

State of New Mexico
Elephant Butte
Irrigation District

*Basic Financial Statements and
Required Supplementary Information
For the Year Ended October 31, 2019
and Independent Auditor's Report*

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

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OCTOBER 31, 2019**

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

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

**OFFICIAL ROSTER
OCTOBER 31, 2019**

BOARD OF DIRECTORS

Robert Faubion	President
Michael McNamee	Vice President
Joe Paul Lack	Director
Jerry Franzoy	Director
Robert Sloan	Director
Steve Lyles	Director
James Salopek	Director
Sam Salopek	Director
Greg Daviet	Secretary

DISTRICT OFFICIALS

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

WATTS CPA, P.C.

INDEPENDENT AUDITOR'S REPORT

Brian S. Colón, New Mexico State Auditor
Members of the Board of Directors
Elephant Butte Irrigation District
Las Cruces, New Mexico

Report on Financial Statements

I have audited the accompanying financial statements of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of Elephant Butte Irrigation District (the "District"), as of and for the year ended October 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Elephant Butte Irrigation District, as of October 31, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension schedule on pages 5-11 and 46 to 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Elephant Butte Irrigation District's financial statements, the combining and individual fund financial statements and budgetary comparisons. The other schedules required by Section 2.2.2 NMAC and listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated March 5, 2020 on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Watts CPA, P.C.

El Paso, Texas
March 5, 2020

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2019**

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, 2019. 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 \$49,839,912 (net position). Of this amount, \$(5,332,511) is unrestricted deficit net position and is not available to be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$1,403,774. The governmental activities increased by \$13,248 or 2.5%; and the business-type activities decreased by \$1,417,022 or 2.80%.
- As of the close of the current fiscal year, Elephant Butte Irrigation District's governmental fund reported ending net position of \$548,322, a increase of \$13,248 or 2.5% 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).

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2019**

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 13 and 14 of this report.

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.

Elephant Butte Irrigation District adopts an annual appropriated budget for all funds.

The basic governmental fund financial statements can be found on pages 15 and 16 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2019**

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 17 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 42 of this report.

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 \$49,839,912 at the close of the most recent fiscal year.

By far the largest portion of Elephant Butte Irrigation District's net position 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	
	2019	2018	2019	2018	2019	2018
Assets and Deferred Outflow of Resources:						
Current assets and other assets	\$ 548,322	\$ 535,074	\$ 2,591,809	\$ 3,705,610	\$ 3,140,131	\$ 4,240,684
Capital assets, net	-	-	54,657,581	53,581,536	54,657,581	53,581,536
Total assets	\$ 548,322	\$ 535,074	\$ 57,249,390	\$ 57,287,146	\$ 57,797,712	\$ 57,822,220
Deferred outflow of resources	\$ -	\$ -	\$ 1,201,822	\$ 1,988,096	\$ 1,201,822	\$ 1,988,096
Total assets and deferred outflow of resources	\$ 548,322	\$ 535,074	\$ 58,451,212	\$ 59,275,242	\$ 58,999,534	\$ 59,810,316
Liabilities:						
Current liabilities	\$ -	\$ -	\$ 455,584	\$ 404,185	\$ 455,584	\$ 404,185
Other liabilities - LT	-	-	6,996,804	6,725,569	6,996,804	6,725,569
Total liabilities	-	-	7,452,388	7,129,754	7,452,388	7,129,754
Deferred inflows of resources	-	-	1,707,234	1,436,876	1,707,234	1,436,876
Net Position:						
Net investment in capital assets	-	-	54,624,101	53,539,665	54,624,101	53,539,665
Restricted for improvements	548,322	535,074	-	-	548,322	535,074
Unrestricted	-	-	(5,332,511)	(2,831,053)	(5,332,511)	(2,831,053)
Total net position	548,322	535,074	49,291,590	50,708,612	49,839,912	51,243,686
Total liabilities, deferred inflows of resources, and net position	\$ 548,322	\$ 535,074	\$ 58,451,212	\$ 59,275,242	\$ 58,999,534	\$ 59,810,316

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2019**

The remaining balance of unrestricted net position \$(5,332,511) 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.

There was an increase of \$1,076,045 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 \$1,403,774 during the current fiscal year. This decrease represents an increase in water operations and maintenance expenses.

