in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 14, 2016 on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Watts CPA, P.C.

El Paso, Texas
December 14, 2016

BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF NET POSITION
JUNE 30, 2016**

ASSETS:

Current Assets

Cash and cash equivalents	\$ 619,698
Receivables from customers (net of allowance of \$22,250)	302,736
Grants receivable	226,466
Inventory of system parts and supplies	17,277
Prepaid expenses and insurance	28,533

Total current assets

1,194,710

Noncurrent assets

Restricted cash	1,179,142
Capital assets, net of accumulated depreciation	19,422,780
Intangible assets, net of accumulated amortization	579,000

Total noncurrent assets

21,180,922

Total assets

22,375,632

DEFERRED OUTFLOWS OF RESOURCES

Related to pension plan

80,214

Total assets and deferred outflows of resources

\$ 22,455,846

LIABILITIES:

Current Liabilities:

Accounts payable vendors	\$ 75,457
Accounts payable construction	319,551
Accrued interest	5,200
Accrued payroll, taxes and benefits	22,872
Accrued compensated absences	52,921
Customer meter deposits	143,960
Current maturities of notes payable	146,820

Total current liabilities

766,781

Noncurrent Liabilities:

Notes payable	3,835,068
Net pension liability	457,794
Total liabilities	<u>5,059,643</u>

DEFERRED INFLOWS OF RESOURCES

Related to pension

11,766

Related to grant revenues

723,471

Total deferred inflows of resources

735,237

NET POSITION:

Net investment in capital assets	16,098,500
Restricted for debt service	386,701
Restricted for capital projects	792,441
Unrestricted	(616,676)
Total net position	<u>16,660,966</u>

Total liabilities, deferred inflows of resources and net position

\$ 22,455,846

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

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

Operating Revenues:	
Charges for services	\$ 2,180,611
Other revenues	295,105
	<u>2,475,716</u>
Total operating revenues	2,475,716
Operating Expenses:	
Personnel services and benefits	956,469
Operating expenses	1,008,047
Fuel and power	217,224
Depreciation	685,602
Amortization	31,800
	<u>2,899,142</u>
Total operating expenses	2,899,142
Operating loss	<u>(423,426)</u>
Non-Operating Revenues (Expenses):	
Interest income	3,413
Interest expense	<u>(118,600)</u>
Total non-operating expenses	<u>(115,187)</u>
Loss before capital contributions	<u>(538,613)</u>
Capital Contributions:	
Grant revenues:	
State	361,773
Federal	16,078
	<u>377,851</u>
Total capital contributions	377,851
Change in net position	(160,762)
Net position - beginning of year, as previously reported	16,639,206
Restatement	<u>182,522</u>
Net position - beginning of year, as restated	<u>16,821,728</u>
Net position - end of year	<u>\$ 16,660,966</u>

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

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

Cash Flows From Operating Activities:	
Cash received from customers	\$ 2,488,632
Cash payments to employees for services	(943,297)
Cash payments to vendors for goods and services	<u>(1,111,948)</u>
Net cash provided by operating activities	<u>433,387</u>
Cash Flows From Capital and Related Financing Activities:	
Purchase and construction of capital assets	(794,382)
Payments on notes payable	(131,519)
Payments for interest on notes payable	(118,600)
Proceeds from capital grants	838,466
Proceeds from capital loans	<u>78,608</u>
Net cash used in capital and related financing activities	<u>(127,427)</u>
Cash Flows From Investing Activities	
Interest received	<u>3,413</u>
Net cash provided by investing activities	<u>3,413</u>
Net increase in cash and cash equivalents	309,373
Cash and cash equivalents, beginning of year	<u>1,489,467</u>
Cash and cash equivalents, end of year	<u>\$ 1,798,840</u>
CASH ENDING:	
Cash	\$ 619,698
Restricted cash	1,179,142
Total cash reported in statement of net position	<u>\$ 1,798,840</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$ (423,426)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Depreciation	685,602
Amortization	31,800
Net pension expense	7,869
Change in:	
Accounts receivable	4,430
Prepaid expenses and insurance	(7,848)
Accounts payable and accrued liabilities	126,474
Meter deposits	<u>8,486</u>
Total adjustments	<u>856,813</u>
Net cash provided by operating activities	<u>\$ 433,387</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Overview

The Anthony Water and Sanitation District (the "District") in Anthony, New Mexico has been determined to be a governmental subdivision of the State of New Mexico and a body with all the powers of a public or quasi-municipal corporation.

