

State of New Mexico
Anthony Water
And Sanitation District

*Basic Financial Statements and
Required Supplementary Information
For the Year Ended June 30, 2021
and Independent Auditor's Report*

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

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JUNE 30, 2021**

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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 3,200 active meter customers.

BOARD OF DIRECTORS

Yolanda Alvarez
Ron Gillett
Veronica Rodriguez

Chairperson
Member
Member

ADMINISTRATIVE OFFICIALS

Jose Terrones
Robert Coleman

Superintendent
Office Manager

WATTS CPA, P.C.

INDEPENDENT AUDITOR'S REPORT

State Auditor Brian S. Colón
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, 2021, 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, 2021, 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, 2021, 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, 2021, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements and the budgetary comparison. The schedules of revenues and expenditures by function and the other schedule required by Section 2.2.2 NMAC and listed under "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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedules of net position by function, revenues and expenditures by function, the other schedule required by Section 2.2.2 NMAC and the schedule of expenditures of federal awards 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 schedules of revenues and expenditures by function, the other schedule required by Section 2.2.2 NMAC and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 2, 2021 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 effectiveness of the District's 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 2, 2021

BASIC FINANCIAL STATEMENTS

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

**PROPRIETARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2021**

ASSETS:

Current Assets

Cash and cash equivalents	\$ 496,571
Receivables from customers (net of allowance of \$22,250)	359,372
Grants receivable	515,007
Inventory of system parts and supplies	48,313
Prepaid expenses and insurance	<u>28,533</u>

Total current assets 1,447,796

Noncurrent assets

Restricted cash	447,559
Capital assets, net of accumulated depreciation	25,417,648
Intangible assets, net of accumulated amortization	<u>420,000</u>

Total noncurrent assets 26,285,207

Total assets 27,733,003

DEFERRED OUTFLOWS OF RESOURCES

Related to pension plan 329,215

Total assets and deferred outflows of resources \$ 28,062,218

LIABILITIES:

Current Liabilities:

Accounts payable vendors	\$ 123,268
Accounts payable construction	515,007
Accrued interest	5,200
Accrued payroll, taxes and benefits	36,835
Accrued compensated absences	35,334
Customer meter deposits	164,391
Current maturities of notes payable	<u>196,667</u>

Total current liabilities 1,076,702

Noncurrent Liabilities:

Notes payable	4,223,960
Net pension liability	<u>1,049,536</u>

Total liabilities 6,350,198

DEFERRED INFLOWS OF RESOURCES

Related to pension 16,131

Total deferred inflows of resources 16,131

NET POSITION:

Net investment in capital assets	21,417,021
Restricted for debt service	447,559
Unrestricted	<u>(168,691)</u>

Total net position 21,695,889

Total liabilities, deferred inflows of resources and net position \$ 28,062,218

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

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

**PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021**

Operating Revenues:	
Charges for services	\$ 3,189,304
Other revenues	<u>136,955</u>
Total operating revenues	<u>3,326,259</u>
Operating Expenses:	
Personnel services and benefits	1,070,117
Operating expenses	1,450,891
Fuel and power	189,800
Depreciation	958,760
Amortization	<u>31,800</u>
Total operating expenses	<u>3,701,368</u>
Operating loss	<u>(375,109)</u>
Non-Operating Revenues (Expenses):	
Interest income	423
Gain on sale of assets	4,000
Interest expense	<u>(87,943)</u>
Total non-operating expenses	<u>(83,520)</u>
Loss before capital contributions	<u>(458,629)</u>
Capital Contributions:	
Grant revenues:	
State	116,795
Federal	<u>301,184</u>
Total capital contributions	<u>417,979</u>
Change in net position	<u>(40,650)</u>
Net position - beginning of year	<u>21,736,539</u>
Net position - end of year	<u>\$ 21,695,889</u>

