

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

*Basic Financial Statements and  
Required Supplementary Information  
For the Year Ended June 30, 2023  
and Independent Auditor's Report*

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

**TABLE OF CONTENTS  
JUNE 30, 2023**

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**FINANCIAL SECTION**

Function of Entity & Official Roster	1
Independent Auditor's Report	2
Basic Financial Statements	
Proprietary fund:	
Statement of Net Position	6
Statement of Revenues, Expenses and Changes in Net Position	7
Statement of Cash Flows	8
Notes to the Financial Statements	9

**SUPPLEMENTARY INFORMATION**

Statement of Receipts and Disbursements	
Budget (Non-GAAP Budgetary Basis) and Actual (Budget Basis)	27
Required Supplementary Information	
Schedule of Proportionate Share of the Net Pension Liability of PERA Fund	
Division Municipal General Public Employees Retirement Association (PERA)	
Plan	29
Schedule of Contributions Public Employees Retirement Association (PERA) Plan	
Pera Fund Division Municipal General	30
Notes to Required Supplementary Information	31
Other Supplemental Information	
Schedule of Net Position by Function	33
Schedule of Revenues and Expenses by Function	34
Schedule of Legislative Appropriations	35

**COMPLIANCE SECTION**

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 <i>Government Auditing Standards</i>	37
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	39
Schedule of Expenditures of Federal Awards	42
Schedule of Findings and Questioned Costs	44
Exit Conference	46

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

**FUNCTION OF ENTITY & OFFICIAL ROSTER**

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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  
Vice Chair  
Member

**ADMINISTRATIVE OFFICIALS**

Jose Terrones  
Robert Coleman

Superintendent  
Office Manager

# WATTS CPA, P.C.

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## **INDEPENDENT AUDITOR'S REPORT**

To Joseph M. Maestas, P.E., New Mexico State Auditor and  
Members of the Board of Directors  
Anthony Water and Sanitation District  
Anthony, New Mexico

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We 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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the budgetary comparisons presented as supplementary information for the year ended June 30, 2023, as listed in the table of contents.

In our 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, 2023, and the respective changes in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, budgetary comparisons of Anthony Water and Sanitation District for the year ended June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the District's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Anthony Water and Sanitation District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Anthony Water and Sanitation District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Anthony Water and Sanitation District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Anthony Water and Sanitation District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

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

Accounting principles generally accepted in the United States of America require that the Schedules of Required Supplementary Information for Pension Plan and related notes 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 consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We 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 inquires 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 we obtained during my audit of the basic financial statements. We 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements and the budgetary comparison. The statement of revenues, expenses and changes in net position by fund is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is 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 statement of revenues, expenses and changes in net position by fund 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of revenues, expenses and changes in net position by fund 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 Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2023, on our consideration of the Anthony Water and Sanitation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Anthony Water and Sanitation 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 Anthony Water and Sanitation District's internal control over financial reporting and compliance.

Watts CPA, P.C.

El Paso, Texas  
December 7, 2023

## **BASIC FINANCIAL STATEMENTS**

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

**PROPRIETARY FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2023**

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**ASSETS:**

Current Assets

Cash and cash equivalents	\$ 686,326
Receivables from customers (net of allowance of \$22,250)	425,481
Grants receivable	1,471,679
Inventory of system parts and supplies	48,313
Prepaid expenses and insurance	<u>28,533</u>

Total current assets

2,660,332

Noncurrent assets

Restricted cash	505,913
Capital assets, net of accumulated depreciation	35,428,750
Intangible assets, net of accumulated amortization	<u>356,400</u>

Total noncurrent assets

36,291,063

Total assets

38,951,395

**DEFERRED OUTFLOWS OF RESOURCES**

Related to pension plan

251,475

Total assets and deferred outflows of resources

\$ 39,202,870

**LIABILITIES:**

Current Liabilities:

Accounts payable vendors	\$ 151,035
Accounts payable construction	1,471,679
Accrued interest	5,200
Accrued payroll, taxes and benefits	20,876
Accrued compensated absences	35,334
Customer meter deposits	177,452
Current maturities of notes payable	<u>374,087</u>