The District has a Board of Directors that consists of three elected officials who are responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District. The purpose of the District is to provide water and wastewater services for the users within and without the boundaries of the district.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units. The financial statements and notes are the representation of the District's management who is responsible for their integrity and objectivity. The following is a summary of the significant policies:

A. Reporting Entity

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

B. Basic Financial Statements

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

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

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

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

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

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

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

D. Cash and cash equivalents

The District's cash is considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition

E. Restricted Cash

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

F. Accounts Receivable

Accounts receivable represents the amounts due from customers' water and sewer accounts. The allowance for doubtful accounts was \$22,250 at 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.

G. Inventory

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

H. Capital Assets

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

Equipment, vehicles and software	5 - 10 years
Buildings, improvements and plant/systems	20 - 50 years

I. Intangible Assets

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

J. Deferred Outflows / Inflows of Resources

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

In addition to liabilities, the statement of net position reports deferred inflows of resources. This represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. The District has two types of deferred inflows; advances under expenditure driven grants which amounted to \$723,471 as of June 30, 2016, and deferred inflows related to the PERA pension as discussed in Note 9.

K. Budgets and Budgetary Accounting

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

L. Vacation and Sick Pay

It is the District's policy to permit employees to accumulate a limited amount of earned but unused vacation benefits, after they have attained the status of permanent employees, which will be paid to employees upon separation from service. Employees who have been

employed by the District for more than five years are paid ten percent of their accumulated sick leave upon separation. The amount of accumulated sick leave is also limited by District policy.

M. Contributed Capital

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

N. Net Position

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

O. Use of Estimates

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

P. Pensions

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

Q. New Accounting Pronouncements

During the year ended June 30, 2016, the District implemented the following new accounting pronouncements which did not have a material effect on the District's financial statements:

- GASB Statement No. 72, *Fair Value Measurement and Application*.
- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and*

Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.

- *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*
- *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*
- *GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*
- *GASB Statement No. 79, Certain External Investment Pools and Pool Participants*

The following pronouncements have been issued, but are not yet effective for the year ended June 30, 2016.

- *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*
- *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*
- *GASB Statement No. 77, Tax Abatement Disclosures*
- *GASB Statement No. 78, Pensions Provided Through Certain Multiple Employer Defined Benefit Plans*
- *GASB Statement No 80, Blending Requirements for Certain Component Units - an aAmendment of GASB Statement No. 14*
- *GASB Statement No. 81, Irrevocable Split-Interest Agreements*
- *GASB Statement 82, Pension Issues-an Amendment of GASB Statements no. 67, No. 68, and No. 73.*

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

2. CASH

Deposits of funds may be made in interest or non-interest bearing accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the state board of finance, but in no case shall the rate of interest be less that one hundred percent of the asked priced 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 statues authorize the investment of the District's funds in a variety of instruments including certificate of deposits and other similar obligations, state investment pool and money market accounts. The District must follow the above investment policies.

New Mexico State Statues require collateral pledged for deposits in excess of federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution. According to the Federal Deposit Insurance Corporation public unit, deposits are funds owned by the District. Interest bearing accounts of a public unit in an institution in the same state will be insured separate from the public unit's demand deposits at the same institution The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or

political subdivision of the State of New Mexico.