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

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

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

Cash Flows From Operating Activities:	
Cash received from customers	\$ 3,330,126
Cash payments to employees for services	(1,055,101)
Cash payments to vendors for goods and services	<u>(1,141,584)</u>
Net cash provided by operating activities	<u>1,133,441</u>
Cash Flows From Capital and Related Financing Activities:	
Purchase and construction of capital assets	(1,411,868)
Payments on notes payable	(385,578)
Payments for interest on notes payable	(87,943)
Proceeds from capital grants	492
Proceeds from capital loans	<u>872,869</u>
Net cash used in capital and related financing activities	<u>(1,012,028)</u>
Cash Flows From Investing Activities	
Interest received	<u>423</u>
Net cash provided by investing activities	<u>423</u>
Net increase in cash and cash equivalents	121,836
Cash and cash equivalents, beginning of year	<u>822,294</u>
Cash and cash equivalents, end of year	<u>\$ 944,130</u>
CASH ENDING:	
Cash	\$ 496,571
Restricted cash	<u>447,559</u>
Total cash reported in statement of net position	<u>\$ 944,130</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$ (375,109)
Adjustment to reconcile operating loss to net cash provided by operating activities:	
Depreciation	958,760
Amortization	31,800
Net pension expense	35,987
Change in:	
Accounts receivable	(2,511)
Accounts payable and accrued liabilities	478,136
Meter deposits	<u>6,378</u>
Total adjustments	<u>1,508,550</u>
Net cash provided by operating activities	<u>\$ 1,133,441</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, 2021**

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.

In 2020 the Desert Aire Mutual Domestic Water Consumers Association was merged into the District under state statute NMSA 1978 73-26-1.

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 is codifications of the existing Governmental Accounting and Financial Standards which along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

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

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

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

D. Cash and cash equivalents

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

E. Restricted Cash

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

F. Accounts Receivable

Accounts receivable represents the amounts due from customers' water and sewer accounts. The allowance for doubtful accounts was \$22,250 at June 30, 2021. There was no change in the allowance for doubtful accounts during the year ended June 30, 2021. 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 \$0 as of June 30, 2021, 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, 2021, the District implemented the following new accounting pronouncements which did not have a material effect on the District's financial statements:

- GASB Statement No. 93, Replacement of Interbank Offered Rates
- GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance
- GASB Statement No. 98, The Annual Comprehensive Financial Report

The following pronouncements have been issued, but are not yet effective for the year ended June 30, 2021.

- GASB Statement No. 92, Omnibus 2020
- GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements
- GASB Statement No. 96, Subscription-Based Information Technology Arrangements
- GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32

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

R. Tax Abatement Disclosures

The District does not have any agreements that require disclosure under GASB Statement No. 77, Tax Abatement Disclosures.

2. CASH

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

The rate of interest in non-demand interest-bearing accounts shall be set by the state board of finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of the deposit.

Excess funds may be temporarily invested in securities which are issued by the State or by the United States Government, or by their departments or agencies, and which are either direct obligations of the state or the United States or are backed by the full faith and credit of those governments. State statutes authorize the investment of the District's funds in a variety of instruments including certificate of deposits and other similar obligations, state investment pool and money market accounts. The District must follow the above investment policies.

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

The following schedule is designed to disclose the level of custodial credit risk assumed by the District based upon how its deposits were insured or secured with collateral at June 30, 2021:

Total deposits in bank	\$ 704,089
Less FDIC coverage	<u>(551,329)</u>
Uninsured public funds	152,760
Pledged Collateral held by the pledging bank's trust department or agent in the District's name	<u>306,088</u>
Uninsured and uncollateralized	<u>\$ -</u>

As of June 30, 2021, the District's bank balances were exposed to custodial credit risk. The amount above identified as uninsured \$152,760 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	Total Balance per Bank
Water/Sewer General	Demand	\$ 209,853	\$ -	\$ -	\$ 209,853
Water Tap	Demand	46,281	-	-	46,281
Safe Water	Demand	35,110	-	-	35,110
Payroll Checking	Demand	51,890	-	-	51,890
Projects Account	Demand	-	-	92,183	92,183
Projects RUS	Demand	7,299	-	-	7,299
Safe Water	Demand	-	12,766	-	12,766
Reserve	Demand	-	196,380	-	196,380
Operating	Demand	24,698	-	-	24,698
Reserve	Demand	<u>27,629</u>	<u>-</u>	<u>-</u>	<u>27,629</u>
Total amounts of deposits		402,760	209,146	92,183	704,089
FDIC Coverage		<u>250,000</u>	<u>209,146</u>	<u>92,183</u>	<u>551,329</u>
Total uninsured public funds		152,760	-	-	152,760
Pledged collateral held by the pledging bank's trust department or agent in the District's name		<u>306,088</u>	<u>-</u>	<u>-</u>	<u>306,088</u>
Uninsured and uncollateralized		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
50% pledged collateral requirement		\$ 76,380	\$ -	\$ -	
Total pledged collateral		<u>306,088</u>	<u>-</u>	<u>-</u>	
Pledged collateral exceeding the requirements		<u>\$ 229,708</u>	<u>\$ -</u>	<u>\$ -</u>	