Total current liabilities

2,235,663

Noncurrent Liabilities:

Notes payable	11,889,584
Net pension liability	<u>1,070,788</u>
Total liabilities	<u>15,196,035</u>

**DEFERRED INFLOWS OF RESOURCES**

Related to pension

30,573

Total deferred inflows of resources

30,573

**NET POSITION:**

Net investment in capital assets	23,521,479
Restricted for debt service	505,913
Unrestricted	<u>(51,130)</u>
Total net position	<u>23,976,262</u>

Total liabilities, deferred inflows of resources and net position

\$ 39,202,870

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, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2023**

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Operating Revenues:	
Charges for services	\$ 3,506,297
Other revenues	<u>333,455</u>
Total operating revenues	<u>3,839,752</u>
Operating Expenses:	
Personnel services and benefits	1,237,393
Operating expenses	1,864,875
Fuel and power	194,457
Depreciation	980,967
Amortization	<u>31,800</u>
Total operating expenses	<u>4,309,492</u>
Operating loss	<u>(469,740)</u>
Non-Operating Revenues (Expenses):	
Interest income	1,407
Interest expense	<u>(259,004)</u>
Total non-operating expenses	<u>(257,597)</u>
Loss before capital contributions	<u>(727,337)</u>
Capital Contributions:	
Grant revenues:	
State	732,798
Federal	<u>2,702,743</u>
Total capital contributions	<u>3,435,541</u>
Change in net position	<u>2,708,204</u>
Net position - beginning of year	<u>21,268,058</u>
Net position - end of year	<u>\$ 23,976,262</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, 2023**

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Cash Flows From Operating Activities:	
Cash received from customers	\$ 3,785,740
Cash payments to employees for services	(1,190,480)
Cash payments to vendors for goods and services	<u>(559,125)</u>
<b>Net cash provided by operating activities</b>	<u>2,036,135</u>
Cash Flows From Capital and Related Financing Activities:	
Purchase and construction of capital assets	(10,753,696)
Payments on notes payable	(7,215,493)
Payments for interest on notes payable	(259,004)
Proceeds from capital grants	2,013,474
Proceeds from capital loans	<u>14,308,199</u>
<b>Net cash used in capital and related financing activities</b>	<u>(1,906,520)</u>
Cash Flows From Investing Activities	
Interest received	<u>1,407</u>
<b>Net cash provided by investing activities</b>	<u>1,407</u>
<b>Net increase in cash and cash equivalents</b>	131,022
Cash and cash equivalents, beginning of year	<u>1,061,217</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,192,239</u>
CASH ENDING:	
Cash	\$ 686,326
Restricted cash	<u>505,913</u>
Total cash reported in statement of net position	<u>\$ 1,192,239</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (469,740)
Adjustment to reconcile operating loss to net cash provided by operating activities:	
Depreciation	980,967
Amortization	31,800
Net pension expense	69,082
Change in:	
Accounts receivable	(60,278)
Accounts payable and accrued liabilities	1,478,038
Meter deposits	<u>6,266</u>
Total adjustments	<u>2,505,875</u>
Net cash provided by operating activities	<u>\$ 2,036,135</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, 2023**

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**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, 2023. There was no change in the allowance for doubtful accounts during the year ended June 30, 2023. 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 expenses, 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 (expense) 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, 2023, 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 expenses, purchase of capital assets are expenses 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 expenses. Actual expenses 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, 2023, the District implemented the following new accounting pronouncements which did not have a material effect on the District's financial statements:

- GASB Statement No. 96, Subscription-Based Information Technology Arrangements
- *GASB Statement No.98, The Annual Comprehensive Financial Report*
- *GASB Statement No. 99, Omnibus 2022*
- *GASB Statement No. 100, Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*
- *GASB Statement No. 101, Compensated Absences*

**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, 2023:

Total deposits in bank	\$ 961,854
Less FDIC coverage	<u>(623,969)</u>
Uninsured public funds	337,885
Pledged Collateral held by the pledging bank's trust department or agent in the District's name	<u>868,909</u>
Uninsured and uncollateralized	<u>\$ -</u>