Governmental activities. Governmental activities increased Elephant Butte Irrigation District net position by \$13,248. 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 Statements of Activities						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for services	\$ 20,879	\$ 20,870	\$ 8,594,320	\$ 8,638,354	\$ 8,615,199	\$ 8,659,224
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	-	-	-	146,747	-	146,747
General Revenues:						
Unrestricted interest earnings	9,861	7,975	142,663	114,127	152,524	122,102
Other income	-	-	-	-	-	-
Gain (loss) on disposal of capital assets	-	-	85,773	(6,337)	85,773	(6,337)
Total revenue	30,740	28,845	8,822,756	8,892,891	8,853,496	8,921,736
Expenses:						
Local improvements district operations	17,492	21,127	-	-	17,492	21,127
Water system operations and maintenance	-	-	10,239,778	9,335,816	10,239,778	9,335,816
Total expenses	17,492	21,127	10,239,778	9,335,816	10,257,270	9,356,943
Net increase (decrease) in net position	\$ 13,248	\$ 7,718	\$ (1,417,022)	\$ (442,925)	\$ (1,403,774)	\$ (435,207)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2019**

Business-type activities. Enterprise activities decreased Elephant Butte Irrigation District net position by \$1,417,022.

- Capital grants decreased \$146,747 or 100.00% to \$-.
- Total revenues decreased \$70,135 or 0.8% during the year. This change is predominantly the product of a decrease in assessments.
- A increase in the District's operating and maintenance expenses were \$903,962 or 9.68%. This increase resulted predominantly from increases in salaries and pension expenses.

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, 2019, amounts to \$54,657,581 (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 2%.

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

- Water distribution system improvements were completed (or remain in process) totaling \$2,266,385, consisting of canals, laterals, drains and waste ways.
- Building parking lot improvements at Las Cruces main location of \$268,762.
- Purchases of equipment and vehicles of \$848,012.
- The District also disposed of \$452,751 of vehicles and equipment.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2019**

	Business-Type Activities October 31, 2019
Capital Assets:	
Land	\$ 38,216,869
Building and system	2,219,143
Equipment and vehicles	7,542,955
Furniture and fixtures	252,112
Irrigation distribution system	29,072,793
Construction in process	356,211
Irrigation management software	<u>357,650</u>
	78,017,733
Accumulated depreciation	<u>23,360,152</u>
	<u>\$ 54,657,581</u>

Long-term debt. At the end of the current fiscal year, the Elephant Butte Irrigation District had total outstanding debt of \$33,480 (excluding compensated absences).

Elephant Butte Irrigation District's total debt decreased \$8,391, about 20% 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 \$8,391.

Economic Factors

- Reservoir Capacity and actual storage, in acre feet:

	Capacity	October 31, 2019	October 31, 2018
Elephant Butte	2,010,900	433,557	72,461
Caballo	<u>350,000</u>	<u>29,404</u>	<u>25,777</u>
	2,360,900	462,961	98,238

- Elephant Butte Irrigation District's boundaries include 90,640 total irrigable acres. Crop irrigation acres as of October 31, 2019 and 2018 are as follows:

	October 31, 2019	October 31, 2018
Acres Irrigated	<u>75,237</u>	<u>75,237</u>
Acres Fallowed	<u>15,403</u>	<u>15,403</u>
Total Acres	90,640	90,640

- Elephant Butte Irrigation District's annual assessments increased for the 2019 budget year. The rates are \$90 per water righted acre compared to \$85 in 2018.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2019**

During the current fiscal year, unrestricted net position in the Water Distribution Operations fund decreased to \$5,332,511. Elephant Butte Irrigation District's is not carrying forward any unrestricted net position for the 2019 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.

BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF NET POSITION
OCTOBER 31, 2019**