The following schedule is designed to disclose the level of custodial credit risk assumed by the District based upon how its deposits were insured or secured with collateral at June 30, 2016:

Total deposits in bank	\$ 928,536
Less FDIC coverage	<u>(608,375)</u>
Uninsured public funds	320,161
Pledged Collateral held by the pledging bank's trust department or agent in the District's name	<u>974,556</u>
Uninsured and uncollateralized	<u>\$ -</u>

As of June 30, 2016, the District's bank balances were exposed to custodial credit risk. The amount above identified as uninsured \$320,161 is subject to custodial credit risk. This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk.

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

Account	Account Type	1st New Mexico Bank	Bank of the West	White Sands FCU	Citizens Bank	Total Balance per Bank
Water/Sewer General	Demand	\$ 14,473	\$ -	\$ -	\$ -	\$ 14,473
Water Tap	Demand	205,097	-	-	-	205,097
Safe Water	Demand	257,079	-	-	-	257,079
Payroll Checking	Demand	27,542	-	-	-	27,542
Projects Account	Demand	-	-	71,166	-	71,166
Projects RUS	Demand	567	-	-	-	567
Safe Water	Demand	-	37,209	-	-	37,209
Debt Service MM	Time	-	-	-	315,403	315,403
Total amounts of deposits		<u>504,758</u>	<u>37,209</u>	<u>71,166</u>	<u>315,403</u>	<u>928,536</u>
FDIC Coverage		<u>250,000</u>	<u>37,209</u>	<u>71,166</u>	<u>250,000</u>	<u>608,375</u>
Total uninsured public funds		254,758	-	-	65,403	320,161
Pledged collateral held by the pledging bank's trust department or agent in the District's name		<u>769,293</u>	<u>-</u>	<u>-</u>	<u>205,263</u>	<u>974,556</u>
Uninsured and uncollateralized		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
50% pledged collateral requirement		\$ 127,379	\$ -	\$ -	\$ 32,702	
Total pledged collateral		<u>769,293</u>	<u>-</u>	<u>-</u>	<u>205,263</u>	
Pledged collateral exceeding the requirements		<u>\$ 641,914</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 172,561</u>	

A description of the pledged collateral as of June 30, 2016 is as follows:

Description	CUSIP#	Maturity	Market Value
1st New Mexico Bank:			
Alamogordo NM BRH Cmnty C/g	011450CS0	8/1/2022	\$ 315,400
Clovis NM GRT Rev	189387CN1	5/01/2025	213,779
Chama NM VY ISD #19	157670FH8	10/01/2018	<u>240,114</u>
Total 1st New Mexico Bank			<u>\$ 769,293</u>
Citizen's Bank:			
FHLB	N/A	06/09/2017	<u>\$ 205,263</u>
Total Citizen's Bank			<u>\$ 205,263</u>

The various bank account reconciliations as of June 30, 2016 are as follows:

Account	Account Type	Balance per Bank	Deposits in Transit	Outstanding Checks	Total Balance per Bank
Water/Sewer General	Demand	\$ 14,473	\$ 1,574	\$ 15,163	\$ 884
Water Tap	Demand	205,097	126	-	205,223
Safe Water	Demand	257,079	73	-	257,152
Payroll Checking	Demand	27,542	-	1,642	25,900
Projects Account	Demand	71,166	-	-	71,166
Projects RUS	Demand	567	-	-	567
Safe Water	Demand	37,209	-	-	37,209
Debt Service Money					
Market	Time	<u>315,403</u>	<u>-</u>	<u>-</u>	<u>315,403</u>
Total amounts of deposits		<u>\$ 928,536</u>	<u>\$ 1,773</u>	<u>\$ 16,805</u>	913,504
Cash held by NMFA					884,436
Petty Cash					<u>900</u>
Total cash					<u>\$ 1,798,840</u>
Total as Reported in the Financial Statements:					
Statement of Net Position:					
Cash and cash equivalent					\$ 619,698
Restricted cash					<u>1,179,142</u>
Total cash per financial statements					<u>\$ 1,798,840</u>