As of June 30, 2023, the District's bank balances were exposed to custodial credit risk. The amount above identified as uninsured \$337,885 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	Interest Bearing	1st New Mexico Bank	Bank of the West	White Sands FCU	Total Balance per Bank
Water/Sewer General	Demand	Yes	\$ 278,592	\$ -	\$ -	\$ 278,592
Water Tap	Demand	No	93,735	-	-	93,735
Safe Water	Demand	Yes	94,275	-	-	94,275
Payroll Checking	Demand	No	29,948	-	-	29,948
Projects Account	Demand	Yes	-	-	98,738	98,738
Projects RUS	Demand	No	3,580	-	-	3,580
Safe Water	Savings	Yes	-	38,809	-	38,809
Reserve	Demand	Yes	-	236,422	-	236,422
Operating	Demand	No	60,004	-	-	60,004
Reserve	Demand	No	<u>27,751</u>	<u>-</u>	<u>-</u>	<u>27,751</u>
Total amounts of deposits			587,885	275,231	98,738	961,854
FDIC Coverage			<u>250,000</u>	<u>275,231</u>	<u>98,738</u>	<u>623,969</u>
Total uninsured public funds			337,885	-	-	337,885
Pledged collateral held by the pledging bank's trust department or agent in the District's name			<u>868,909</u>	<u>-</u>	<u>-</u>	<u>868,909</u>
Uninsured and uncollateralized			<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
50% pledged collateral requirement			\$ 168,943	\$ -	\$ -	
Total pledged collateral			<u>868,909</u>	<u>-</u>	<u>-</u>	
Pledged collateral exceeding the requirements			<u>\$ 699,966</u>	<u>\$ -</u>	<u>\$ -</u>	



A description of the pledged collateral as of June 30, 2023 is as follows:

Description	CUSIP#	Interest Rate	Maturity	Market Value
1st New Mexico Bank:				
FFCB Fixed Rate Note	3133EMK27	1.88%	6/16/2031	\$ 407,171
FFCB Fixed Rate Note	3133ENUC2	3.6%	4/11/2030	<u>461,738</u>
Total 1st New Mexico Bank				<u>\$ 868,909</u>

The various bank account reconciliations as of June 30, 2023 are as follows:

Account	Account Type	Balance per Bank	Deposits in Transit	Outstanding Checks	Balance per Books
Water/Sewer General	Demand	\$ 278,592	\$ 589	\$ -	\$ 279,181
Water Tap	Demand	93,735	-	36,942	56,793
Safe Water	Demand	94,275	6,878	-	101,153
Payroll Checking	Demand	29,948	-	534	29,414
Projects Account	Demand	98,738	-	641	98,097
Projects RUS	Demand	3,580	-	-	3,580
Safe Water	Savings	38,809	-	-	38,809
Reserve	Demand	236,422	-	-	236,422
Operating	Demand	60,004	-	9,696	50,308
Reserve	Demand	<u>27,751</u>	<u>-</u>	<u>-</u>	<u>27,751</u>
Total amounts of deposits		<u>\$ 961,854</u>	<u>\$ 7,467</u>	<u>\$ 47,813</u>	921,508
Cash held by NMFA					269,491
Petty Cash					<u>1,240</u>
Total cash					<u>\$ 1,192,239</u>
Total as Reported in the Financial Statements:					
Statement of Net Position:					
Cash and cash equivalents					\$ 686,326
Restricted cash					<u>505,913</u>
Total cash per financial statements					<u>\$ 1,192,239</u>

