

STATE OF NEW MEXICO

ELEPHANT BUTTE IRRIGATION DISTRICT

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

OCTOBER 31, 2017

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT**

TABLE OF CONTENTS
OCTOBER 31, 2017

	<u>Page</u>
OFFICIAL ROSTER	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements	
Balance Sheet – Nonmajor Governmental Fund	14
Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Fund	15
Proprietary Fund:	
Statement of Fund Net Position	16
Statement of Revenues, Expenses, and Changes in Fund Net Position	18
Statement of Cash Flows	19
NOTES TO FINANCIAL STATEMENTS	21
REQUIRED SUPPLEMENTARY INFORMATION	
Public Employees Retirement Association (PERA) Plan:	
Municipal General:	
Schedule of the Elephant Butte Irrigation District's Proportionate Share of the Net Pension Liability of PERA Fund Division	45
Schedule of Elephant Butte Irrigation District's Contributions	46
Notes to Required Supplementary Information	47
SUPPLEMENTARY INFORMATION	
Schedule of Deposits and Temporary Investments by Depository for Public Funds	48
Schedule of Collateral Pledged by Depository for Public Funds	49
Schedule of Special Assessment Receivables for Public Funds	50
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>	51
Schedule of Findings and Responses	53
Exit Conference	54

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT**

OFFICIAL ROSTER
OCTOBER 31, 2017

Board of Directors

<u>Name</u>	<u>Title</u>
<i>Robert Faubion</i>	<i>President</i>
<i>Michael McNamee</i>	<i>Vice President</i>
<i>Jay Hill</i>	<i>Secretary</i>
<i>Jerry Franzoy</i>	<i>Director</i>
<i>Robert Sloan</i>	<i>Director</i>
<i>Bobby Kuykendall</i>	<i>Director</i>
<i>James Salopek</i>	<i>Director</i>
<i>Marty Franzoy</i>	<i>Director</i>
<i>Greg Daviet</i>	<i>Director</i>

District Officials

<i>Gary Esslinger</i>	<i>Treasurer/Manager</i>
<i>Gail Norvell</i>	<i>Finance Director</i>
<i>James Narvaez</i>	<i>Irrigation System Director</i>
<i>Leo Barrett</i>	<i>Maintenance Project Director</i>
<i>Delyce Maciel</i>	<i>HR – Safety Director</i>
<i>Erek Fuchs</i>	<i>Ground Water Resources Director</i>
<i>Zachary Libbin</i>	<i>Operations Engineer</i>
<i>Patrick Lopez</i>	<i>Technology Director</i>

INDEPENDENT AUDITORS' REPORT

Mr. Wayne Johnson, State Auditor and
The Board of Directors
Elephant Butte Irrigation District
Las Cruces, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Elephant Butte Irrigation District, as of and for the year ended October 31, 2017, 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 financial statements of each of the Elephant Butte Irrigation District's nonmajor governmental funds, presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying individual fund financial statements as of and for the year ended June 30, 2017, 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

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

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

Mr. Wayne Johnson, State Auditor and
The Board of Directors
Elephant Butte Irrigation District
Las Cruces, New Mexico
Page Two

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of October 31, 2017, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the District as of October 31, 2017, and the respective changes in financial position, thereof for the year then ended 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 management's discussion and analysis on pages 5 and 11 and pension liability schedules on page 45 and 46 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. 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 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 we obtained during our 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.

Other Information

Our audit was conducted for the purpose of forming opinions on Elephant Butte Irrigation District's financial statements, the combining and individual fund financial statements. The schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Mr. Wayne Johnson, State Auditor and
The Board of Directors
Elephant Butte Irrigation District
Las Cruces, New Mexico
Page Three

The schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information 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 our opinion, the other schedules required by 2.2.2 NMAC 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*, we have also issued our report dated March 13, 2018 on our consideration of Elephant Butte Irrigation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kriegel/Gray/Shaw & Co., P.C.

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico

March 13, 2018

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2017

As management of Elephant Butte Irrigation District, we offer the readers of Elephant Butte Irrigation District's financial statements this narrative overview and analysis of the financial activities of Elephant Butte Irrigation District for the fiscal year ended October 31, 2017. We encourage readers to consider the information presented here in conjunction with the financial statements of Elephant Butte Irrigation District and additional information provided.

Financial Highlights

- The assets of Elephant Butte Irrigation District exceeded its liabilities at the close of the most recent fiscal year by \$51,678,893 (*net position*). Of this amount, (\$2,219,785) (*unrestricted deficit net position*) which is therefore not available to be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$896,351. The governmental activities decreased by \$4,052 .76%; and the business-type activities decreased by \$892,299 by 1.5%.
- As of the close of the current fiscal year, Elephant Butte Irrigation District's governmental fund reported ending net position of \$527,356, a decrease of \$4,052 or .76% in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Elephant Butte Irrigation District's basic financial statements. Elephant Butte Irrigation District's basic financial statements comprise two components: 1) basic financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Elephant Butte Irrigation District's finances, in a manner similar to a private-sector business.

The *statement of net position* represents information on all of Elephant Butte Irrigation District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Elephant Butte Irrigation District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements, distinguish functions of Elephant Butte Irrigation District that are principally supported by charges for services and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Elephant Butte Irrigation District include local improvement district services. The business-type activities of Elephant Butte Irrigation District include water distribution and maintenance operations.

The government-wide financial statements can be found on pages 12 and 13 of this report.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2017

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated from specific activities or objectives. Elephant Butte Irrigation District, like other state, local governments and special districts, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Elephant Butte Irrigation District can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows* and *outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

Elephant Butte Irrigation District maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in funds balances for the water operations fund, which is considered to be a nonmajor fund. Data from the governmental fund is combined into a single, aggregated presentation. Individual fund data for the nonmajor governmental fund is provided in the form of *individual statements* elsewhere in this report.

Elephant Butte Irrigation District adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for the operations & maintenance fund and the local improvement district fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14 and 15 of this report.

Proprietary funds. Elephant Butte Irrigation District maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Elephant Butte Irrigation District uses enterprise funds to account for its water distribution operations and its water conservation reloan fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water distribution operations, which is considered a major fund of Elephant Butte Irrigation District.

The basic proprietary fund financial statements can be found on pages 16 through 20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 21 through 44 of this report.

Other information. Individual fund statements and schedules can be found on pages 48 and 50 of this report.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2017

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Elephant Butte Irrigation District, assets exceeded liabilities by \$51,678,863 at the close of the most recent fiscal year.