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets			
Cash and temporary investments	\$ 544,316	\$ 1,827,627	\$ 2,371,943
Receivables, net	4,006	417,335	421,341
Inventories	-	171,553	171,553
Prepays	-	175,294	175,294
Total current assets	<u>548,322</u>	<u>2,591,809</u>	<u>3,140,131</u>
Capital assets, net of accumulated depreciation	<u>-</u>	<u>54,657,581</u>	<u>54,657,581</u>
Total assets	<u>548,322</u>	<u>57,249,390</u>	<u>57,797,712</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension plan	<u>-</u>	<u>1,201,822</u>	<u>1,201,822</u>
Total assets and deferred outflows of resources	<u>\$ 548,322</u>	<u>\$ 58,451,212</u>	<u>\$ 58,999,534</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable and other current liabilities	\$ -	\$ 283,792	\$ 283,792
Current portion of long-term obligations	-	8,407	8,407
Current portion of compensated absences	-	163,385	163,385
Total current liabilities	<u>-</u>	<u>455,584</u>	<u>455,584</u>
Noncurrent liabilities:			
Long-term obligations, net of current portion	-	25,073	25,073
Compensated absences, net of current portion	-	197,938	197,938
Net pension liability	-	6,773,793	6,773,793
Total noncurrent liabilities	<u>-</u>	<u>6,996,804</u>	<u>6,996,804</u>
Total liabilities	<u>-</u>	<u>7,452,388</u>	<u>7,452,388</u>
DEFERRED INFLOWS OF RESOURCES			
Related to permits - land use	-	1,451,158	1,451,158
Related to pension	-	256,076	256,076
Total deferred inflows of resources	<u>-</u>	<u>1,707,234</u>	<u>1,707,234</u>
NET POSITION:			
Net investment in capital assets	-	54,624,101	54,624,101
Restricted for improvements	548,322	-	548,322
Unrestricted	-	(5,332,511)	(5,332,511)
Total net position	<u>548,322</u>	<u>49,291,590</u>	<u>49,839,912</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 548,322</u>	<u>\$ 58,451,212</u>	<u>\$ 58,999,534</u>

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

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

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2019**

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for services	Operating	Capital	Primary Government		Total
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	
Irrigation District							
Governmental Activities:							
Operating and maintenance	\$ 17,492	\$ 20,879	\$ -	\$ -	\$ 3,387	\$ -	\$ 3,387
Total governmental activities	17,492	20,879	-	-	3,387	-	3,387
Business-type Activities:							
Water distribution operations	10,239,778	8,594,320	-	-	-	(1,645,458)	(1,645,458)
Total business-type activities	10,239,778	8,594,320	-	-	-	(1,645,458)	(1,645,458)
Total irrigation district	\$10,257,270	\$8,615,199	\$ -	\$ -	\$ 3,387	\$ (1,645,458)	\$ (1,642,071)

General Revenues

Unrestricted Interest income	\$ 9,861	\$ 142,663	\$ 152,524
Gain on sale of capital assets	-	85,773	85,773
Total general revenues	9,861	228,436	238,297
Change in net position	13,248	(1,417,022)	(1,403,774)
Net position, beginning of year	535,074	50,708,612	51,243,686
Net position, end of year	\$ 548,322	\$ 49,291,590	\$ 49,839,912

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

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

**NONMAJOR GOVERNMENTAL FUND
BALANCE SHEET
OCTOBER 31, 2019**

	Local Improvement District
ASSETS:	
Current Assets	
Cash and temporary investments	\$ 544,316
Receivables:	
Assessments, net of allowance of (\$6,201)	<u>4,006</u>
Total assets	<u>\$ 548,322</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Current Liabilities:	
Accounts payable	<u>\$ -</u>
Total liabilities	<u>-</u>
FUND BALANCE:	
Restricted for improvements	<u>548,322</u>
Total fund balance	<u>548,322</u>
Total liabilities and fund balance	<u>\$ 548,322</u>

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

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

**NONMAJOR GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED OCTOBER 31, 2019**

	Local Improvement District
Revenues:	
Charges for services	\$ 20,879
Interest	<u>9,861</u>
Total revenues	<u>30,740</u>
Expenditures:	
Current:	
Operations and maintenance	<u>17,492</u>
Total expenditures	<u>17,492</u>
Change in fund balance	<u>13,248</u>
Fund balance - beginning of year	<u>535,074</u>
Fund balance - end of year	<u>\$ 548,322</u>

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

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

**PROPRIETARY FUND
STATEMENT OF NET POSITION
OCTOBER 31, 2019**

	Business-type Activities <u>Enterprise Fund</u> Water Distribution <u>Operations</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets:	
Cash and temporary investments	\$ 1,827,627
Receivables from customers (net of allowance of \$333,697)	
Accounts/Assessments	298,136
Other	119,199
Inventories	171,553
Prepaid expenses	<u>175,294</u>
Total current assets	<u>2,591,809</u>
Noncurrent Assets:	
Capital Assets:	
Land	38,216,869
Building and improvements	2,219,143
Equipment and vehicles	7,517,438
Furniture and fixtures	252,112
Irrigation distribution system	29,072,793
Irrigation management software	357,650
Construction in progress	<u>356,211</u>
	77,992,216
Less: accumulated depreciation	<u>(23,334,635)</u>
Total capital assets	<u>54,657,581</u>
Total noncurrent assets	<u>54,657,581</u>
Total assets	<u>57,249,390</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension plan	<u>1,201,822</u>
Total assets and deferred outflows of resources	<u>\$ 58,451,212</u>