### 3. CAPITAL ASSETS

Capital assets consist of the following as of June 30, 2023:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Business-type capital assets, not being depreciated				
Land, well sites, and easements	\$ 1,370,175	\$ -	\$ -	\$ 1,370,175
Construction in progress	4,498,376	10,591,861	-	15,090,237
<b>Total capital assets, not being depreciated</b>	<u>5,868,551</u>	<u>10,591,861</u>	<u>-</u>	<u>16,460,412</u>
Business-type capital assets, being depreciated				
Buildings and landscaping	1,530,076	-	-	1,530,076
Water and sewer plant/system	32,442,947	121,448	-	32,564,395
Equipment and vehicles	1,718,709	40,387	-	1,759,096
<b>Total business-type capital assets, being depreciated</b>	<u>35,691,732</u>	<u>161,835</u>	<u>-</u>	<u>35,853,567</u>
Less accumulated depreciation for:				
Buildings and landscaping	1,024,475	48,271	-	1,072,746
Water and sewer plant/system	13,324,562	830,629	-	14,155,191
Equipment and vehicles	1,555,225	102,067	-	1,657,292
<b>Total accumulated depreciation</b>	<u>15,904,262</u>	<u>980,967</u>	<u>-</u>	<u>16,885,229</u>
<b>Total capital assets being depreciated, net</b>	<u>19,787,470</u>	<u>(819,132)</u>	<u>-</u>	<u>18,968,338</u>
<b>Business-type capital assets, net</b>	<u>\$ 25,656,021</u>	<u>\$ 9,772,729</u>	<u>\$ -</u>	<u>\$ 35,428,750</u>
<b>Intangible Assets:</b>				
Water rights	\$ 1,272,000	\$ -	\$ -	\$ 1,272,000
Less accumulated amortization	883,800	31,800	-	915,600
<b>Total capital assets, not being depreciated</b>	<u>388,200</u>	<u>31,800</u>	<u>-</u>	<u>356,400</u>
<b>Total Capital Assets</b>	<u>\$ 26,044,221</u>	<u>\$ 9,804,529</u>	<u>\$ -</u>	<u>\$ 35,785,150</u>

Depreciation and amortization expense for the year ended June 30, 2023 was \$980,967 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. Because the District is only paying \$1 annually, this is not considered an exchange or exchange-like transaction and GASB 87 does not apply.

## 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. \$ 913,140

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. 589,255

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. 1,153,956

NMED CWARF-092: On March 11, 2019, the District executed a loan/grant agreement with the New Mexico Environment Department in the amount of \$50,000. The proceeds were used for the wastewater treatment plant upgrades and expansion project. Repayment terms will be determined upon issuance of the final loan agreement. There is no interest rate on this loan. Principal payments are paid annually. 50,000

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. 53,498

<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>	120,688
<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>	11,829
<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>	37,500
<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>	87,663
<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>	39,848
<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>	5,716
<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>	13,089
<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>	12,100

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%. 32,613

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%. 72,875

USDA 73574: On January 25, 2023, the District executed a promissory note with the United States Department of Agriculture in the amount of \$3,553,000. The proceeds were used for the wastewater treatment plant upgrades and expansion project. The note matures on January 2063 and has an interest rate of 1.50% per annum. Installments of \$9,878 are paid monthly. 3,540,441

USDA 73574: On January 25, 2023, the District executed a promissory note with the United States Department of Agriculture in the amount of \$5,547,000.. The proceeds were used for the wastewater treatment plant upgrades and expansion project. The note matures on January 2063 and has an interest rate of 1.375% per annum. Installments of \$15,033 are paid monthly. 5,529,460

Total debt	12,263,671
Less current portion of long-term debt	<u>374,087</u>
Total long-term debt	<u>\$ 11,889,584</u>

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

Years Ending	Interest	Principal
June 30, 2024	\$ 202,180	\$ 374,087
June 30, 2025	196,024	429,506
June 30, 2026	190,019	386,148
June 30, 2027	183,694	374,624
June 30, 2028	177,068	369,652
June 30, 2029 - 2033	777,133	1,856,598
June 30, 2034 - 2038	601,685	1,525,171
June 30, 2039 - 2043	477,585	1,356,855
June 30, 2044 - 2048	361,852	1,460,714
June 30, 2049 - 2053	246,426	1,391,321
June 30, 2054 - 2058	148,444	1,365,656
June 30, 2059 - 2063	47,533	1,373,339
Total	<u>\$ 3,609,643</u>	<u>\$ 12,263,671</u>