A description of the pledged collateral as of June 30, 2021 is as follows:

Description	CUSIP#	Maturity	Market Value
1st New Mexico Bank:			
Alamogordo NM BRH Cmnty Clg	011450CS0	8/1/2022	<u>\$ 306,088</u>
Total 1st New Mexico Bank			<u>\$ 306,088</u>

The various bank account reconciliations as of June 30, 2021 are as follows:

Account	Account Type	Balance per Bank	Deposits in Transit	Outstanding Checks	Balance per Books
Water/Sewer General	Demand	\$ 209,853	\$ 270	\$ -	\$ 210,123
Water Tap	Demand	46,281	4,920	18,320	32,881
Safe Water	Demand	35,110	3	-	35,113
Payroll Checking	Demand	51,890	654	-	52,544
Projects Account	Demand	92,183	-	91	92,092
Projects RUS	Demand	7,299	-	-	7,299
Safe Water	Demand	12,766	-	-	12,766
Reserve	Demand	196,380	-	-	196,380
Operating	Demand	24,698	321	-	25,019
Reserve	Demand	<u>27,629</u>	<u>-</u>	<u>-</u>	<u>27,629</u>
Total amounts of deposits		<u>\$ 704,089</u>	<u>\$ 6,168</u>	<u>\$ 18,411</u>	691,846
Cash held by NMFA					251,179
Petty Cash					<u>1,105</u>
Total cash					<u>\$ 944,130</u>
Total as Reported in the Financial Statements:					
Statement of Net Position:					
Cash and cash equivalents					\$ 496,571
Restricted cash					<u>447,559</u>
Total cash per financial statements					<u>\$ 944,130</u>

3. CAPITAL ASSETS

Capital assets consist of the following as of June 30, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type capital assets, not being depreciated				
Land, well sites, and easements	\$ 1,261,559	\$ 108,616	\$ -	\$ 1,370,175
Construction in progress	<u>8,682,423</u>	<u>1,159,561</u>	<u>(6,332,886)</u>	<u>3,509,098</u>
Total capital assets, not being depreciated	<u>9,943,982</u>	<u>1,268,177</u>	<u>(6,332,886)</u>	<u>4,879,273</u>
Business-type capital assets, being depreciated				
Buildings and landscaping	1,530,076	-	-	1,530,076
Water and sewer plant/system	25,956,762	6,448,772	-	32,405,534
Equipment and vehicles	<u>1,523,189</u>	<u>27,805</u>	<u>(19,121)</u>	<u>1,531,873</u>
Total business-type capital assets, being depreciated	<u>29,010,027</u>	<u>6,476,577</u>	<u>(19,121)</u>	<u>35,467,483</u>
Less accumulated depreciation for:				
Buildings and landscaping	926,893	48,926	-	975,819
Water and sewer plant/system	11,670,084	821,732	-	12,491,816
Equipment and vehicles	<u>1,392,492</u>	<u>88,102</u>	<u>(19,121)</u>	<u>1,461,473</u>
Total accumulated depreciation	<u>13,989,469</u>	<u>958,760</u>	<u>(19,121)</u>	<u>14,929,108</u>
Total capital assets being depreciated, net	<u>15,020,558</u>	<u>5,517,817</u>	<u>-</u>	<u>20,538,375</u>
Business-type capital assets, net	<u>\$ 24,964,540</u>	<u>\$ 6,785,994</u>	<u>\$ (6,332,886)</u>	<u>\$ 25,417,648</u>
Intangible Assets:				
Water rights	\$ 1,272,000	\$ -	\$ -	\$ 1,272,000
Less accumulated amortization	<u>820,200</u>	<u>31,800</u>	<u>-</u>	<u>852,000</u>
Total capital assets, not being depreciated	<u>451,800</u>	<u>31,800</u>	<u>-</u>	<u>420,000</u>
Total Capital Assets	<u>\$ 25,416,340</u>	<u>\$ 6,817,794</u>	<u>\$ (6,332,886)</u>	<u>\$ 25,837,648</u>

Depreciation and amortization expense for the year ended June 30, 2021 was \$958,760 and \$31,800, respectively

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 New Mexico Finance Authority (NMFA) dated October 27, 2017 in the amount of \$1,275,682, maturity October 15, 2033, payable in yearly installment of \$96,592, including interest at 2.36% secured by revenues of the system.

The note payable with NMFA requires a reserve account in the amount of \$96,593 for debt service. The reserve funds are held by NMFA and the reserve has been fully funded. A note payable was refunded with the proceeds of this this loan which will result in \$252,522 in interest savings over the life of the note.