3. CAPITAL ASSETS

Capital assets consist of the following as of June 30, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type capital assets, not being depreciated				
Land, well sites, and easements	\$ 1,261,559	\$ -	\$ -	\$ 1,261,559
Construction in progress	370,657	477,851	-	848,508
Total capital assets, not being depreciated	<u>1,632,216</u>	<u>477,851</u>	<u>-</u>	<u>2,110,067</u>
Business-type capital assets, being depreciated				
Buildings and landscaping	1,385,076	-	-	1,385,076
Water and sewer plant/system	24,367,660	40,494	-	24,408,154
Equipment and vehicles	1,206,352	276,037	-	1,482,389
Total business-type capital assets, being depreciated	<u>26,959,088</u>	<u>316,531</u>	<u>-</u>	<u>27,275,619</u>
Less accumulated depreciation for:				
Buildings and landscaping	595,123	53,171	-	648,294
Water and sewer plant/system	7,745,802	567,797	-	8,313,599
Equipment and vehicles	936,379	64,634	-	1,001,013
Total accumulated depreciation	<u>9,277,304</u>	<u>685,602</u>	<u>-</u>	<u>9,962,906</u>
Total capital assets being depreciated, net	<u>17,681,784</u>	<u>(369,071)</u>	<u>-</u>	<u>17,312,713</u>
Business-type capital assets, net	<u>\$ 19,314,000</u>	<u>\$ 108,780</u>	<u>\$ -</u>	<u>\$ 19,422,780</u>
Intangible Assets:				
Water rights	\$ 1,272,000	\$ -	\$ -	\$ 1,272,000
Less accumulated amortization	661,200	31,800	-	693,000
Total capital assets, not being depreciated	<u>610,800</u>	<u>(31,800)</u>	<u>-</u>	<u>579,000</u>
Total Capital Assets	<u>\$ 19,924,800</u>	<u>\$ 76,980</u>	<u>\$ -</u>	<u>\$ 20,001,780</u>

4. COMMITMENT FOR LONG-TERM LEASE

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

5. LONG TERM OBLIGATIONS

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

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

The loan agreement with the Department of Agriculture requires a reserve account to be funded at the rate of \$1,014 per month until \$121,610 is accumulated in the account. The funds may be withdrawn with the prior written approval of the Federal Government for repairs to the facility cash by a catastrophe or for extensions or improvements to the facility. The reserve has been fully funded.

\$ 1,295,371

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

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

936,606

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

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

1,353,463

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

42,387

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

70,523

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

9,231

Note payable New Mexico Finance Authority dated December 21, 2012, maturity June 1, 2034, payable in monthly installments of \$1,082 beginning November 21, 2014, including interest at .25% secured by revenues of the system. There are no reserve requirements. There was a two year construction period for the district wide upgrade of water meters. The total project was for \$850,000 funded by this \$212,500 loan and a grant of \$637,500. The project has been completed.

195,699

Note payable New Mexico Finance Authority dated June 24, 2016, maturity June 1, 2036, payable in annual principal only installments of \$3,943 beginning June 1, 2017, secured by revenues of the system. There are no reserve requirements.

78,608

Total debt 3,981,888

Less current portion of long-term debt 146,820

Total long-term debt \$ 3,835,068

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

Years Ending	Interest	Principal
June 30, 2017	\$ 120,651	\$ 146,820
June 30, 2018	116,996	150,726
June 30, 2019	112,992	154,731
June 30, 2020	108,675	159,049
June 30, 2021	104,062	163,663
June 30, 2022 - 2026	440,997	896,086
June 30, 2027 - 2031	290,924	917,813
June 30, 2032 - 2036	174,771	641,046
June 30, 2037 - 2041	68,557	281,431
June 30, 2042 - 2046	39,678	244,302
June 30, 2047 - 2051	11,008	226,221
Total	<u>\$ 1,589,311</u>	<u>\$ 3,981,888</u>