Changes in long-term debt activity for the ended June 30, 2023, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reduction</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
National Rural Water Association	\$ 61,767	\$ -	\$ 8,269	\$ 53,498	\$ 8,520
NM Finance Authority	641,462	-	52,207	589,255	53,434
USDA Rural Development Rural Community Assistance Corporation (RCAC)	1,382,045	9,100,000	65,035	10,417,010	206,192
NM Finance Authority - WTB CoBank	44,938	-	5,091	39,847	5,364
NM Environmental Department	1,225,105	-	111,044	1,114,061	100,577
	1,815,648	5,158,199	6,973,847	-	-
	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Total notes payable	<u>\$ 5,170,965</u>	<u>\$ 14,308,199</u>	<u>\$ 7,215,493</u>	<u>\$ 12,263,671</u>	<u>\$ 374,087</u>

## 6. COMPENSATED ABSENCES

Following is a schedule of changes in compensated absences for the year ended June 30, 2023:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reduction</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Compensated absences	<u>\$ 35,334</u>	<u>\$ 45,045</u>	<u>\$ 45,045</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, 2023 were as follows:

Net Investment in capital assets:	
Net Property and equipment in service	\$ 35,785,150
Less: notes payable	<u>(12,263,671)</u>
Net Investment in Capital Asset	<u>23,521,479</u>
Restricted - Debt Service	
Rural Development Debt dated 03/07/2012 R&R Reserve	69,516
NM Finance Authority Debt dated 06/01/2015 Debt Service Reserve	98,724
Border Environmental Infrastructure Fund Grant 08/10/11 O&M Reserve	36,849
Border Environmental Infrastructure Fund Grant 08/10/11 R&R Reserve	97,227
Border Environmental Infrastructure Fund Grant 08/10/11 R&R Reserve	172,264
Excess Funds in Reserve	<u>31,333</u>
Total Restricted - Debt Service	<u>505,913</u>
Unrestricted	<u>(51,130)</u>
Total net position	<u>\$ 23,976,262</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, 2022 available at:

<https://www.osa-app.org/uploads/2023/b986e942-5fef-40f6-bf1e-a97d6bb39815/366-B%20-%20PERA%20Schedule%20of%20Employer%20Allocations%20and%20Pension%20Amounts%20-%20FY2022%20FS%20Final.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 FY22 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 26 of the PERA FY22 annual audit report at

<https://www.nmpera.org/assets/uploads/general-upload/366-B-PERA-Schedule-of-Employer-Allocations-and-Pension-Amounts-FY2022-FS-Final.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 \$64,349 and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2023.

***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, 2021. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2022, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2022.

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, 2022. Only employer contributions for the pay period end dates that fell within the period of July 1, 2021 to June 30, 2022 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2022 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, 2023, the District reported a liability of \$1,070,788 for its proportionate share of the net pension liability. At June 30, 2023, the District's proportion was .0060370 percent, which was a decrease from its proportion measured as of June 30, 2022, which was .056539 percent.

For the year ended June 30, 2023, the District recognized PERA Fund Division Municipal General pension expense of \$62,229. At June 30, 2023, the District reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:



	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 4,293	\$ 26,041
Net difference between projected and actual earnings on pension plan investments	105,971	-
Changes in proportion and differences between District contributions and proportionate share of contributions	76,862	4,532
District contributions subsequent to the measurement date	64,349	-
	<hr/>	<hr/>
Total	<u>\$ 251,475</u>	<u>\$ 30,573</u>

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:	
2024	\$ 55,004
2025	44,837
2026	(26,960)
2027	83,672
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, 2021 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, 2022 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, 2022. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2022 actuarial valuation.

Actual valuation date	June 30, 2021
Actuarial cost method	Entry age normal
Amortization method	Level Percentage of Payroll for all divisions except for the Legislative division which is Level Dollar
Amortization period	25 years
Actuarial assumptions:	
• Investment rate of return	7.25 %
• Salary increases	3.25% to 13.50% per year
• Included inflation at	2.50%

- Mortality assumption

The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.