By far the largest portion of Elephant Butte Irrigation District's net position (103 percent) reflect its net investment in capital assets (e.g., land, buildings, machinery, equipment, irrigation distribution system), less any related debt used to acquire those assets that is still outstanding. Elephant Butte Irrigation District uses these capital assets to provide services to land owners; consequently, these assets are *not* available for future spending. Although Elephant Butte Irrigation District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Elephant Butte Irrigation District
Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets and Deferred Outflow of Resources:						
Current assets and other assets	\$527,356	\$531,408	\$3,518,056	\$3,727,891	\$4,045,412	\$4,259,299
Capital assets, net	0	0	53,421,567	53,182,721	53,421,567	53,182,721
<i>Total assets</i>	<i>527,356</i>	<i>531,408</i>	<i>56,939,623</i>	<i>56,910,612</i>	<i>57,466,979</i>	<i>57,442,020</i>
Deferred outflow of resources	0	0	1,342,984	1,788,185	1,342,984	1,788,185
Total assets and deferred outflow of resources	\$527,356	\$531,408	\$58,282,607	\$58,698,797	\$58,809,963	\$59,230,205
Liabilities:						
Current liabilities	\$0	\$0	\$345,142	\$279,976	\$345,142	\$279,976
Other liabilities – LT	0	0	5,413,289	5,661,907	5,413,289	5,661,907
<i>Total liabilities</i>	<i>0</i>	<i>0</i>	<i>5,758,431</i>	<i>5,941,883</i>	<i>5,758,431</i>	<i>5,941,883</i>
Deferred inflows of resources	0	0	1,372,639	713,078	1,372,639	713,078
Net Position:						
Net investment in capital assets	0	0	53,371,322	53,124,118	53,371,322	53,124,118
Restricted for improvements	527,356	531,408	0	0	527,356	531,408
Unrestricted	0	0	(2,219,785)	(1,080,282)	(2,219,785)	(1,080,282)
<i>Total net position</i>	<i>527,356</i>	<i>531,408</i>	<i>51,151,537</i>	<i>52,043,836</i>	<i>51,678,893</i>	<i>52,575,244</i>
Total liabilities, deferred inflows of resources, and net position	\$527,356	\$531,408	\$58,282,607	\$58,698,797	\$58,809,963	\$59,230,205

The remaining balance of *unrestricted net position* (\$2,219,785) does not provide for ongoing obligations to constituents and creditors as it is a deficit.

At the end of the current fiscal year, Elephant Butte Irrigation District is able to report positive balances in both categories of net position, both for the government as a whole as well as for its separate governmental and business-type activities.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2017

There was an increase of \$238,846 in capital assets reported in connection with Elephant Butte Irrigation District's business-type activities. The increase was due to the purchase of assets. Elephant Butte Irrigation District's governmental activities do not maintain capital assets.

The government's net position decreased \$896,351 during the current fiscal year. This decrease represents a decrease in cash and temporary investments as a result of an increase in expenses.

Governmental activities. Governmental activities decreased Elephant Butte Irrigation District net position by \$4,052. Governmental activities comprise an extremely limited function within Elephant Butte Irrigation District. Ongoing operating activities are primarily conducted as business-type activities.

- Charges for services remained unchanged as a result of maximum assessment rate of \$5.00 per acre currently assessed and the volume of acres subject to local improvement district assessment remained unchanged as compared to the prior fiscal year.

Elephant Butte Irrigation District
Statement of Activities

	Governmental		Business-type		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
<u>Program Revenues:</u>						
Charges for services	\$20,891	\$20,793	\$7,811,375	\$7,572,723	\$7,832,266	\$7,593,516
Operating grants and contributions	0	0	0	0	0	0
Capital grants and contributions	0	0	579,112	182,198	579,112	182,198
<u>General Revenues:</u>						
Unrestricted interest earnings	3,536	1,900	68,405	57,057	71,941	58,957
Other income	0	0	0	4,570	0	4,570
Gain (loss) on disposal of capital assets	0	0	(56,177)	38,447	(56,177)	38,447
Total revenue	24,427	22,693	8,402,715	7,854,995	8,427,142	7,877,688
Expenses:						
Local improvement district operations	28,479	52,903	0	0	28,479	52,903
Water system operations and maintenance	0	0	9,295,014	8,025,954	9,295,014	8,025,954
Total expenses	28,479	52,903	9,295,014	8,025,954	9,323,493	8,078,857
Net increase (decrease) in net position	(\$4,052)	(\$30,210)	(\$892,299)	(\$170,959)	(\$896,351)	(\$201,169)

Increases in expenses were partially attributable to increases in payroll benefits of \$572,242 due to increases in the cost of health insurance and pension expense (due to the recognition of an increased net pension liability).

In addition, wages increased by \$623,924, maintenance expenses increased by \$244,447, and administrative and other operating expenses increased by \$145,792.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2017

Business-type activities. Enterprise activities decreased Elephant Butte Irrigation District net position by \$892,299.

- Capital grants increased \$396,914 217.8% to \$579,112.
- Total revenues increased \$547,720 7.0% during the year. This change is predominantly the product of an increase in assessments and capital grant revenues.
- An increase in the District's operating and maintenance expenses were \$1,269,060 15.8%. This increase resulted predominantly from increases in employee benefits, wages, and maintenance costs.

Operations and Maintenance Fund Budgetary Highlights

Elephant Butte Irrigation District's original budget was not amended during the current period.

Capital Asset and Debt Administration

Capital assets. Elephant Butte Irrigation District's investment in capital assets for its business-type activities as of October 31, 2017, amounts to \$53,421,567 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, equipment and furnishings and the irrigation distribution system. The total increase in Elephant Butte Irrigation District's investment in capital assets for the current fiscal year was .45%.

Major capital asset events during the current fiscal year included the following:

- Water distribution system improvements were completed (or remain in process) totaling \$1,019,650, consisting of canals, laterals, drains and waste ways.
- Operations office building, fabrication shop, and mechanic shop of \$9,341.
- Purchases of equipment and vehicles of \$346,254.
- The District also disposed of land of \$197,215.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2017

	Business-type Activities
	October 31, 2017
Capital Assets:	
Land	\$38,266,202
Buildings and system	1,919,338
Equipment and vehicles	6,998,740
Furniture and fixtures	295,085
Irrigation distribution system	26,586,899
Construction in process	1,072,804
Irrigation management software	357,650
	75,496,718
Accumulated depreciation	(22,075,151)
	\$53,421,567

Long-term debt. At the end of the current fiscal year, the Elephant Butte Irrigation District had total outstanding debt of \$50,245 (excluding compensated absences).

Elephant Butte Irrigation District's total debt decreased \$8,358 less than 1% during the current fiscal year. The key factor in this change was the payment of principle on the New Mexico Finance Authority – Water Trust Board loans of \$8,358.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2017

Economic Factors

- Reservoir capacity and actual storage, in acre feet:

	Capacity	October 31, 2017	October 31, 2016
Elephant Butte	2,500,000	297,912	128,591
Caballo	350,000	35,550	16,116
	2,850,000	333,462	144,707

- Elephant Butte Irrigation District's boundaries include 90,640 total irrigable acres. Crop irrigation acres as of October 31, 2017 and 2016 are as follows:

Acres Irrigated	75,419	73,303
Acres Fallowed	15,221	17,337
Total Acres	90,640	90,640

- Elephant Butte Irrigation District's annual assessments did not increase for the 2017 budget year. The rates are \$75.00 per water righted acre.

During the current fiscal year, unrestricted net position in the Water Distribution Operations fund decreased to (\$2,219,785). Elephant Butte Irrigation District's is not carrying forward any unrestricted net position for the 2017 fiscal year since the unrestricted balance is a deficit.