Changes in long-term debt activity for the ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reduction	Ending Balance	Due Within One Year
USDA Rural Development	\$ 1,341,590	\$ -	\$ 46,220	\$ 1,295,370	\$ 48,727
NM Finance Authority	977,781	-	41,175	936,606	47,865
USDA Rural Development	1,379,487	-	26,024	1,353,463	26,616
NM Finance Authority - WTB	46,183	-	3,796	42,387	3,805
NM Finance Authority - WTB	75,467	-	4,944	70,523	4,956
NM Finance Authority - WTB	9,744	-	513	9,231	513
NM Finance Authority - WTB	204,547	-	8,847	195,700	10,647
NM Finance Authority - WTB	-	<u>78,608</u>	-	<u>78,608</u>	<u>3,691</u>
Total notes payable	<u>\$ 4,034,799</u>	<u>\$ 78,608</u>	<u>\$ 131,519</u>	<u>\$ 3,981,888</u>	<u>\$ 146,820</u>

6. COMPENSATED ABSENCES

Following is a schedule of changes in compensated absences:

	Beginning Balance	Additions	Reduction	Ending Balance	Due Within One Year
Compensated absences	<u>\$ 52,921</u>	<u>\$ 116,294</u>	<u>\$ 116,294</u>	<u>\$ 52,921</u>	<u>\$ 52,921</u>

7. RISK MANAGEMENT

The District covers its insurance needs through various insurance policies. The coverage includes worker's compensation, general liability, buildings and improvements, personal property, automobiles, directors' and officers' liability, and employee bonds. If the District's losses exceed its premiums, there is no supplemental assessment; on the other hand, if the District's losses are low, they will not receive a refund. Therefore, except for deductible amounts, risk has been transferred to the insurance carrier.

8. NET POSITION

Net Position represents the difference between assets, deferred outflows, liabilities and deferred inflows. The net position amounts at June 30, 2016 were as follows:

Net Investment in capital assets:	
Net Property and equipment in service	\$ 20,001,780
Loan proceeds in restricted cash	78,608
Less: note payable	<u>(3,981,888)</u>
Net Investment in Capital Asset	<u>16,098,500</u>
Restricted - Debt Service	
Rural Development Debt dated 09/16/1993 R&R Reserve	121,610
Rural Development Debt dated 03/07/2012 R&R Reserve	29,544
NM Finance Authority Debt dated 06/01/2015 Debt Service Reserve	71,298
Border Environmental Infrastructure Fund Grant 08/10/11 O&M Reserve	36,849
Border Environmental Infrastructure Fund Grant 08/10/11 R&R Reserve	98,724
Excess Funds in Reserve	<u>28,676</u>
Total Restricted - Debt Service	<u>386,701</u>
Restricted - Capital Projects	
NMFA Program Funds and Grant Funds	786,082
NMFA Program Funds	<u>6,359</u>
	<u>792,441</u>
Unrestricted	<u>(616,676)</u>
Total net position	<u>\$ 16,660,966</u>

9. PERA PENSION PLAN

General Information about the Pension Plan

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

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

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Contributions. The contribution requirements of defined benefit plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 31 through 32 of the PERA FY15 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf. The PERA coverage options that apply to the District is the Municipal General Division. Statutorily required contributions to the pension plan from the District were \$41,494 and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the

calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The District's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General, at June 30, 2016, the District reported a liability of \$457,794 for its proportionate share of the net pension liability. At June 30, 2015, the (agency name)'s proportion was .0449 percent, which was an increase from its proportion measured as of June 30, 2014, which was .0384 percent.

For the year ended June 30, 2016, the District recognized PERA Fund Division Municipal General pension expense of \$29,506. At June 30, 2016, the District reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 10,140
Change in assumptions	-	178
Net difference between projected and actual earnings on pension plan investments	-	1,448
Changes in proportion and differences between District contributions and proportionate share of contributions	38,720	-
District contributions subsequent to the measurement date	41,494	-
	<hr/>	<hr/>
Total	\$ 80,214	\$ 11,766

\$41,494 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (2,971)
2018	(2,971)
2019	(2,971)
2020	33,763
2021	2,105
Thereafter	-