\$ 1,061,196

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.

692,565

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 \$57,351 which equals the required reserve at June 30, 2020.

1,214,196

Note payable Rural Development, Department of Agriculture USDA/CoBank (Bridge Loan) dated May 12, 2020 in the amount of \$21,119,000 comprised of a \$5,547,000 loan (\$872,869 has been drawn through June 30, 2021), and a \$15,572,000 grant. The loan is maturing over a period of 40 years payable in monthly installments of \$15,033 including interest at 1.375%, to secure this obligation, borrower grants to the lender a secured interest in the assets of the Anthony WSD in the amount of the principal amount owed.

872,869

Note payable National Rural Water Association dated April 17, 2019 in the amount of \$86,374, maturing April 1, 2029, payable in annual installments of \$834, including interest at 3.00%, to secure this obligation, borrower grants to the lender a secured interest in the assets of the Anthony WSD in the amount of the principal amount owed. There are no reserve requirements.

69,791

<p>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.</p>	142,219
<p>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.</p>	19,715
<p>Note payable New Mexico Finance Authority dated October 28, 2016, maturity June 1, 2038, payable in annual principal only installments of \$7,500 beginning June 1, 2019, secured by revenues of the system. There are no reserve requirements.</p>	60,000
<p>USDA 91-13: On August 12, 2019, the District executed a promissory note with the United States Department of Agriculture in the amount of \$94,000. The proceeds were used for the water system project improvements. The note matures on October 13, 2059 and has an interest rate of 2.75% per annum. Installments of \$324 are paid monthly.</p>	90,534
<p>0709-DAMWD-02: On October 17, 2019, the District assumed a promissory loan from Desert Aire MDWCA with Rural Community Assistance Corporation in the amount of \$56,917. The promissory note and loan agreement dated August 1, 2010, in the original principal face amount of \$105,320. The proceeds were used for the water system project improvements. The note matures on November 1, 2029 and has an interest rate of 5.25% per annum. Installments of \$611 are paid monthly.</p>	49,768
<p>The District assumed a note payable form Desert Aire MDWCA with New Mexico Finance Authority in the amount of \$8,004. The note payable note and loan agreement dated February 27, 2013, in the original principal face amount of \$11,436 maturity January 1, 2033, payable in annual principal only installments of \$572, secured by revenues of the system. There are no reserve requirements.</p>	6,860
<p>The District assumed a note payable form Desert Aire MDWCA with New Mexico Finance Authority in the amount of \$17,849. The note payable note and loan agreement dated August 1, 2014, in the original principal face amount of \$23,600 maturity June 1, 2034, payable in annual principal only installments of \$1,190, secured by revenues of the system. There are no reserve requirements.</p>	15,469
<p>The District assumed a note payable form Desert Aire MDWCA with New Mexico Finance Authority in the amount of \$16,940. The note payable note and loan agreement dated April 5, 2013, in the original principal face amount of \$24,200 maturity June 1, 2032, payable in annual principal only installments of \$1,210, secured by revenues of the system. There are no reserve requirements.</p>	14,520

USDA 91-20: During FYE 2020, the District assumed a promissory note from Desert Aire MDWCA with the United States Department of Agriculture in the amount of \$35,245. The note payable note and loan agreement dated April 16, 2008, in the original principal face amount of \$42,000. The proceeds were used for the water system project improvements. The note matures on March 16, 2048 payable in monthly installments of \$183, including interest at 4.25%. 34,164

USDA 91-18: During FYE 2020, the District assumed a promissory note from Desert Aire MDWCA with the United States Department of Agriculture in the amount of \$79,114. The note payable note and loan agreement dated April 16, 2008, in the original principal face amount of \$94,000. The proceeds were used for the water system project improvements. The note matures on March 16, 2048 payable in monthly installments of \$423, including interest at 4.50%. 76,761

Total debt	4,420,627
Less current portion of long-term debt	<u>196,667</u>
Total long-term debt	<u>\$ 4,223,960</u>

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

Years Ending	Interest	Principal
June 30, 2022	\$ 91,216	\$ 196,667
June 30, 2023	83,655	199,962
June 30, 2024	75,807	1,076,049
June 30, 2025	70,448	206,151
June 30, 2026	66,926	210,309
June 30, 2027 - 2031	272,408	936,499
June 30, 2032 - 2036	156,755	716,893
June 30, 2037 - 2041	87,437	319,180
June 30, 2042 - 2046	50,565	289,215
June 30, 2047 - 2051	15,609	244,237
June 30, 2052 - 2056	2,375	17,065
June 30, 2057 - 2061	270	8,400
Total	<u>\$ 973,471</u>	<u>\$ 4,420,627</u>