Requests for Information

This financial report is designed to provide a general overview of Elephant Butte Irrigation District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 530 S. Melendres, Las Cruces, New Mexico 88005.

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT**

STATEMENT OF NET POSITION

OCTOBER 31, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and temporary investments	\$523,721	\$2,961,072	\$3,484,793
Receivables, net	3,635	218,750	222,385
Inventories	0	168,050	168,050
Prepays	0	170,184	170,184
Capital assets, net	0	53,421,567	53,421,567
<i>Total assets</i>	527,356	56,939,623	57,466,979
DEFERRED OUTFLOWS OF RESOURCES - pension			
	0	1,342,984	1,342,984
LIABILITIES			
Accounts payable and other current liabilities	0	335,142	335,142
Due to others	0	10,000	10,000
Noncurrent liabilities:			
Due within one year	0	8,374	8,374
Due in more than one year	0	41,871	41,871
Compensated absences	0	307,786	307,786
Net pension liability	0	5,055,258	5,055,258
<i>Total liabilities</i>	0	5,758,431	5,758,431
DEFERRED INFLOWS OF RESOURCES			
Permits - land use	0	1,061,484	1,061,484
Pension	0	311,155	311,155
	0	1,372,639	1,372,639
NET POSITION			
Net investment in capital assets	0	53,371,322	53,371,322
Restricted for improvements	527,356	0	527,356
Unrestricted	0	(2,219,785)	(2,219,785)
<i>Total net position</i>	\$527,356	\$51,151,537	\$51,678,893

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Irrigation District							
Governmental Activities:							
Operation and maintenance	\$28,479	\$20,891	\$0	\$0	(\$7,588)	\$0	(\$7,588)
<i>Total governmental activities</i>	28,479	20,891	0	0	(7,588)	0	(7,588)
Business-type Activities:							
Water distribution operations	9,295,014	7,811,375	0	579,112	0	(904,527)	(904,527)
<i>Total business-type activities</i>	9,295,014	7,811,375	0	579,112	0	(904,527)	(904,527)
Total irrigation district	\$9,323,493	\$7,832,266	\$0	\$579,112	(\$7,588)	(\$904,527)	(\$912,115)

General Revenues

Unrestricted interest income	\$3,536	\$68,405	\$71,941
Other income	0	0	0
Gain on sale of capital assets	0	(56,177)	(56,177)
<i>Total general revenues</i>	3,536	12,228	15,764
<i>Change in net position</i>	(4,052)	(892,299)	(896,351)
Net position, beginning of year	531,408	52,043,836	52,575,244
Net position, end of year	\$527,356	\$51,151,537	\$51,678,893

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT

NONMAJOR GOVERNMENTAL FUND

BALANCE SHEET

OCTOBER 31, 2017

	<u>Local Improvement District</u>
ASSETS	
Cash and temporary investments	\$523,721
Receivables:	
Assessments, net of allowance (\$4,461)	3,635
<i>Total assets</i>	<u>\$527,356</u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$0
<i>Total liabilities</i>	<u>0</u>
 FUND BALANCE	
Restricted for improvements	527,356
<i>Total fund balances</i>	<u>527,356</u>
<i>Total liabilities and fund balance</i>	<u>\$527,356</u>

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT

NONMAJOR GOVERNMENTAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2017

	<u>Local Improvement District</u>
REVENUES	
Charges for services	\$20,891
Interest	3,536
<i>Total revenues</i>	<u>24,427</u>
EXPENDITURES	
Current:	
Operations and maintenance	28,479
Contractual services	0
<i>Total expenditures</i>	<u>28,479</u>
<i>Net change in fund balance</i>	(4,052)
Fund balance, beginning of year	531,408
<i>Fund balance, end of year</i>	<u>\$527,356</u>

The Notes to Financial Statements are an integral part of these statements.

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT**

PROPRIETARY FUND

STATEMENT OF FUND NET POSITION

OCTOBER 31, 2017

Business-type
Activities -
Enterprise Fund
Water
Distribution
Operations

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current Assets:

Cash and temporary investments	\$2,961,072
Accounts receivables, net of allowance (\$279,318)	
Accounts/Assessments	197,447
Other	21,303
Inventory	168,050
Prepaid expenses	170,184
Due from other funds	0
<i>Total current assets</i>	3,518,056

Noncurrent Assets:

Notes receivable - net of current maturities	0
Capital Assets:	
Land	38,266,202
Building and improvements	1,919,338
Equipment and vehicles	6,998,740
Furniture and fixtures	295,085
Irrigation distribution system	26,586,899
Irrigation management software	357,650
Construction in process	1,072,804
	75,496,718
Less: accumulated depreciation	(22,075,151)
<i>Total capital assets</i>	53,421,567
<i>Total noncurrent assets</i>	53,421,567
<i>Total assets</i>	56,939,623
Deferred outflows of resources - pension	1,342,984
<i>Total assets and deferred outflows of resources</i>	\$58,282,607

The Notes to Financial Statements are an integral part of these statements.

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT**

PROPRIETARY FUND

STATEMENT OF FUND NET POSITION

OCTOBER 31, 2017

Business-type
Activities -
Enterprise Fund
Water
Distribution
Operations

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION

Current liabilities:

Notes payable - current maturities	\$8,374
Accounts payable	158,355
Accrued expenses	176,418
Compensated absences - current portion	369
Due to others (funds held in trust)	10,000
Due to other funds	0
<i>Total current liabilities</i>	<u>353,516</u>

Noncurrent Liabilities:

Notes payable - net of current maturities	41,871
Compensated absences	307,786
Net pension liability	5,055,258
<i>Total noncurrent liabilities</i>	<u>5,404,915</u>

<i>Total liabilities</i>	<u>5,758,431</u>
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Deferred Inflows of Resources:

Permits - land use	1,061,484
Pension	311,155
<i>Total deferred inflows of resources</i>	<u>1,372,639</u>

Fund Net Position:

Net investment in capital assets	53,371,322
Unrestricted	(2,219,785)
<i>Total fund net position</i>	<u>51,151,537</u>

<i>Total liabilities, deferred inflows of resources, and fund net position</i>	<u>\$58,282,607</u>
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The Notes to Financial Statements are an integral part of these statements.