Experience Study Dates

July 1, 2008 to June 30, 2017 (demographic) and July 1, 2013 through June 30, 2017 (economic).

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:

<b>All Funds - Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equity	35.50%	6.35%
Risk Reduction & Mitigation	19.50%	1.90%
Credit Oriented Fixed Income	15.00%	4.45%
Real Assets	20.00%	5.10%
Multi-Risk Allocation	10.00%	6.65%
Total	<u>100.00%</u>	

**Discount rate for the PERA Funds.** 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.

<b>PERA Fund Division Municipal General</b>	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
The District's proportionate share of the net pension liability	\$ 1,620,331	\$ 1,070,788	\$ 614,262

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued FY22 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. \$1,065,938 has been received and expended as of June 30, 2023. The project is in the construction phase.

The District has begun a major waste water treatment plant project, which is expected to cost approximately \$34,089,200. The project is expected to be financed with state and federal grants. \$11,790,158 has been received and expended as of June 30, 2023. 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, 2023. 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. SUBSEQUENT REVIEW**

Anthony Water and Sanitation District has evaluated subsequent events through December 7, 2023, which is the date the financial statements were available to be issued.

**12. NEW MEXICO RETIRE HEALTHCARE**

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

**13. LITIGATION**

The District is a defendant in a lawsuit regarding property damage related to construction. In the opinion of the District's legal counsel, the claim is without merit, and should not result in judgments which in the aggregate would have a material adverse effect on the District's financial statements.

## **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, 2023**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Favorable (Unfavorable)
<b>RECEIPTS:</b>				
Operating revenues:				
Charges for services	\$ 5,254,329	\$ 5,254,329	\$ 3,446,020	\$ (1,808,309)
Other revenues	311,626	311,626	333,455	21,829
Non-operating revenues				
Interest income	2,000	2,000	1,407	(593)
Gain on sale of assets	-	-	-	-
Grants	600,000	600,000	3,435,541	2,835,541
	<u>6,167,955</u>	<u>6,167,955</u>	<u>7,216,423</u>	<u>1,048,468</u>
Total receipts	<u>6,167,955</u>	<u>6,167,955</u>	<u>7,216,423</u>	<u>1,048,468</u>
<b>DISBURSEMENTS:</b>				
Operating expenses:				
Personnel services and benefits	1,337,806	1,337,806	1,237,393	100,413
Operations	1,677,721	1,677,721	364,668	1,313,053
Fuel and power	228,592	228,592	194,457	34,135
Non-operating disbursements				
Debt service	468,033	468,033	500,650	(32,617)
Capital outlay - nonfederal	2,455,803	2,455,803	1,644,818	810,985
	<u>6,167,955</u>	<u>6,167,955</u>	<u>3,941,986</u>	<u>2,225,969</u>
Total disbursements	<u>6,167,955</u>	<u>6,167,955</u>	<u>3,941,986</u>	<u>2,225,969</u>
Excess receipts over (under) disbursements	<u>-</u>	<u>-</u>	<u>3,274,437</u>	<u>3,274,437</u>
Beginning unrestricted cash			<u>697,738</u>	
<b>Ending unrestricted cash</b>			<u>\$ 3,972,175</u>	
<b>Reconciliation of budgetary basis to GAAP basis:</b>				
Net excess receipts over (under) disbursements budgetary basis			\$ 3,274,437	
Net revenue accruals			60,277	
Net expense accruals			(1,500,207)	
Budgeted capital outlay			1,644,818	
Depreciation and amortization			(1,012,767)	
Principal payments on debt			241,646	
Change in net position GAAP basis			<u>\$ 2,708,204</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, 2023**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.060370%	0.056539%	0.0519%	0.0533%	0.0532%	0.0416%	0.0425%	0.04494%	0.0384%
District's proportionate share of the net pension liability	\$ 1,070,788	\$ 637,006	\$,049,536	\$ 922,676	\$ 848,205	\$ 571,619	\$ 679,007	\$ 457,794	\$ 299,561
District's covered employee payroll	\$ 886,120	\$ 819,856	\$ 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	121%	78%	135%	134%	124%	106%	150%	97%	73%
Plan fiduciary net position as a percentage of the total pension liability	69%	74%	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, 2023**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 64,349	\$ 60,734	\$ 52,237	\$ 46,160	\$ 48,385	\$ 41,545	\$ 33,489	\$ 41,494	\$ 35,483
Contributions in relation to contractually required contribution	64,349	60,734	52,237	46,160	48,385	41,545	33,489	41,494	35,483
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 886,120	\$ 819,856	\$ 777,032	\$ 690,207	\$ 686,326	\$ 536,996	\$ 452,551	\$ 469,903	\$ 407,916
Contributions as a percentage of covered employee payroll	7.3%	7.4%	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, 2023**