Changes in long-term debt activity for the ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Reduction	Ending Balance	Due Within One Year
National Rural Water Association	\$ 77,579	\$ -	\$ 7,788	\$ 69,791	\$ 8,024
NM Finance Authority	742,725	-	50,160	692,565	51,379
USDA Rural Development	1,448,464	-	32,808	1,415,656	33,614
Rural Community Assistance Corporation (RCAC)	54,351	-	4,583	49,768	4,830
NM Finance Authority - WTB	1,610,217	-	290,239	1,319,978	98,820
CoBank	-	872,869	-	872,869	-
Total notes payable	<u>\$ 3,933,336</u>	<u>\$ 872,869</u>	<u>\$ 385,578</u>	<u>\$ 4,420,627</u>	<u>\$ 196,667</u>

6. COMPENSATED ABSENCES

Following is a schedule of changes in compensated absences for the year ended June 30, 2021:

	Beginning Balance	Additions	Reduction	Ending Balance	Due Within One Year
Compensated absences	<u>\$ 35,334</u>	<u>\$ 41,555</u>	<u>\$ 41,555</u>	<u>\$ 35,334</u>	<u>\$ 35,334</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, 2021 were as follows:

Net Investment in capital assets:	
Net Property and equipment in service	\$ 25,837,648
Less: notes payable	<u>(4,420,627)</u>
Net Investment in Capital Asset	<u>21,417,021</u>
Restricted - Debt Service	
Rural Development Debt dated 03/07/2012 R&R Reserve	64,302
NM Finance Authority Debt dated 06/01/2015 Debt Service Reserve	96,749
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
Border Environmental Infrastructure Fund Grant 08/10/11 R&R Reserve	151,583
Excess Funds in Reserve	<u>(648)</u>
Total Restricted - Debt Service	<u>447,559</u>
Unrestricted	<u>(168,691)</u>
Total net position	<u>\$ 21,695,889</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, 2020 available at: <https://www.osaapp.org/uploads/2021/79e9aae3593149ccb2449786cab4a0ca/366B%20PERA%20%20Schedule%20of%20Employer%20Allocation%20Final%20FY2020.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 FY20 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 25 of the PERA FY20 annual audit report at <https://www.osaapp.org/uploads/2021/79e9aae3593149ccb2449786cab4a0ca/366B%20PERA%20%20Schedule%20of%20Employer%20Allocation%20Final%20FY2020.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 \$52,237 and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2021.

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, 2019. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2020, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2020.

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, 2020. Only employer contributions for the pay period end dates that fell within the period of July 1, 2019 to June 30, 2020 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2020 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, 2021, the District reported a liability of \$1,049,536 for its proportionate share of the net pension liability. At June 30, 2021, the District's proportion was .0519 percent, which was a decrease from its proportion measured as of June 30, 2020, which was .0533 percent.

For the year ended June 30, 2021, the District recognized PERA Fund Division Municipal General pension expense of \$35,435. At June 30, 2021, 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	\$ 29,084	\$ -
Change in assumptions	19,419	-
Net difference between projected and actual earnings on pension plan investments	191,929	-
Changes in proportion and differences between District contributions and proportionate share of contributions	36,546	16,131
District contributions subsequent to the measurement date	52,237	-
	<hr/>	<hr/>
Total	\$ 329,215	\$ 16,131

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:	
2022	\$ 101,666
2023	60,850
2024	51,238
2025	47,093
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, 2019 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, 2020 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, 2020. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2020 actuarial valuation.

Actual valuation date	June 30, 2019
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based of statutory rates
Actuarial assumptions:	
• Investment rate of return	7.25 % annual rate, net of investment expense
• Project benefit payment	100 years
• Payroll growth	3.00%
• Projected salary increases	3.25% to 13.50% annual rate
• Included inflation at	2.50%
• Mortality assumption	RPH-2014 Blue Collar mortality table

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

All Funds - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	35.50%	5.90%
Risk Reduction & Mitigation	19.50%	1.00%
Credit Oriented Fixed Income	15.00%	4.20%
Real Assets	20.00%	6.00%
Multi-Risk Allocation	10.00%	6.40%
Total	<u>100.00%</u>	

Discount rate: Previously, a select and ultimate rate of return assumption had been adopted for funding purposes but new economic assumptions were adopted for the June 30, 2020 valuations including the change to a 7.25% static rate. The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB Statement No. 67. Therefore, the 7.25% 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 (6.25%) or one percentage point higher (8.25%) than the single discount rate.