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

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

**PROPRIETARY FUND
STATEMENT OF NET POSITION (CONTINUED)
OCTOBER 31, 2019**

	Business-type Activities <u>Enterprise Fund</u> Water Distribution <u>Operations</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND NET POSITION	
Current Liabilities:	
Current portion of long-term obligations	\$ 8,407
Accounts payable	177,040
Accrued expenses	106,752
Current portion of compensated absences	<u>163,385</u>
Total current liabilities	<u>455,584</u>
Noncurrent liabilities:	
Long-term obligations - net of current portion	25,073
Compensated absences - net of current portion	197,938
Net pension liability	<u>6,773,793</u>
Total noncurrent liabilities	<u>6,996,804</u>
Total liabilities	<u>7,452,388</u>
DEFERRED INFLOWS OF RESOURCES	
Related to permits - land use	1,451,158
Related to pension	<u>256,076</u>
Total deferred inflows of resources	<u>1,707,234</u>
NET POSITION:	
Net investment in capital assets	54,624,101
Unrestricted	<u>(5,332,511)</u>
Total fund net position	<u>49,291,590</u>
Total liabilities, deferred inflows of resources and fund net position	<u>\$ 58,451,212</u>

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

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

**PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED OCTOBER 31, 2019**

	Business-type Activities <u>Enterprise Fund</u> Water Distribution <u>Operations</u>
Operating Revenues:	
Charges for services	\$ 8,179,880
Operating agreements and other	414,440
	<hr/>
Total operating revenues	8,594,320
	<hr/>
Operating Expenses:	
Personnel services	3,977,169
Employee benefits	2,539,522
Contractual services	768,800
Operations and maintenance	1,028,610
Administration and other operating	1,013,258
Depreciation	912,314
	<hr/>
Total operating expenses	10,239,673
	<hr/>
Operating loss	(1,645,353)
	<hr/>
Non-Operating Revenues (Expenses):	
Interest income	142,663
Gain (loss) on sale of assets	85,773
Interest expense	(105)
	<hr/>
Total non-operating income	228,331
	<hr/>
Change in fund net position	(1,417,022)
	<hr/>
Fund net position - beginning of year	50,708,612
	<hr/>
Fund net position - end of year	\$ 49,291,590
	<hr/> <hr/>

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

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

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED OCTOBER 31, 2019**

	Business-type Activities <u>Enterprise Fund</u> Water Distribution <u>Operations</u>
Cash Flows From Operating Activities:	
Cash received from customers	\$ 8,643,764
Cash payments to employees for services	(5,413,506)
Cash payments to vendors for goods and services	<u>(2,735,284)</u>
Net cash provided by operating activities	<u>494,974</u>
Cash Flows From Capital and Related Financing Activities:	
Purchase of capital assets	(1,998,438)
Proceeds from sale of capital assets	95,852
Payments on notes payable	(8,391)
Payments for interest on notes payable	(105)
Proceeds from capital grants	<u>222,471</u>
Net cash used in capital and related financing activities	<u>(1,688,611)</u>
Cash Flows From Investing Activities	
Interest received	<u>142,663</u>
Net cash provided by investing activities	<u>142,663</u>
Net decrease in cash and temporary investments	(1,050,974)
Cash and temporary investments, beginning of year	<u>2,878,601</u>
Cash and temporary investments, end of year	<u>\$ 1,827,627</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$ (1,645,353)
Adjustment to reconcile operating loss to net cash provided by operating activities:	
Depreciation	912,314
Change in:	
Accounts receivable	(4,579)
Inventory	64,023
Deferred revenue	786,274
Prepaid expenses	3,383
Accounts payable and accrued liabilities	62,262
Net pension contributions and liability	<u>316,650</u>
Total adjustments	<u>2,140,327</u>
Net cash provided by operating activities	<u>\$ 494,974</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED OCTOBER 31, 2019**

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. 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, one major individual enterprise fund and one nonmajor individual governmental fund which are reported as separate columns in the fund financial statements.

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 fund:

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.

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 Government 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.

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.

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 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

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, 2019.

There are no interfund transfers in/out between funds at October 31, 2019.

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.

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.

<u>Service Years</u>	<u>Vacation Hours Earned</u>
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.

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position reports deferred outflows of resources. This represents consumption of net position that applies to a future period, and will not be recognized as an outflow or resource (expenditure) until then. The District has deferred outflows related to the PERA pension as discussed in Note 15.