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***Changes of benefit terms.*** The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY22 audit available at <https://www.osa-app.org/uploads/2023/b986e942-5fef-40f6-bf1e-a97d6bb39815/366-B%20-%20PERA%20Schedule%20of%20Employer%20Allocations%20and%20Pension%20Amounts%20-%20FY2022%20FS%20Final.pdf>

***Changes of assumptions.*** The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2022 report is available at <https://s3.amazonaws.com/boardaudio/366%20NM%20PERA%20FY22%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, 2023**

<b>ASSETS:</b>	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
<b>Current Assets</b>			
Cash and cash equivalents	\$ 454,133	\$ 232,193	\$ 686,326
Receivables from customers (net of allowance of \$22,250)	212,996	212,485	425,481
Grants receivable	-	1,471,679	1,471,679
Inventory of system parts and supplies	24,156	24,157	48,313
Prepaid expenses and insurance	14,266	14,267	28,533
<b>Total current assets</b>	<b>705,551</b>	<b>1,954,781</b>	<b>2,660,332</b>
<b>Noncurrent assets</b>			
Restricted cash	505,913	-	505,913
Capital assets, net of accumulated depreciation	18,383,424	17,045,326	35,428,750
Intangible assets, net of accumulated amortization	356,400	-	356,400
<b>Total noncurrent assets</b>	<b>19,245,737</b>	<b>17,045,326</b>	<b>36,291,063</b>
<b>Total assets</b>	<b>19,951,288</b>	<b>19,000,107</b>	<b>38,951,395</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pension plan	129,128	122,347	251,475
<b>Total assets and deferred outflows of resources</b>	<b>\$ 20,080,416</b>	<b>\$ 19,122,454</b>	<b>\$ 39,202,870</b>
 <b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts payable vendors	\$ 77,597	\$ 73,438	\$ 151,035
Accounts payable construction	-	1,471,679	1,471,679
Accrued interest	1,338	3,862	5,200
Accrued payroll, taxes and benefits	10,720	10,156	20,876
Accrued compensated absences	18,143	17,191	35,334
Customer meter deposits	39,792	137,660	177,452
Current maturities of notes payable	195,680	178,407	374,087
<b>Total current liabilities</b>	<b>343,270</b>	<b>1,892,393</b>	<b>2,235,663</b>
<b>Noncurrent Liabilities:</b>			
Notes payable	2,960,589	8,928,995	11,889,584
Net pension liability	549,833	520,955	1,070,788
<b>Total liabilities</b>	<b>3,853,692</b>	<b>11,342,343</b>	<b>15,196,035</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pension	15,699	14,874	30,573
<b>Total deferred inflows of resources</b>	<b>15,699</b>	<b>14,874</b>	<b>30,573</b>
 <b>NET POSITION:</b>			
Net investment in capital assets	15,583,555	7,937,924	23,521,479
Restricted for debt service	505,913	-	505,913
Unrestricted	121,557	(172,687)	(51,130)
<b>Total net position</b>	<b>16,211,025</b>	<b>7,765,237</b>	<b>23,976,262</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 20,080,416</b>	<b>\$ 19,122,454</b>	<b>\$ 39,202,870</b>