PERA Fund Division Municipal General	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
The District's proportionate share of the net pension liability	\$ 1,502,663	\$ 1,049,536	\$ 673,803

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY20 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

10. CONSTRUCTION PROJECTS IN PROGRESS

The District has purchased land for the development of a multi-purpose community and farmer's complex, which is expected to cost approximately \$4,500,000. The project will be financed with state and local grants. \$862,072 has been received and expended as of June 30, 2021. The project is in the construction phase.

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. \$872,870 has been received and expended as of June 30, 2021. The project is in the construction phase.

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. \$1,740,559 has been received and expended as of June 30, 2021. The project is in the construction phase.

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 on March 20, 2003 with automatic one year renewals. As of June 30, 2021, no services have been performed and no payments have been made under this agreement.

12. SUBSEQUENT REVIEW

Anthony Water and Sanitation District has evaluated subsequent events through December 2, 2021, which is the date the financial statements were available to be issued.

13. NEW MEXICO RETIRE HEALTHCARE

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

SUPPLEMENTARY INFORMATION

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

**STATEMENT OF RECEIPTS AND DISBURSEMENTS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2021**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Favorable (Unfavorable)
RECEIPTS:				
Operating revenues:				
Charges for services	\$ 4,381,968	\$ 4,381,968	\$ 3,186,793	\$ (1,195,175)
Other revenues	391,005	391,005	136,955	(254,050)
Non-operating revenues				
Interest income	394	394	423	29
Gain on sale of assets	-	-	4,000	4,000
Grants and loans	4,399,610	4,399,610	1,290,848	(3,108,762)
	<u>9,172,977</u>	<u>9,172,977</u>	<u>4,619,019</u>	<u>(4,553,958)</u>
Total receipts				
DISBURSEMENTS:				
Operating expenses:				
Personnel services and benefits	1,334,197	1,334,197	1,070,117	264,080
Operations	1,160,146	1,160,146	972,755	187,391
Fuel and power	205,108	205,108	189,800	15,308
Non-operating disbursements				
Capital outlay - other than grants	-	-	-	-
Capital outlay - grants and loans	6,473,524	6,473,524	6,473,524	-
	<u>9,172,975</u>	<u>9,172,975</u>	<u>8,706,196</u>	<u>466,779</u>
Total disbursements				
Excess receipts over (under) disbursements	<u>2</u>	<u>2</u>	<u>(4,087,177)</u>	<u>(4,087,177)</u>
Beginning unrestricted cash			<u>822,294</u>	
Ending unrestricted cash			<u>\$ (3,264,883)</u>	
Reconciliation of budgetary basis to GAAP basis:				
Net excess receipts over (under) disbursements budgetary basis			\$ (4,087,177)	
Net revenue accruals			(870,358)	
Net expenditure accruals			(478,136)	
Budgeted capital outlay			6,473,524	
Depreciation and amortization			(990,560)	
Debt service			(87,943)	
Change in net position GAAP basis			<u>\$ (40,650)</u>	

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

REQUIRED SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF PERA FUND DIVISION
MUNICIPAL GENERAL
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS*
JUNE 30, 2021**

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0519%	0.0533%	0.0532%	0.0416%	0.0425%	0.04494%	0.0384%
District's proportionate share of the net pension liability	\$ 1,049,536	\$ 922,676	\$ 848,205	\$ 571,619	\$ 679,007	\$ 457,794	\$ 299,561
District's covered employee payroll	\$ 777,032	\$ 690,207	\$ 686,326	\$ 536,996	\$ 452,551	\$ 469,903	\$ 407,916
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	135%	134%	124%	106%	150%	97%	73%
Plan fiduciary net position as a percentage of the total pension liability	74%	74%	74%	74%	69%	77%	81%

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

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

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

**SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA FUND DIVISION MUNICIPAL GENERAL
LAST 10 FISCAL YEARS*
JUNE 30, 2021**

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 52,237	\$ 46,160	\$ 48,385	\$ 41,545	\$ 33,489	\$ 41,494	\$ 35,483
Contributions in relation to contractually required contribution	<u>52,237</u>	<u>46,160</u>	<u>48,385</u>	<u>41,545</u>	<u>33,489</u>	<u>41,494</u>	<u>35,483</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 777,032	\$ 690,207	\$ 686,326	\$ 536,996	\$ 452,551	\$ 469,903	\$ 407,916
Contributions as a percentage of covered employee payroll	6.7%	6.7%	7.0%	7.7%	7.4%	8.8%	8.7%