In addition to liabilities, the statement of net position reports deferred inflows of resources. This represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. The District has two types of deferred inflows; advances under utilities land use fees for access and use of the District's land which amounted to \$1,451,158 as of October 31, 2019, and deferred inflows related to the PERA pension as discussed in Note 15.

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.

New Accounting Pronouncements

During the year ended October 31, 2019, the District implemented the following new accounting pronouncements which did not have a material effect on the District's financial statements:

- GASB Statement No. 83, Certain Asset Retirement Obligations
- GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

The following pronouncements have been issued, but are not yet effective for the year ended October 31, 2019.

- GASB Statement No. 84, Fiduciary Activities
- GASB Statement No. 87, Leases
- GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- GASB Statement No. 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61)
- GASB Statement No. 91, Conduit Debt Obligations

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

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.

3. DEPOSITS AND TEMPORARY INVESTMENTS

Cash and temporary investments as of October 31, 2019, are classified as and comprised of in the accompanying financial statements as follows:

Cash and cash equivalents - unrestricted	<u>\$ 2,371,943</u>
Cash on hand	\$ 1,500
Deposits held with financial institutions	298,933
Deposits held with NM State Treasurer	<u>2,071,510</u>
	<u>\$ 2,371,943</u>

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 Deposits and Investments 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, 2019, of the District's bank balance of \$366,674, \$116,674 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, 2019, the carrying amount or book balance of these deposits was \$298,933.

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

Total deposits in bank	\$ 366,674
Less FDIC coverage	<u>(250,000)</u>
Uninsured public funds	116,674
Pledged Collateral held by the pledging bank's trust department or agent in the District's name	<u>584,726</u>
Uninsured and uncollateralized	<u>\$ -</u>

As of October 31, 2019, the District's bank balances were exposed to custodial credit risk. The amount above identified as uninsured \$116,674 is subject to custodial credit risk. This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk.

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

Account	Account Type	Bank of the West
Operating	Checking	\$ 366,525
Operating	Checking	<u>149</u>
Total amounts of deposits		366,674
FDIC Coverage		<u>250,000</u>
Total uninsured public funds		116,674
Pledged collateral held by the pledging bank's trust department or agent in the District's name		<u>584,726</u>
Uninsured and uncollateralized		<u>\$ -</u>
50% pledged collateral requirement		\$ 58,337
Total pledged collateral		<u>584,726</u>
Pledged collateral exceeding the requirements		<u>\$ 526,389</u>

A description of the pledged collateral as of October 31, 2019 is as follows:

Description	CUSIP#	Maturity	Market Value
Bank of the West:			
FH 3977C AC SEQ FIX	3137AJYW8	9/15/2029	\$ 13,159
FNMA CONV 30 YR SF	3138MAKS6	09/01/2042	260,427
FHLMC GOLD 30 YR	3132HM3Y5	10/01/2042	97,331
G2SF MA2753 3.000 04/2045	36179RBW8	04/20/2045	45,266
GNMA2 ARM MULTIPLE	36179NRK6	10/20/2043	<u>168,543</u>
Total Bank of the West			<u>\$ 584,726</u>

The various bank account reconciliations as of October 31, 2019 are as follows:

Account	Account Type	Balance per Bank	Deposits in Transit	Outstanding Checks	Balance per Books
Operating	Checking	\$ 366,525	\$ -	\$ 67,741	\$ 298,784
Operating	Checking	<u>149</u>	<u>-</u>	<u>-</u>	<u>149</u>
Total amounts of deposits		<u>\$ 366,674</u>	<u>\$ -</u>	<u>\$ 67,741</u>	298,933
Temporary investments:					
NM State Treasurer Investment Pool					2,071,510
Petty Cash					<u>1,500</u>
Total cash					<u>\$ 2,371,943</u>
Total as Reported in the Financial Statements:					
Statement of Net Position:					
Cash and temporary investments - Governmental activities					\$ 544,316
Cash and temporary investments - Business-type activities					<u>1,827,627</u>
Total cash per financial statements					<u>\$ 2,371,943</u>

Investment Type	Cost Basis	Market Value	Credit Risk-Rating	Weighted Average Maturity Days (R)
State investment pool ** - LGIP	\$ 2,071,510	\$ 2,071,510	AAAm	49
Less investments reported as cash equivalents	<u>2,071,510</u>	<u>2,071,510</u>		
	<u>\$ -</u>	<u>\$ -</u>		

** 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.

4. RECEIVABLES

Receivables as of October 31, 2019, 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	Total
Receivables:			
Accounts/Assessment (including interest)	\$ 631,833	\$ 10,207	\$ 642,040
Other	<u>119,199</u>	<u>-</u>	<u>119,199</u>
Gross receivables	751,032	10,207	761,239
Less allowance for uncollectible accounts	<u>(333,697)</u>	<u>(6,201)</u>	<u>(339,898)</u>
Net receivables	<u>\$ 417,335</u>	<u>\$ 4,006</u>	<u>\$ 421,341</u>

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, 2019.