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Actual valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based of statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
• Investment rate of return	7.75 % annual rate, net of investment expense
• Projected benefit payment	100 years
• Payroll growth	3.50% annual rate
• Projected salary increases	3.50% to 14.25% annual rate
• Included inflation at	3.00% annual rate
• Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirements, Employee table for active members, and Disabled table for disabled retirees before retirement age) with protection to 2018 using Scale AA
• Experience study dates	July 1, 2008 to June 30, 2013

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

All Funds - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.1%	5.00%
International Equity	24.8	5.2
Private Equity	7	8.2
Core and Global Fixed Income	26.1	1.85
Fixed Income Plus Sectors	5	4.8
Real Estate	5	5.3
Real Assets	7	5.7
Absolute Return	4	4.15
Total	<u>100.00%</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the District's net pension liability in each PERA Fund Division that the District participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

PERA Fund Division Municipal General	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The District's proportionate share of the net pension liability	\$ 779,442	\$ 457,794	\$ 190,366

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

10. CONSTRUCTION PROJECTS IN PROGRESS

The District has purchased land for the development of a multi-purpose community and farmer's complex, which is expected to cost approximately \$384,000 for all planning, design, and first phase. The project will be financed with state and local grants. \$254,044 has been received and expended as of June 30, 2016. The project is in the construction phase.

The District has begun a major sewer lift station project, which is expected to cost approximately \$1,500,000. The project is expected to be financed with state and federal grants. \$125,641 has been received and expended as of June 30, 2016. The project is still in the planning and design process.

The District has begun a major waste water treatment plant project, which is expected to cost approximately \$20,000,000. The project is expected to be financed with state and federal grants. \$125,641 has been received and expended as of June 30, 2016. The project is still in the planning and design process.

The District has begun a major water system improvement project, which is expected to cost approximately \$3,000,000. The project is expected to be financed with state and federal grants. \$125,641 has been received and expended as of June 30, 2016. The project is still in the planning and design process.

In addition to the projects described above, the District has routine line extension projects and water improvement projects ongoing in the normal course of operations.

11. JOINT POWERS AGREEMENT

The District entered into a joint powers agreement with Dona Ana County to act as an agent for the County and be the primary community contract for all wastewater applications, complaints, billing and collections or other customer issues for the county area specifically known as Las Palmeras - Montana Vista. The agreement was entered into on March 20, 2003 with automatic one year renewals. The District is paid \$12,00 per residential connection per month and \$15.00 per commercial connection per month for the first 6,000 gallons of water used plus \$1.00 per 1,000 gallons thereafter. Dona Ana County also pays a capacity replacement fee of \$1,000.0 per connection for all connections occurring after the date of initial operations or the first 175 connections, whichever comes later. The connections have not yet exceeded 175 customers; therefore the County is not yet required to pay the District. The District collects from customers for usage and is responsible for the operations of the system. These operating activities of the District are included in the audit responsibilities of the District.

12. SUBSEQUENT REVIEW

Anthony Water and Sanitation District has evaluated subsequent events through December 14, 2016, which is the date the financial statements were available to be issued.

13. NEW MEXICO RETIRE HEALTHCARE

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

14. RESTATEMENT

During the year ended June 30, 2016, the District corrected an error that previously resulted in an understatement of receivables from customers totaling \$182,522.