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

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

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY20 audit available at <https://www.osaapp.org/uploads/2021/79e9aae3593149ccb2449786cab4a0ca/366B%20PERA%20%20Schedule%20of%20Employer%20Allocation%20Final%20FY2020.pdf>

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2020 report is available at <http://s3.amazonaws.com/boardaudio/NM%20PERA%20CAFR%202020%20FINAL.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 NET POSITION BY FUNCTION
JUNE 30, 2021**

ASSETS:	Water	Sewer	Total
Current Assets			
Cash and cash equivalents	\$ 302,301	\$ 194,270	\$ 496,571
Receivables from customers (net of allowance of \$22,250)	181,188	178,184	359,372
Grants receivable	-	515,007	515,007
Inventory of system parts and supplies	24,156	24,157	48,313
Prepaid expenses and insurance	14,266	14,267	28,533
Total current assets	521,911	925,885	1,447,796
Noncurrent assets			
Restricted cash	447,559	-	447,559
Capital assets, net of accumulated depreciation	16,957,633	8,460,015	25,417,648
Intangible assets, net of accumulated amortization	420,000	-	420,000
Total noncurrent assets	17,825,192	8,460,015	26,285,207
Total assets	18,347,103	9,385,900	27,733,003
 DEFERRED OUTFLOWS OF RESOURCES			
Related to pension plan	173,531	155,684	329,215
Total assets and deferred outflows of resources	\$ 18,520,634	\$ 9,541,584	\$ 28,062,218
 LIABILITIES:			
Current Liabilities:			
Accounts payable vendors	\$ 63,713	\$ 59,555	\$ 123,268
Accounts payable construction	-	515,007	515,007
Accrued interest	4,103	1,097	5,200
Accrued payroll, taxes and benefits	19,416	17,419	36,835
Accrued compensated absences	18,625	16,709	35,334
Customer meter deposits	36,863	127,528	164,391
Current maturities of notes payable	189,167	7,500	196,667
Total current liabilities	331,887	744,815	1,076,702
Noncurrent Liabilities:			
Notes payable	4,171,460	52,500	4,223,960
Net pension liability	553,217	496,319	1,049,536
Total liabilities	5,056,564	1,293,634	6,350,198
 DEFERRED INFLOWS OF RESOURCES			
Related to pension	8,503	7,628	16,131
Total deferred inflows of resources	8,503	7,628	16,131
 NET POSITION:			
Net investment in capital assets	13,017,006	8,400,015	21,417,021
Restricted for debt service	447,559	-	447,559
Unrestricted	(8,998)	(159,693)	(168,691)
Total net position	13,455,567	8,240,322	21,695,889
Total liabilities, deferred inflows of resources and net position	\$ 18,520,634	\$ 9,541,584	\$ 28,062,218

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

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

**SCHEDULE OF REVENUES AND EXPENDITURES BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2021**

	Water	Sewer	Total
Operating Revenues:			
Charges for services	\$ 1,990,937	\$ 1,198,367	\$ 3,189,304
Other revenues	111,565	25,390	136,955
	<u>2,102,502</u>	<u>1,223,757</u>	<u>3,326,259</u>
Total operating revenues			
Operating Expenses:			
Personnel services and benefits	564,066	506,051	1,070,117
Operating expenses	947,254	503,637	1,450,891
Fuel and power	107,909	81,891	189,800
Depreciation	513,638	445,122	958,760
Amortization	31,800	-	31,800
	<u>2,164,667</u>	<u>1,536,701</u>	<u>3,701,368</u>
Total operating expenses			
Operating income (loss)	<u>(62,165)</u>	<u>(312,944)</u>	<u>(375,109)</u>
Non-Operating Revenues (Expenses):			
Interest income	233	190	423
Gain on sale of assets	2,000	2,000	4,000
Interest expense	(86,915)	(1,028)	(87,943)
	<u>(84,682)</u>	<u>1,162</u>	<u>(83,520)</u>
Total non-operating expenses			
Loss before capital contributions	<u>(146,847)</u>	<u>(311,782)</u>	<u>(458,629)</u>
Capital Contributions:			
Grant revenues:			
State	8,179	108,616	116,795
Federal	205,962	95,222	301,184
	<u>214,141</u>	<u>203,838</u>	<u>417,979</u>
Total capital contributions			
Change in net position	<u>\$ 67,294</u>	<u>\$ (107,944)</u>	<u>\$ (40,650)</u>