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

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

**SCHEDULE OF REVENUES AND EXPENSES BY FUNCTION  
FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
Operating Revenues:			
Charges for services	\$ 2,276,538	\$ 1,229,759	\$ 3,506,297
Other revenues	228,712	104,743	333,455
	<u>2,505,250</u>	<u>1,334,502</u>	<u>3,839,752</u>
Total operating revenues			
Operating Expenses:			
Personnel services and benefits	635,382	602,011	1,237,393
Operating expenses	1,106,035	758,840	1,864,875
Fuel and power	114,569	79,888	194,457
Depreciation	492,941	488,026	980,967
Amortization	31,800	-	31,800
	<u>2,380,727</u>	<u>1,928,765</u>	<u>4,309,492</u>
Total operating expenses			
Operating income (loss)	<u>124,523</u>	<u>(594,263)</u>	<u>(469,740)</u>
Non-Operating Revenues (Expenses):			
Interest income	743	664	1,407
Interest expense	(69,043)	(189,961)	(259,004)
	<u>(68,300)</u>	<u>(189,297)</u>	<u>(257,597)</u>
Total non-operating expenses			
Loss before capital contributions	<u>56,223</u>	<u>(783,560)</u>	<u>(727,337)</u>
Capital Contributions:			
Grant revenues:			
State	574,783	158,015	732,798
Federal	-	2,702,743	2,702,743
	<u>574,783</u>	<u>2,860,758</u>	<u>3,435,541</u>
Total capital contributions			
Change in net position	<u>\$ 631,006</u>	<u>\$ 2,077,198</u>	<u>\$ 2,708,204</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, 2023**

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	<b>20-E2117-STB</b>	<b>19-D2454-GF</b>	<b>20-E2115SSTB</b>
Amount awarded	\$ 150,000	\$ 100,000	\$ 150,000
Received through June 30, 2023	\$ (108,616)	\$ (61,340)	\$ (150,000)
Expended through June 30, 2023	\$ 108,616	\$ 61,340	\$ 150,000
Remaining balance as of June 30, 2023	\$ 41,384	\$ 38,660	\$ -
 Project expiration date	 June 30, 2024	 June 30, 2023	 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.

20-E2115-STB - The laws of 2020, Chapter 81, Section 26, Paragraph 16, the Legislature made an appropriation to the Department of Environment to purchase and equip a backhoe and a maintenance vehicle for 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.

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## **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 Joseph M. Maestas, P.E. and  
Members of the Board of Directors  
Anthony Water and Sanitation District  
Anthony, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Anthony Water and Sanitation District as of and for the year ended June 30, 2023, 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 7, 2023.

### **Report in Internal Control Over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

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

### **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 7, 2023



# WATTS CPA, P.C.

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

To Joseph M. Maestas, P.E., New Mexico State Auditor and  
Members of the Board of Directors  
Anthony Water and Sanitation District  
Anthony, New Mexico

### **Report on Compliance for Each Major Federal Program**

#### **Opinion on Each Major Federal Program**

We 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, 2023. 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.

In our 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, 2023.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

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## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses,

as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Watts CPA, P.C.

El Paso, Texas  
December 7, 2023

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

**SCHEDULE EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023**

<u>Federal Grantor or Pass-Through Grantor/ Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>Paid to Subrecipients</u>
<b>U.S. Department of Agriculture</b>				
Water and Waste Disposal Loans and Grants	10.770		\$ 9,928,010	-
Total U.S Department of Agriculture			\$ 9,928,010	\$ -
Total Federal Financial Assistance			\$ 9,928,010	\$ -

**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, 2023. 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, 2023**

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**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, 2023 is as follows:

	Assistance Listing No.	Amount Outstanding
Program Title: Water and Waste Disposal Loans and Grants	10.770	\$9,069,902

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, 2023**

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**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, 2023**

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**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, 2023**

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An exit conference was held on December 7, 2023 with the following individuals in attendance:

**Anthony Water and Sanitation District**

Veronica Rodriguez  
Jose Terrones  
Robert Coleman

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.