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT**

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2017

	Business-type Activities - Enterprise Fund Water Distribution Operations
OPERATING REVENUES:	
Charges for services	\$7,306,665
Operating agreements and other	504,710
<i>Total operating revenues</i>	7,811,375
OPERATING EXPENSES:	
Personnel services	3,945,622
Employee benefits	1,798,580
Contractual services	638,486
Operations and maintenance	967,349
Administration and other operating	1,005,647
Depreciation	939,184
<i>Total operating expenses</i>	9,294,868
<i>Operating income (loss)</i>	(1,483,493)
NON-OPERATING REVENUES (EXPENSES)	
Intergovernmental grants:	
Federal	347,349
State	231,763
Interest income	68,405
Other income	0
Gain/(Loss) from sale of assets	(56,177)
Interest expense	(146)
Transfers in (out)	0
<i>Total non-operating revenues (expenses)</i>	591,194
<i>Change in fund net position</i>	(892,299)
Fund net position, beginning of year	52,043,836
<i>Fund net position, end of year</i>	<i>\$51,151,537</i>

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED OCTOBER 31, 2017

	Business-type Activities - Enterprise Fund Water Distribution Operations
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$8,273,442
Payment to vendors	(5,242,056)
Payments to and on behalf of employees	(2,621,951)
<i>Net cash provided (used) by operating activities</i>	409,435
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCIAL ACTIVITIES	
Repayments of advances to/from other funds	0
Receipts on notes receivable	0
Repayment of long-term debt	0
Interest paid on long-term debt	0
Interest income	0
Transfers in (out)	0
<i>Net cash provided (used) by noncapital and related financial activities</i>	0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Intergovernmental capital grants	579,112
Repayment on long-term debt	(8,358)
Interest paid on long-term debt	(146)
Proceeds of long-term debt	0
<i>Net cash provided (used) by capital and related financial activities</i>	570,608
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	68,405
Investment write-offs	0
Purchase of capital assets	(1,375,245)
Proceeds from sale of capital assets	141,038
Proceeds from sale of non-capital assets	0
<i>Net cash provided by investing activities</i>	(1,165,802)
<i>Net increase (decrease) in cash and temporary investments</i>	(185,759)
Cash and temporary investments, beginning of year	3,146,831
<i>Cash and temporary investments, end of year</i>	<i>\$2,961,072</i>

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED OCTOBER 31, 2017

	Business-type Activities - <u>Enterprise Fund</u> Water Distribution <u>Operations</u>
Reconciliation of operating income (loss)	
to net cash provided (used) by operating activities:	
Operating income (loss)	(\$1,483,493)
<i>Adjustments to reconcile operating income (loss)</i>	
<i>to net cash provided (used) by operating activities:</i>	
Depreciation expense	939,184
Bad debt expense	(5,947)
(Increase) decrease in:	
Accounts receivable	60,918
Inventory	(15,587)
Deferred revenue	401,149
Prepaid expenses	(15,308)
Increase (decrease) in:	
Accounts payable	26,373
Accrued expenses	36,782
Accrued compensated absences	20,322
Funds held in trust	0
Net pension contribution and liability	445,042
<i>Net cash provided (used) by operating activities</i>	\$409,435

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Elephant Butte Irrigation District (District) was organized on June 15, 1918, by agreement with the United States Bureau of Reclamation resulting in the contractual dissolution of Elephant Butte Water Users Association and the transfer of rights, benefits, privileges, liabilities and project revenues of the irrigation system. The statutory authority for the District is designated as Section 79-10-1 of the New Mexico Statutes Annotated (NMSA 1978).

The District was established as an agriculture irrigation district in cooperation with the United States Bureau of Reclamation. The District's governing body operates with a nine-member board of directors elected from the landholders and water users within the boundaries of the District. The District is responsible for the operation and maintenance of the water distribution system and improvements of Percha, Leasburg and Mesilla diversion dams, including the canal and drainage system and structures. The physical boundaries begin approximately 1.5 miles south of Caballo Dam extending to the New Mexico-Texas state line. Currently, the District has 90,640 water righted acres available for irrigation.

The significant accounting policies and procedures of the District are more fully described below.

Financial Reporting Entity

The accompanying financial statements present the District, who is not a component unit to any governmental agencies. The District, itself, has no component unit entities as defined by applying the criteria set forth in GASB No.14, 34 and 61.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the activities of the primary government. All assets, all liabilities and deferred outflows and inflows of resources are included on the statement of net position. For the most part, the effect of interfund activity between governmental activities and business-type activities has been eliminated in these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of the various functional activities and segments of the District are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include charges to customers or applicants who directly benefit from goods, services or privileges provided by a given function or segment. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment, including special assessments. Taxes and other items not properly included as program revenues are reported as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues.

Separate financial statements are provided for governmental and proprietary funds. There were no major individual governmental funds with one major and one nonmajor individual enterprise funds which are reported as separate columns in the fund financial statements.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Water assessments are recognized as revenues in the year for which the assessment is billed. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus and modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities in the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. When cash or accounts receivable have been recorded for which time requirements have not been met or before the resources are permitted to be used they are not considered revenue and therefore, are recorded as deferred inflows of resources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Only the portion of special assessments receivable due within the current fiscal year is considered to be susceptible to accrual as revenue of the current period and have been recognized as revenues of the current fiscal period. As under accrual accounting, grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following nonmajor governmental fund:

The *local improvement district* special revenue fund accounts for special assessments levied on properties within the District.

The District reports the following proprietary funds:

Major Proprietary Fund:

The *Water Distribution Operations Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

Financial statements for proprietary funds use the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the *water distribution operations* fund are the water righted assessments and charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. 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.

Assets, Liabilities and Net Position

Deposits and Investments

The District is authorized under the provision of 6-10-10 NMSA 1978, as amended, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States. The District's cash and cash equivalents are 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.

All money not immediately necessary for the public uses of the District may be invested in:

- a. bonds or negotiable securities of the United States, the State or any county, municipality or school district which has taxable valuation of real property for the last preceding year of at least one million dollars (\$1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bond maturities at any time within the preceding five years; or
- b. securities that are issued by the United States Government or by its agencies or instrumentalities that are either direct obligations of the United States or are backed by the full faith and credit of the United States Governments or agencies guaranteed by the United States Government; and
- c. contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices as a price differential representing the interest income to be earned by the investor. The contract shall be on the books of the financial institution as being the property of the investor and designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The contract required for investment in the contracts provided for in the subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pursuant to Section 6-10-10.1 NMSA 1978, as amended, if the District is unable to receive payment on public money at the rate of interest as set forth in Section 6-10-36 NMSA 1978 from financial institutions within the geographic boundaries of the governmental unit, then a local public finance official having money of that local public body in custody not required for expenditure within thirty days or less may, with the consent of the appropriate local board of finance, if any, remit some or all of such money to the state treasurer, banks, savings and loan associations or credit unions for deposit for the purpose of short-term investment as allowed by law.

Before any local funds are invested or reinvested for the purpose of short-term investment pursuant to Section 6-10-10.1 NMSA 1978, as amended, the local public body finance official shall notify and make such funds available to banks, savings and loan associations and credit unions located within the geographical boundaries of their respective governmental unit, subject to the limitation on credit union accounts. To be eligible for such funds, the financial institution shall pay to the local public body the rate established by the state treasurer pursuant to a policy adopted by the state board of finance for such short-term investments.

State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit, be collateralized by the depository thrift or banking institution. Currently, state statutes require that a minimum of fifty percent (50%) of uninsured balances on deposit with any one institution must be collateralized, with higher requirements up to one hundred percent (100%) for financially troubled institutions. If the securities pledged are United States government securities, they are pledged at market value, if they are New Mexico municipal bonds, they are pledged at par value.

In accordance with Federal Deposit Insurance Authority, public unit deposits are funds owned by the District. All time and savings accounts of a public unit in an institution in the same state will be insured up to \$250,000. Separately, all demand deposits of a public unit in an institution in the same state will be insured up to \$250,000.

The District's cash and cash equivalents are 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. Cash and temporary investments for the District are reported at fair value.