5. CAPITAL ASSETS

Capital assets consist of the following as of October 31, 2019:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type capital assets, not being depreciated				
Land	\$ 38,226,947	\$ -	\$ (10,078)	\$ 38,216,869
Construction in progress	876,701	864,232	(1,384,722)	356,211
Total capital assets, not being depreciated	<u>39,103,648</u>	<u>864,232</u>	<u>(1,394,800)</u>	<u>38,573,080</u>
Business-type capital assets, being depreciated				
Buildings and system	1,950,381	268,762	-	2,219,143
Equipment and vehicles	7,147,694	848,012	(452,751)	7,542,955
Furniture and fixtures	320,521	-	(68,409)	252,112
Irrigation distributions system	27,670,640	1,402,153	-	29,072,793
Irrigation management software	357,650	-	-	357,650
Total business-type capital assets, being depreciated	<u>37,446,886</u>	<u>2,518,927</u>	<u>(521,160)</u>	<u>39,444,653</u>
Less accumulated depreciation for:				
Buildings and system	754,672	70,844	-	825,516
Equipment and vehicles	6,111,972	346,881	(452,751)	6,006,102
Furniture and fixtures	229,355	33,292	(68,409)	194,238
Irrigation distributions system	15,695,936	425,532	-	16,121,468
Irrigation management software	177,063	35,765	-	212,828
Total accumulated depreciation	<u>22,968,998</u>	<u>912,314</u>	<u>(521,160)</u>	<u>23,360,152</u>
Total capital assets being depreciated, net	<u>14,477,888</u>	<u>1,606,613</u>	<u>-</u>	<u>16,084,501</u>
Business-type capital assets, net	<u>\$ 53,581,536</u>	<u>\$ 2,470,845</u>	<u>\$ (1,394,800)</u>	<u>\$ 54,657,581</u>

Depreciation expense of \$912,314 was charged in the District's water distribution operations fund for the fiscal year ended October 31, 2019.

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and other current liabilities as of October 31, 2019 for the District's funds are as follows:

	Water Distribution Operations	Nonmajor Governmental Funds	Total
Accounts payable	\$ 177,040	\$ -	\$ 177,040
Accrued expenses	106,752	-	106,752
Total accounts payable and other current liabilities	<u>\$ 283,792</u>	<u>\$ -</u>	<u>\$ 283,792</u>

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, 2019, deferred inflows of resources for permits for land use were \$1,451,158.

8. LONG TERM OBLIGATIONS

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

Note payable New Mexico Finance Authority loan (#WTB-0149) dated August 20, 2010 in the amount of \$37,000, maturing June 1, 2030, payable in monthly installments of \$1,850 was borrowed 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. 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.	\$	20,350
Note payable New Mexico Finance Authority loan (#WTB-0191) dated October 21, 2011 in the amount of \$65,000, maturing June 1, 2021, payable in monthly installments of \$6,541 was borrowed 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. 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.		<u>13,130</u>
Total debt		33,480
Less current portion of long-term obligations		<u>8,407</u>
Total long-term obligations	\$	<u>25,073</u>

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

Years Ending	Interest	Principal
October 31, 2020	\$ 105	\$ 8,407
October 31, 2021	84	8,423
October 31, 2022	63	1,850
October 31, 2023	42	1,850
October 31, 2024	37	1,850
October 31, 2025 - 2029	116	9,250
October 31, 2030	14	1,850
Total	<u>\$ 461</u>	<u>\$ 33,480</u>

Changes in long-term debt activity for the ended October 31, 2019, was as follows:

	Beginning Balance	Additions	Reduction	Ending Balance	Due Within One Year
NM Finance Authority - WTB 0149	\$ 22,200	\$ -	\$ 1,850	\$ 20,350	\$ 1,850
NM Finance Authority - WTB 0191	<u>19,671</u>	<u>-</u>	<u>6,541</u>	<u>13,130</u>	<u>6,557</u>
Total notes payable	<u>\$ 41,871</u>	<u>\$ -</u>	<u>\$ 8,391</u>	<u>\$ 33,480</u>	<u>\$ 8,407</u>

Interest charged to expense for the year ended October 31, 2019 was \$105. Interest expense is charged as a direct expense since it relates only to water distribution operations.