SUPPLEMENTARY INFORMATION

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

**STATEMENT OF RECEIPTS AND DISBURSEMENTS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Favorable (Unfavorable)
RECEIPTS:				
Operating revenues:				
Charges for services	\$ 2,322,165	\$ 2,322,165	\$ 2,185,041	\$ (137,124)
Other revenues	466,393	466,393	295,105	(171,288)
Non-operating revenues				
Interest income	3,100	3,100	3,413	313
Grants and loans	616,299	1,066,299	158,300	(907,999)
Total receipts	3,407,957	3,857,957	2,641,859	(1,216,098)
DISBURSEMENTS:				
Operating expenses:				
Personnel services and benefits	878,005	878,005	956,469	(78,464)
Operations	1,235,580	1,235,580	886,773	348,807
Fuel and power	367,528	367,528	217,224	150,304
Non-operating disbursements:				
Debt payments - principal	192,545	192,545	250,119	(57,574)
Debt payments - interest	-	-	-	-
Debt reserve	40,000	40,000	2,149	37,851
Capital outlay - other than grants	78,000	78,000	94,384	(16,384)
Capital outlay - grants and loans	616,299	1,066,299	699,998	366,301
Total disbursements	3,407,957	3,857,957	3,107,116	750,841
Excess receipts over (under) disbursements	-	-	(465,257)	(465,257)
Beginning unrestricted cash			1,104,915	
Ending unrestricted cash			\$ 639,658	
Reconciliation of budgetary basis to GAAP basis:				
Net excess receipts over (under) disbursements budgetary basis			\$ (465,257)	
Net revenue accruals			215,121	
Net expenditure accruals			(121,274)	
Capital outlay			794,382	
Depreciation			(717,402)	
Principal payments on debt			2,149	
Principal payments on debt			131,519	
Change in net position GAAP basis			\$ (160,762)	

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

JUNE 30, 2016

	2016	2015
District's proportion of the net pension liability	0.0449%	0.0384%
District's proportionate share of the net pension liability	\$ 457,794	\$ 299,561
District's covered employee payroll	\$469,903	\$407,916
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	97%	73%
Plan fiduciary net position as a percentage of the total pension liability	77%	81%

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

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

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

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

JUNE 30, 2016

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

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

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

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at http://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>. For details about changes in the actuarial assumptions see the report. For a description of actuarial assumptions, see Appendix B of the report.

OTHER SUPPLEMENTAL INFORMATION

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

**SCHEDULE OF LEGISLATIVE APPROPRIATIONS
FOR THE YEAR ENDED JUNE 30, 2016**

	13-L-1676	15-0500-STB
Original appropriation	\$ 229,000	\$ 250,000
Funds reverted	-	-
Appropriation remaining	<u>\$ 229,000</u>	<u>\$ 250,000</u>
Expended through June 30, 2016	\$ 229,000	\$ -
Encumbrances	-	140,129
Total committed	<u>\$ 229,000</u>	<u>\$ 140,129</u>
Project expiration date	June 30, 2017	June 30, 2019

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

OTHER INFORMATION

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

**SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000
(EXCLUDING GRT)
FOR THE YEAR ENDED JUNE 30, 2016**

RFB# / RFP#	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded	In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A	Brief Description of the Scope of Work
1	Request for proposal	Smithco Construction , Inc.	\$348,000	N/A	Smithco Construction, Inc. 6 King Canyon Loop Caballo, NM 87931	Y	N	Construction for farmers market
					Burn Construction Company, Inc. PO Box 1869 Las Cruces, NM 88004	Y	Y	
					Karlshuler, Inc. 1845 Northwestern Dr. Suite C El Paso, TX 79912	N	N	
					Spartan Construction of New Mexico 156 Wyatt Drive Las Cruces, NM 88004	Y	N	
					ESA Construction 3435 Girard NE Albuquerque, NM 87107	Y	N	
					Saab Site Contractors, LP 8340 Gateway East #205 El Paso, TX 79907	N	N	
					Morrow Enterprises, Inc. 6525 W Picacho Ave Las Cruces, NM 88004	Y	N	
					Highland Enterprises, Inc. 645 Compress Rd Las Cruces, NM 88004	Y	N	

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

COMPLIANCE SECTION

WATTS CPA, P.C.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Anthony Water and Sanitation District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the related budget comparisons of the District, presented as supplemental information, and have issued my report thereon dated December 14, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Watts CPA, P.C.

El Paso, Texas
December 14, 2016

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

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2016**

CURRENT YEAR FINDINGS:

None

STATUS OF PRIOR YEAR FINDINGS

None

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

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2016**

An exit conference was conducted on December 13, 2016 with the following individuals in attendance:

Anthony Water and Sanitation District

Veronica Rodriguez
Jose Terrones
Victor Chavarria

Board Member
Superintendent
Office Manager

Watts CPA, P.C.

Brad Watts

Shareholder

Financial Statement Preparation

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