Receivables

The District recognizes water assessment receivables net of any allowance for uncollectible accounts, when applicable. The related assessment revenues are recognized when levied, in conjunction with the receivables, net of estimated refunds. All other receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Delinquent accounts accrue interest at 6% until paid in full.

Water assessments are levied on November 1 based on the landowner's water righted acres contained in the landowner's property deed records. Water assessments uncollected after February 1 are considered delinquent. District assessments attach as an enforceable lien on the property as of February 1.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories and Prepaid Items

Inventories are recorded at the lower of cost or market on a FIFO basis, and consist of operating parts; materials and supplies held for use in operations and are recorded as inventory when purchased. Inventory issuance is accomplished with departmental procurement supply requisitions initiating the recognition of materials and supplies expense.

Certain payments to vendors for items that include insurance and water irrigation system maintenance agreements with the New Mexico Interstate Stream Commission reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Notes Receivable

Repayment terms for loans advanced to landowners from the District’s operations and maintenance fund for construction and renovation projects are payable annually and are non-interest bearing. The notes are secured by deed and mortgage agreements.

Capital Assets

Capital assets, which include property, plant, equipment, and water irrigation system assets (e.g., dams, canals, diversions, laterals, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB No. 34, the historical costs of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government-wide financial statements. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets placed in service or under construction during the current fiscal year.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land improvements	40
Buildings and system	40
Machinery and equipment	3 – 10
Furniture and fixtures	5 – 10
Irrigation distribution system	25 – 50

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Transactions

There are transactions that constitute reimbursements to a fund for expenditures initially expended from one fund that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditure in the fund that is reimbursed.

Interfund payables and receivables are reflected in the appropriate fund.

There are no due from/to between funds at October 31, 2017.

There are no interfund transfers in/out between funds at October 31, 2017.

Compensated Absences

District employees are entitled to certain compensated absences based on length of employment. With minor exceptions, the District allows full-time employees to accumulate unused sick leave to a maximum of 600 hours. Full-time employees accrue 3.08 hours of sick leave in each pay period of eighty (80) hours of regular paid time. However, accumulated sick leave is not eligible for payment to terminating employees. Earned vacation, up to the amount the employee accrues each year, is allowed to be carried over from one calendar year to the next. Upon termination, employees shall receive payment for unused, accrued vacation. All vacation pay is accrued when incurred in the operations and maintenance proprietary fund financial statement. A liability for these amounts is reported in accrued expenses for amounts that will be used or have matured, for example, as a result of employee resignations and retirements. The noncurrent balance is reported as long-term debt.

Service Years	Vacation Hours Earned
1 – 3	3.08
4 – 6	3.69
7 – 9	4.31
10 – 12	4.62 to 5.23
13 – 14	5.45 to 5.85
15+	6.15

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.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations including compensated absences, are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Net Position and Fund Equity

In the government wide financial statements, fund equity represents the following:

- Net investment in capital assets - This component of net position consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation.
- Unrestricted - This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Governmental fund balances (special revenue funds) are classified as restricted. Restricted fund balance has limitations imposed by third parties such as creditors, grantors or contributors.

Restricted and Unrestricted Revenue

Amounts reported as program revenues include 1) charges to customers for services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations.

The principal operating revenues of the proprietary funds are special assessment charges to landowners for irrigation water services. 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. The governmental fund's primary source of revenue is a special assessment for District use to maintain and repair certain watershed structures and drainage systems with the geographic boundaries of the District.

Estimates

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

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The District's Treasurer/Manager and Finance Director submit to the District's Board of Directors on or before August 31st, a proposed operating budget for the fiscal year commencing the following November 1. The operating budget includes proposed expenditures and the means of financing them. Budget meetings are conducted from June to September to formulate the proposed operating budgets. Upon approval by the State of New Mexico Department of Finance and Administration (DFA), the budget is legally enacted through passage of the budget resolution. The District's Board of Directors is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the DFA. The legal level of budgetary control is at the fund level.

Formal budgetary integration is employed as a management control device during the year for the Special Revenue Fund. Budgets for the District's governmental activities are adopted on a basis that is not in accordance with accounting principles generally accepted in the United States of America (GAAP). The budgets secure appropriations for only one year. All annual appropriations lapse at fiscal year-end. Budgeted amounts are as originally adopted, or as amended by the District's Board of Directors. Budgets adopted for business-type activities or proprietary fund types represent financial plans based on the accrual basis of accounting and are amended as financial information becomes available.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the District's governmental and business-type activity funds.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017

NOTE 3. DEPOSITS AND TEMPORARY INVESTMENTS

Cash and temporary investments as of October 31, 2017, are classified as and comprised of in the accompanying financial statements as follows:

Cash and cash equivalents – unrestricted	\$3,484,793
<hr/>	
Cash on hand	\$1,500
Deposits held with financial institutions	352,639
Deposits held with NM State Treasurer	3,130,654
Cash held for others	0
<hr/>	
	\$3,484,793

Authorized Deposits and Investments

Under provisions of New Mexico Statutes Annotated, the District may invest in certain types of deposit and investment accounts as listed in Note 1 (c)(1) to the financial statements.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District has not adopted a deposit and investment policy with policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half (50 percent) of the amount on deposit with the institution.

At October 31, 2017, of the District’s bank balance of \$454,106, \$204,106 was exposed to custodial credit risk as collateral was pledged for the uninsured balance but held by the bank’s agent not in the District’s name. At October 31, 2017, the carrying amount or book balance of these deposits was \$352,639.

The schedule below discloses the insured portion of the District’s deposits:

	<u>Bank of the West</u>
Total of deposit in bank (Schedule I)	\$454,106
Less: FDIC coverage	250,000
<hr/>	
<i>Total uninsured public funds</i>	\$204,106
<hr/>	
Pledged collateral held by the pledging bank’s agent in the District’s name	\$867,941
<hr/>	
<i>Uninsured and uncollateralized</i>	\$0
<hr/>	
50% Pledged collateral requirement per statute	\$102,053
Securities pledged (Schedule II)	(867,941)
<hr/>	
<i>Pledged collateral (over) under the requirement</i>	(\$765,888)

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017

NOTE 3. DEPOSITS AND TEMPORARY INVESTMENTS (CONTINUED)

<u>Investment Type</u>	<u>Cost Basis</u>	<u>Market Value</u>	<u>Credit Risk- Rating</u>	<u>Weighted Average Maturity Days (R)</u>
State Investment Pool** – LGIP	\$3,130,654	\$3,130,654	AAAm	49
<i>Less investments reported as cash equivalents</i>	3,130,654	3,130,654		
	\$0	\$0		

** The District's investment in the State Investment Pool was not rated, although the securities within the pool are rated.