9. COMPENSATED ABSENCES

Following is a schedule of changes in compensated absences for the year ended October 31, 2019

	Beginning Balance	Additions	Reduction	Ending Balance	Due Within One Year
Compensated absences	<u>\$333,467</u>	<u>\$ 70,749</u>	<u>\$ 42,893</u>	<u>\$361,323</u>	<u>\$ 163,385</u>

10. 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.

11. 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	\$ 12,766,986	\$ 2,000,000	\$2,500 - \$100,000
Inland Marine	\$ 3,276,965	\$ 3,276,965	\$ 2,500
Electronic Data Processing Equipment (EDP)	\$ 142,803	\$ 142,803	\$ 2,500
Boiler & Machinery	Varies per type	Varies per type	\$ 2,500
Crime:			\$ 10,000
- Employee Dishonesty	\$ 500,000	\$ 500,000	\$ 10,000
- Depository Forgery	\$ 50,000	\$ 50,000	\$ 10,000
- Theft of Money	\$ 50,000	\$ 50,000	\$ 10,000
Director and Officer E&O	\$ 1,000,000	\$ 1,000,000	\$ 10,000
Business Auto	\$ 2,000,000	\$ 500,000	\$ 2,500
Workers Compensation	\$ 500,000	\$ 50,000	\$ 0

Total premiums expensed for the year were \$465,847.

12. NET POSITION

Net Position represents the difference between assets, deferred outflows, liabilities and deferred inflows. The net position amounts at October 31, 2019 were as follows:

Net Investment in capital assets:	
Net Property and equipment in service	\$ 54,657,581
Less: notes payable	<u>(33,480)</u>
Net Investment in Capital Asset	<u>54,624,101</u>
Total net position	<u>\$ 54,624,101</u>

13. 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, 2019, the District's required and actual contribution amount of \$3,109 was 7% of its current and 7% of its prior year covered payroll.

14. 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 \$4,238, for the year ended October 31, 2019.

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 \$47,132 for the year ended October 31, 2019.

15. PERA PENSION PLAN

General Information about the Pension Plan

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

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

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2019 available at:

<http://s3.amazonaws.com/boardaudio/cafr/NM%20PERA%20CAFR%202019%20Final.pdf>

Contributions. The contribution requirements of defined benefit plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY19 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 39 of the PERA FY19 annual audit report at

<http://s3.amazonaws.com/boardaudio/cafr/NM%20PERA%20CAFR%202019%20Final.pdf>

The PERA coverage options that apply to the District is the Municipal General Division. Statutorily required contributions to the pension plan from the District were \$339,303 for the year ended October 31, 2019, of which \$126,655 was contributed after the measurement date June 30, 2019.

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, 2018. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2019, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2019.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The District's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2019. Only employer contributions for the pay period end dates that fell within the period of July 1, 2018 to June 30, 2019 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2019 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General, at October 31, 2019, the District reported a liability of \$6,773,793 for its proportionate share of the net pension liability. At October 31, 2019, the District's proportion was .3913 percent, which was a decrease from its proportion measured as of October 31, 2018, which was .4080 percent.

For the year ended October 31, 2019, the District recognized PERA Fund Division Municipal General pension expense of 1,455,689. At October 31, 2019, the District reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 203,091	\$ 73,277
Change in assumptions	302,040	16,684
Net difference between projected and actual earnings on pension plan investments	228,258	-
Changes in proportion and differences between District contributions and proportionate share of contributions	341,778	166,115
District contributions subsequent to the measurement date	<u>126,655</u>	<u>-</u>
Total	<u>\$ 1,201,822</u>	<u>\$ 256,076</u>

\$126,655 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date June 30, 2019 will be recognized as a reduction of the net pension liability in the year ended October 31, 2020.

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:	
2020	510,698
2021	214,768
2022	56,071
2023	37,554
Thereafter	-

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2018 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, 2019 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, 2019. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2018 actuarial valuation.