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

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

**SCHEDULE OF LEGISLATIVE APPROPRIATIONS
FOR THE YEAR ENDED JUNE 30, 2021**

	20-E2117-STB	19-D2454-GF
Amount awarded	\$ 150,000	\$ 100,000
Received through June 30, 2021	\$ (150,000)	\$ (100,000)
Expended through June 30, 2021	\$ 150,000	\$ 100,000
Remaining balance as of June30, 2021	\$ -	\$ -
 Project expiration date	 June 30, 2024	 June 30, 2023

Legislation:

20-E2117-STB - The laws of 2020, Chapter 81, Section 26, Paragraph 18 to the Department of Environment to acquire easements, rights of way and land and to plan, design, construct, purchase and equip wastewater system improvements for the community of Desert Aire in Dona Ana county.

19-D2456-GF - The laws of 2019, Chapter 277, Section 26, Paragraph 27 to the Department of Environment to plan, design, construct, purchase, install and equip a water tank, including lines and line extensions in the Anthony water and sanitation district in Dona Ana county.

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

COMPLIANCE SECTION

WATTS CPA, P.C.

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*

State Auditor Brian S. Colón 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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the related budget comparison of the District, presented as supplemental information, and have issued my report thereon dated December 2, 2021.

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. 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 2, 2021

WATTS CPA, P.C.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

State Auditor Brian S. Colón
Members of the Board of Directors
Anthony Water and Sanitation District
Anthony, New Mexico

Report on Compliance for Each Major Federal Program

I have audited the Anthony Water and Sanitation District's (the "District") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility.

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In my opinion, the 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, 2021.

Report on Internal Control over Compliance

Management of the 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 my audit of compliance, I considered the 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I 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 my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Watts CPA, P.C.

El Paso, Texas
December 2, 2021

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

**SCHEDULE EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor or Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-through Grantor's Number	Federal Expenditures	Paid to Subrecipients
U.S. Environmental Protection Agency				
Passed through North America Development Bank:				
Water Infrastructure Projects Along the US-Mexico Border	66.202	NM2230	\$ 95,222	\$ -
Total U.S Environmental Protection Agency			<u>\$ 95,222</u>	<u>\$ -</u>
U.S. Department of Agriculture				
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 180,996	\$ -
Water and Waste Disposal Loans and Grants	10.770		872,869	-
Total U.S Department of Agriculture			<u>\$ 1,053,865</u>	<u>\$ -</u>
Total Federal Financial Assistance			<u>\$ 1,149,087</u>	<u>\$ -</u>

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the Anthony Water and Sanitation District under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. 10% de minimus Indirect Cost Rate

The District did not elect to use the allowed 10% indirect cost rate.

Note 4. Federally Funded Insurance

The District has no federally funded insurance.

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

**SCHEDULE EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Note 5. Loan

The District entered into an agreement with the United States Department of Agriculture (“USDA”) in May 12, 2020 for the wastewater treatment plant upgrades and expansion project. The outstanding balance of the loan as of June 30, 2021 is as follows:

	Assistance Listing No.	Amount Outstanding
Program Title: Water and Waste Disposal Loans and Grants	10.770	\$872,869

See independent auditor's report and accompanying notes to schedule of expenditures of federal awards.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021**

Section I – Summary of Auditors’ Results

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| c. Noncompliance material to the financial statements noted? | None Noted |
| d. Other deficiencies identified that are not significant deficiencies or material weaknesses? | No |

Federal Awards:

- | | |
|---|------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | None Noted |
| 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 2 CFR section 200.516(a)? | No |

4. Identification of major programs:

Assistance Listing Number	Federal Program
10.770	Water and Waste Disposal Loans and Grants

- | | |
|---|----|
| 5. Dollar threshold used to distinguish between type A and type B programs: \$750,000 | |
| 6. Auditee qualified as low-risk auditee? | No |

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021**

CURRENT YEAR FINDINGS:

None

STATUS OF PRIOR YEAR FINDINGS

Finding	Status of Prior Year Findings
<u>Financial Statement Findings</u>	
2020-001 Late Submission of Audit Report - Other Non-Compliance	Resolved
2020-002 Bank accounts not reconciled in a timely manner - Material Weaknesses	Resolved

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

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2021**

An exit conference was held on December 2, 2021 with the following individuals in attendance:

Anthony Water and Sanitation District

Yolanda Alvarez
Jose Terrones
Robert Coleman

Chairperson
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.