- a. The investments are valued at fair value based on quoted market prices as of the valuation date;
- b. The State Treasurer Local Government Investment Pool is not SEC registered. The State Treasurer is authorized to invest the short-term investment funds with the advice and consent of the State Board of Finance in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10 1A and E, NMSA 1978.
- c. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts fund was invested; and
- d. Participation in the local government investment pool is voluntary.
- e. Separately issued financial statements are available from the New Mexico State Treasurer that does disclose the collateral pledged to secure State Treasurer cash and investments.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017

NOTE 4. RECEIVABLES

Receivables as of October 31, 2017, for the District's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Water Distribution Operations	Nonmajor Governmental Funds	Totals
Receivables:			
Accounts/Assessments (including interest)	\$476,765	\$8,096	\$484,861
Other	21,303	0	21,303
Gross receivables	498,068	8,096	506,164
Less: allowance for uncollectible accounts	(279,318)	(4,461)	(283,779)
Net receivables	\$218,750	\$3,635	\$222,385

The District retains the authority to enforce lien rights on delinquent landowner accounts when nonpayment of water assessments occurs. However, an allowance for uncollectible accounts is established based on historical trends in actual account collections on assessments reflecting the net realizable value of amounts due for fiscal year ending October 31, 2017.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017

NOTE 5. CAPITAL ASSETS

Capital asset activity for the District's enterprise water distribution operations fund consists of the following at October 31, 2017:

	Balance October 31, 2016	Restatements	Additions	Retirements	Transfers	Balance October 31, 2017
Business-type activities:						
Water Distribution Operations						
Capital assets not being depreciated:						
Land	\$38,463,417	\$0	\$0	(\$197,215)	\$0	\$38,266,202
Construction in progress	303,517	0	1,019,650	0	(250,363)	1,072,804
<i>Total capital assets not being depreciated</i>	<i>38,766,934</i>	<i>0</i>	<i>1,019,650</i>	<i>(197,215)</i>	<i>(250,363)</i>	<i>39,339,006</i>
Capital assets being depreciated:						
Buildings and system	1,909,997	0	9,341	0	0	1,919,338
Equipment and vehicles	6,736,182	0	262,558	0	0	6,998,740
Furniture and fixtures	211,389	0	83,696	0	0	295,085
Irrigation distribution system	26,336,536	0	0	0	250,363	26,586,899
Irrigation management software	357,650	0	0	0	0	357,650
<i>Total capital assets being depreciated</i>	<i>35,551,754</i>	<i>0</i>	<i>355,595</i>	<i>0</i>	<i>250,363</i>	<i>36,157,712</i>
<i>Total capital assets</i>	<i>74,318,688</i>	<i>0</i>	<i>1,375,245</i>	<i>(197,215)</i>	<i>0</i>	<i>75,496,718</i>
Less: accumulated depreciation						
Buildings and system	(616,878)	0	(69,054)	0	0	(685,932)
Machinery and equipment	(5,369,558)	0	(399,844)	0	0	(5,769,402)
Furniture and fixtures	(142,831)	0	(39,724)	0	0	(182,555)
Irrigation distribution system	(14,901,167)	0	(394,797)	0	0	(15,295,964)
Irrigation management software	(105,533)	0	(35,765)	0	0	(141,298)
<i>Total accumulated depreciation</i>	<i>(21,135,967)</i>	<i>0</i>	<i>(939,184)</i>	<i>0</i>	<i>0</i>	<i>(22,075,151)</i>
<i>Total capital assets, net</i>	<i>\$53,182,721</i>	<i>\$0</i>	<i>\$436,061</i>	<i>(\$197,215)</i>	<i>\$0</i>	<i>\$53,421,567</i>

Depreciation expense of \$939,184 was charged in the District's water distribution operations fund for the fiscal year ended October 31, 2017.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017

NOTE 6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and other current liabilities as of October 31, 2017 for the District’s funds are as follows:

	Water Distribution	Nonmajor Enterprise Fund	Totals
Accounts payable	\$158,355	\$0	\$158,355
Accrued payroll	176,418	0	176,418
Total accounts payable and other current liabilities	\$334,773	\$0	\$334,773

NOTE 7. DEFERRED INFLOWS OF RESOURCES – PERMITS – LAND USE

The District charges various utilities land use fees for access and use of the District’s land. These permits entered into by contract have a definite term (five to twenty-five years). Therefore, the District has recorded deferred inflows of resources for these permits that relate to future years. The deferred inflows of resources are amortized into income ratably over the life of the contract. At October 31, 2017, deferred inflows of resources for permits for land use were \$1,061,484.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017

NOTE 8. LONG-TERM DEBT

The following summarizes long-term debt and related changes during the year ended October 31, 2017:

Business-type Activities

New Mexico Finance Authority – Water Trust Board:

<u>Water Distribution Operations:</u>	0149	\$37,000	0%	8/20/2010	6/1/2030	\$24,050
		Current maturities				(1,850)
						\$22,200
<u>Water Distribution Operations:</u>	0191	\$65,000	0%	10/21/2011	6/1/2021	\$26,195
		Current maturities				(6,524)
						\$19,671

<u>Business-type Activities</u>	Balance October 31, 2016	Additions	Retirements	Balance October 31, 2017	Amount Due Within One Year
Water Distribution Operations:					
Notes payable	\$58,603	\$0	(\$8,358)	\$50,245	\$8,374
Water Distribution Operations:					
Compensated absences	287,833	207,231	(186,909)	308,155	369
	\$346,436	\$207,231	(\$195,267)	\$358,400	\$8,743

Notes payable debt service requirements to maturity are as follows:

<u>Business-type Activities</u> <u>Year Ended October 31,</u>	<u>Operations and Maintenance</u>	
	Principal	Interest
2018	\$8,374	\$126
2019	8,391	105
2020	8,407	84
2021	8,423	63
2022	1,850	42
2023 – 2027	9,250	139
2028 – 2030	5,550	28
	\$50,245	\$587

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017

NOTE 8. LONG-TERM DEBT (CONTINUED)

Interest charged to expense for the year ended October 31, 2017 was:

<u>Business-type Activities</u>	<u>Water Distribution System</u>
Interest expense	\$146

Interest expense is charged as a direct expense since it relates only to water distribution operations.

The New Mexico Finance Authority loan (#WTB-0149) was borrowed in fiscal year 2010 as part of a condition of a grant agreement. The loan has a zero-interest rate but charges an administrative fee of .25% over the life of the loan. The balance of the loan as of October 31, 2017 was \$24,050. Interest has not been imputed as the loan is between government entities, which are deemed to set the market and therefore, 0% is the market.

The New Mexico Finance Authority loan (#WTB-0191) was borrowed in fiscal year 2011 as part of a condition of a grant agreement. The loan has a zero-interest rate but charges an administrative fee of .25% over the life of the loan. The balance of the loan as of October 31, 2017 was \$26,195. Interest has not been imputed as the loan is between government entities, which are deemed to set the market and therefore, 0% is the market.

NOTE 9. FUND BALANCE CLASSIFICATIONS

The District has only one governmental fund, which is a special revenue fund and therefore, has defined the following fund balance classification:

Restricted Fund Balance – includes amounts that have constraints placed on their use which are:

externally imposed by:

- Creditors (such as debt covenants)
- Grantors
- Contributors
- Laws or regulations of other governments (state and federal)

OR

imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party – such as citizens, public interest groups, or the judiciary - to use resources created by enabling legislation only for the purposes specified by the legislation.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017

NOTE 10. PENSION PLAN

The District contributes to a defined contribution pension plan adopted under the provision of Internal Revenue Code Section 401.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments on those contributions.

As established on May 12, 1999, the Board of directors approved a resolution establishing the plan and on July 26, 1999, entered in an Agreement with the International City Management Association Retirement Corporation (ICMA) to administer the plan for District employees. The International Management Association Retirement Trust, common law trust, is governed by an elected board of trustees overseeing retirement funds held by state and local governmental entities and their employees. ICMA acts as the investment advisor to the Trust.

Employees of the District participating in the Deferred Compensation Plan before PERA was adopted are eligible to participate. The District is required to contribute 7% of the employee's gross earnings. Contributions by the District belong to the participant upon retirement or termination, provided the vesting requirements have been satisfied.

The vesting provision for all employees is as follows:

- 0% after 1 years of completed service
- 0% after 2 years of completed service
- 100% after 3 years of completed service

During the year ended October 31, 2017, the District's required and actual contribution amount of \$576 was 7% of its current and 7% of its prior year covered payroll.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017

NOTE 11. DEFERRED COMPENSATION PLANS

Eligible employees of the District may participate, in conjunction with the Pension Plan above, in a deferred compensation plan adopted under the provision of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). The deferred compensation plan is available to all employees of the District. Under the plan, employees defer a portion of their salaries and delay paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

All contributions withheld from employee/participant's wages by the District have been paid to the Plan Administrator. Employee contributions withheld and remitted to the plan were \$3,924, for the year ended October 31, 2017.

In addition, the District offers another Internal Revenue Service Code Section 457 (Deferred Compensation) plan with Nationwide Retirement Solutions. Under this plan, employees may elect to defer a portion of salary and delay paying tax on this amount until withdrawal. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, or death.

All contributions withheld from employee/participant's wages by the District have been paid to the Plan Administrator. Employee contributions withheld and remitted to the plan were \$41,314 for the year ended October 31, 2017.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017

NOTE 12. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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, 2017 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2017.pdf.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017

NOTE 12. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Contributions. The contribution requirements of defined benefit plan members and the Elephant Butte Irrigation 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 FY17 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY17 annual audit report at [http://osanm.org/media/audits/366 Public_Employees_Retirement_Association_2017.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2017.pdf). The PERA coverage option that applies to Elephant Butte Irrigation District is Municipal General. Statutorily required contributions to the pension plan from the Elephant Butte Irrigation District was \$316,991 for the year ended October 31, 2017 of which \$102,667 was contributed after the measurement date of June 30, 2017.

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, 2016. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017.

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 Elephant Butte Irrigation 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, 2017. Only employer contributions for the pay period end dates that fell within the period of July 1, 2016 to June 30, 2017 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2017 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.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017

NOTE 12. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

For PERA Fund Division Municipal General, at October 31, 2017, the Elephant Butte Irrigation District reported a liability of \$5,055,258 for its proportionate share of the net pension liability. At October 31, 2017, the Elephant Butte Irrigation District's proportion was .3679 percent, which was changed from its proportion measured as of October 31, 2016, of .3159 percent.

For the year ended October 31, 2017, the Elephant Butte Irrigation District recognized PERA Fund Division Municipal General pension expense of \$762,033. At October 31, 2017, the Elephant Butte Irrigation 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	\$198,638	\$258,916
Changes of assumptions	233,122	52,239
Net difference between projected and actual earnings on pension plan investments	414,753	0
Changes in proportion and differences between Elephant Butte Irrigation District contributions and proportionate share of contributions	393,804	0
Elephant Butte Irrigation District contributions subsequent to the measurement date	102,667	0
Total	\$1,342,984	\$311,155

\$102,667 reported as deferred outflows of resources related to pensions resulting from Elephant Butte Irrigation District contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended October 31, 2018. 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 October 31:	
2018	\$294,433
2019	593,245
2020	162,695
2021	(121,211)
2022	0
	\$929,162

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017

NOTE 12. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

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, 2016 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, 2017 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, 2017. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2016 actuarial valuation.

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4-year smoothed market value
Actuarial Assumptions:	
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll Growth	2.75% for the first 9 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 9 years, 2.75 all other years
Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience Study Dates	July 1, 2008 to June 2013 (demographic) and July 1, 2010 through June 30, 2016 (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:

ALL FUNDS – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Client Oriented Fixed Income	15.00%	5.77%
Real Assets to include Real Estate Equity	20.00%	7.35%
Total	100.0%	

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017

NOTE 12. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Discount rate: The discount rate used to measure the total pension liability was 7.51 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan’s fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.51% 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 Elephant Butte Irrigation 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 Elephant Butte Irrigation District’s net pension liability in each PERA Fund Division that Elephant Butte Irrigation District participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.51%) or one percentage point higher (8.51%) than the single discount rate.

PERA Fund Division Municipal General	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
Elephant Butte Irrigation District’s proportionate share of the net pension liability	\$7,923,258	\$5,055,258	\$2,670,116

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued FY17 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan. The District is legally required to make defined contributions to the cost sharing pension plan on behalf of its’ participant employees. At October 31, 2017, the District had paid all required contributions and therefore, there is no payable to the pension plan.

NOTE 13. RETIREE HEALTH CARE ACT

The District has not elected to participate in New Mexico Public Employee Health Care Act plan.

NOTE 14. CONCENTRATIONS

Approximately 93.5% of the District’s operating revenues are derived from special assessments and services to landowners. Reduction or interruption of these revenue sources is not expected, however, if reduction or interruption occurred, it would have a material impact on the operations of the District.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017

NOTE 15. RISK MANAGEMENT

The District maintains insurance coverage for all anticipated risks excluding flood and earthquake. A summary of the more significant policies and provisions are as follows:

<u>Policy Type</u>	<u>Liability Limits</u>		<u>Deductible</u>
	<u>Aggregate</u>	<u>Per Occurrence</u>	
Commercial Liability	\$4,000,000	Varies per type	\$0
Auto Liability	Varies per type	Varies per type	\$0
Public Officials errors & omissions	\$2,000,000	\$1,000,000	\$5,000
Foreign Jurisdiction	\$1,000,000	\$1,000,000	\$0
Emergency Medical Malpractice	N/A	N/A	\$0
Property	\$11,096,641	\$2,000,000	\$2,500 - \$100,000
Inland Marine	\$3,279,154	\$3,279,154	\$2,500
Electronic Data Processing Equipment (EDP)	\$554,297	\$554,297	\$2,500
Boiler & Machinery	Varies per type	Varies per type	\$2,500
Crime			\$10,000
-Employee Dishonesty	\$500,000	\$500,000	
-Depository Forgery	\$50,000	\$50,000	
-Theft of money	\$50,000	\$50,000	
Director and Officer E & O	\$1,000,000	\$1,000,000	\$10,000
Business Auto	\$2,000,000	\$100,000	\$2,500
Workers Compensation	\$500,000	\$500,000	\$0

Total premiums expensed for the year were \$401,848.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2017

NOTE 16. CONTINGENT LIABILITIES

The District participates in a number of programs that are fully or partially funded by grants received from other governmental agencies. Expenditures financed by grants are subject to audit by the appropriate grantor agency(s). If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor agency. As of October 31, 2017, significant amounts of grant expenditures have not been audited by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be discovered in subsequent grantor audits may be disallowed by the grantor. Amounts of disallowed grant expenditures, if any, cannot be determined at this time. The District expects such amounts, if any, will not have a material effect on any of the individual funds or the overall financial position of the District.

The District is the plaintiff and defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's management and legal counsel that the resolution of these matters will not have a material adverse effect on the financial condition of the District.

NOTE 17. SUBSEQUENT EVENTS

Subsequent events were evaluated through March 13, 2018, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE ELEPHANT BUTTE
IRRIGATION DISTRICT'S SHARE OF THE NET
PENSION LIABILITY OF PERA FUND DIVISION
MUNICIPAL GENERAL**

Public Employees Retirement Association (PERA) Plan

Last 10 Fiscal Years*

	As of Measurement Date		
	June 30, 2017 2017	June 30, 2016 2016	June 30, 2015 2015
Elephant Butte Irrigation District's proportion of the net pension liability (asset)	\$5,055,258	\$5,313,829	\$3,220,874
Elephant Butte Irrigation District's proportionate share of the net	0.3679%	0.3326%	0.3159%
Elephant Butte Irrigation District's covered-employee payroll	\$3,230,907	\$2,848,315	\$2,613,331
Elephant Butte Irrigation District's proportionate share of the net percentage of its covered-employee payroll	156.5%	186.6%	81.1%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%	81.5%

*The amounts presented were determined as of October 31. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Elephant Butte Irrigation District will present information for those years for which information is available.

**SCHEDULE OF ELEPHANT BUTTE
IRRIGATION DISTRICT'S CONTRIBUTIONS**
Public Employees Retirement Association (PERA) Plan
PERA FUND DIVISION - MUNICIPAL GENERAL
Last 10 Fiscal Years*

	2017	2016	2015
Contractually required contribution	\$316,991	\$280,600	\$255,117
Contributions in relation to the contractually required contribution	\$316,991	\$280,600	\$255,117
Contribution deficiency (excess)	\$0	\$0	\$0
Elephant Butte Irrigation District's covered-employee payroll	\$3,319,279	\$2,938,220	\$2,671,377
Contributions as a percentage of covered-employee payroll	9.55%	9.55%	9.55%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Elephant Butte Irrigation District will present information for those years for which information is available.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

Public Employee Retirement Association Plan (PERA)

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY17 audit available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2017.pdf.

Changes of assumptions.

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2016%20PERA%20Valuation%20Report_FINAL.pdf. The summary of Key Findings for the PERA Fund (on page 2 of the report) summary information for each division.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
SCHEDULE OF DEPOSITS AND TEMPORARY INVESTMENTS
BY DEPOSITORY FOR PUBLIC FUNDS
OCTOBER 31, 2017

Name of Depository		Type of Account	Bank Balance October 31, 2017	Reconciling Items	Reconciled Balance October 31, 2017
Depository Accounts:					
<u>Bank of The West</u>					
Operating	Non interest bearing	Checking	\$442,363	(\$101,467)	\$340,896
Operating	Non interest bearing	Checking	1,743	0	1,743
Operating	Non interest bearing	Checking	10,000	0	10,000
Total			\$454,106	(\$101,467)	352,639
Cash on Hand:					
Petty and till cash					1,500
Temporary Investments:					
<u>NM State Treasurer</u>					
Investment Pool					3,130,654
					\$3,484,793
Total Cash and Temporary Investments as of October 31, 2016:					
Cash and temporary investments - Governmental activities					\$523,721
Cash and temporary investments - Business-type activities					2,961,072
					\$3,484,793

The Notes to Financial Statements are an integral part of these statements.

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT**

SCHEDULE OF COLLATERAL PLEDGED
BY DEPOSITORY FOR PUBLIC FUNDS
OCTOBER 31, 2017

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Type</u>	<u>Cusip</u>	<u>Maturity Date</u>	<u>Name and Location of Safekeeper</u>	<u>Fair Market Value October 31, 2017</u>
Bank of the West	FHLMC GOLD 30YR	Note	3132HM3Y5	10/1/2042	Wells Fargo Brokerage Services Minneapolis, MN	\$119,868
Bank of the West	FNMA CONV 30YR SF	Note	3138MAKS6	9/1/2042	Wells Fargo Brokerage Services Minneapolis, MN	315,698
Bank of the West	FH 3977C AC SEQ FIX	Note	3137AJYW8	9/1/2042	Wells Fargo Brokerage Services Minneapolis, MN	55,882
Bank of the West	GNMA 2 Arm Multiple	Note	36179NRK6	10/20/2043	Wells Fargo Brokerage Services Minneapolis, MN	376,493
						\$867,941

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
SCHEDULE OF SPECIAL ASSESSMENT RECEIVABLES
FOR PUBLIC FUNDS
OCTOBER 31, 2017

Assessment Year	Business-type Activities	Governmental Activities
2016	\$171,978	\$1,158
2015	78,350	701
2014	26,452	453
2013	21,588	359
2012	20,932	338
2011	17,376	305
2010	14,316	241
2009	11,127	169
2008	8,040	145
2007	6,834	140
2006 and prior	24,325	1,109
	401,318	5,118
Interest	75,447	2,978
Total Assessments (including interest)	476,765	8,096
Less allowance for doubtful accounts	(279,318)	(4,461)
	\$197,447	\$3,635

The Notes to Financial Statements are an integral part of these statements.

**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***

Independent Auditor's Report

Mr. Wayne Johnson, State Auditor and
The Board of Directors
Elephant Butte Irrigation District
Las Cruces, 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of Elephant Butte Irrigation District as of and for the year ended October 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the individual funds and related budgetary comparisons of the District, presented as supplemental information, and have issued our report thereon dated March 13, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered Elephant Butte Irrigation 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.

Mr. Wayne Johnson, State Auditor and
The Board of Directors
Elephant Butte Irrigation District
Las Cruces, New Mexico
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Elephant Butte Irrigation 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 our 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.

Kriegel/Gray/Shaw & Co., P.C.

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico

March 13, 2018

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR FINDINGS:

None.

CURRENT STATUS ON PRIOR YEAR FINDINGS:

2016-001 Fixed Assets - State Requirements Not Being Met – Non Compliance

Resolved and not repeated.

2015-001 IT System Policies and Procedures – Significant Deficiency

Resolved and not repeated.

2015-002 Internal Controls - Disbursement – Significant Deficiency

Resolved and not repeated.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
EXIT CONFERENCE
OCTOBER 31, 2017

EXIT CONFERENCE:

The exit conference was held March 20, 2018 and was attended by the following:

Representing Elephant Butte Irrigation District:

Robert Faubion, President
Gary Esslinger, Treasurer/Manager
Gail Norvell, Finance Director

Representing Kriegel/Gray/Shaw & Co., P.C.:

Debbie Gray, CPA/Shareholder

FINANCIAL STATEMENT PREPARATION

The financial statements of Elephant Butte Irrigation District were prepared from original books and records provided by and with assistance from the management of the District and Kriegel/Gray/Shaw & Co., P.C. as of and for the year ended October 31, 2017.