Actual valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based of statutory rates
Actuarial assumptions:	
• Investment rate of return	7.25 % annual rate, net of investment expense
• Projected benefit payment	100 years
• Payroll growth	3.00%
• Projected salary increases	3.25% to 13.50% annual rate
• Included inflation at	2.50% annual rate for first 9 years 2.75% all other years
• Mortality assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
• Experience study dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2013 through June 30, 2017 (economic)

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

The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

All Funds - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	42.33%	7.48%
Risk Reduction & Mitigation	21.37	2.37
Credit Oriented Fixed Income	15.00	5.47
Real Assets	20.00	6.48
Multi-Risk Allocation	1.30	
Total	<u>100.00%</u>	

Discount rate: Previously, a select and ultimate rate of return assumption had been adopted for funding purposes but new economic assumptions were adopted for the June 30, 2019 valuations including the change to a 7.25% static rate. The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB Statement No. 67. Therefore, the 7.25% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following tables show the PERA's the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate (\$thousands):

PERA Fund Division Municipal General	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
The District's proportionate share of the net pension liability	<u>\$ 10,244,953</u>	<u>\$ 6,773,793</u>	<u>\$ 3,901,873</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY19 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, 2019, the District had paid all required contributions and therefore, there is no payable to the pension plan.

16. CONCENTRATIONS

Approximately 93.3% 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.

17. NEW MEXICO RETIRE HEALTHCARE

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

18. 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, 2019, 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.

19. SUBSEQUENT REVIEW

Elephant Butte Irrigation District has evaluated subsequent events through March 5, 2020, which is the date the financial statements were available to be issued.

20. TAX ABATEMENT DISCLOSURES

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

SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF SPECIAL ASSESSMENT RECEIVABLE
FOR PUBLIC FUNDS
FOR THE YEAR ENDED OCTOBER 31, 2019**

Assessment Year	Business-type Activities	Governmental Activities
2018	\$ 243,389	\$ 1,678
2017	121,497	917
2016	36,055	551
2015	21,881	436
2014	18,461	384
2013	16,505	328
2012	15,728	321
2011	13,774	290
2010	11,282	223
2009	8,663	165
2008 and prior	30,325	1,353
	537,560	6,646
Interest	94,273	3,561
Total Assessment (including interest)	631,833	10,207
Less allowance for doubtful accounts	(333,697)	(6,201)
	\$ 298,136	\$ 4,006

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

OCTOBER 31, 2019

	2019	2018	2017	2016
District's proportion of the net pension liability	0.3913%	0.4080%	0.3679%	0.3326%
District's proportionate share of the net pension liability	\$ 6,773,793	\$ 6,505,030	\$ 5,055,258	\$ 5,313,829
District's covered employee payroll	\$ 3,522,649	\$ 3,458,390	\$ 3,230,907	\$ 2,848,315
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	192.3%	188.1%	156.5%	186.6%
Plan fiduciary net position as a percentage of the total pension liability	70.52%	71.13%	73.74%	69.18%
2015				
District's proportion of the net pension liability	0.3159%			
District's proportionate share of the net pension liability	\$ 3,220,874			
District's covered employee payroll	\$ 2,613,331			
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	81.1%			
Plan fiduciary net position as a percentage of the total pension liability	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.

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

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

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

OCTOBER 31, 2019

	2019	2018	2017	2016
Contractually required contributions	\$ 339,303	\$ 319,588	\$ 316,991	\$ 280,600
Contributions in relation to contractually required contribution	<u>339,303</u>	<u>319,588</u>	<u>316,991</u>	<u>280,600</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 3,522,649	\$ 3,458,390	\$ 3,319,279	\$ 2,938,220
Contributions as a percentage of covered employee payroll	9.63%	9.24%	9.55%	9.55%
2015				
Contractually required contributions	\$ 255,117			
Contributions in relation to contractually required contribution	<u>255,117</u>			
Contribution deficiency (excess)	<u>\$ -</u>			
District's covered employee payroll	\$ 2,671,377			
Contributions as a percentage of covered employee payroll	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.

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

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED OCTOBER 31, 2019**

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY19 audit available at <http://www.nmpera.org/financial-overview/comprehensive-annual-financial-report>.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2019 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/PERA-Valuation-6-30-2019-FINAL.pdf>. For details about changes in the actuarial assumptions see the report. For a description of actuarial assumptions, see Appendix B of the report.

OTHER SUPPLEMENTAL INFORMATION

COMPLIANCE SECTION

WATTS CPA, P.C.

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

Brian S. Colón, New Mexico State Auditor and
Members of the Board of Directors
Elephant Butte Irrigation District
Las Cruces, New Mexico

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Elephant Butte Irrigation District as of and for the year ended October 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued my report thereon dated March 5, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Watts CPA, P.C.

El Paso, Texas
March 5, 2020

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

**SCHEDULE OF FINDINGS AND RESPONSES
OCTOBER 31, 2019**

CURRENT YEAR FINDINGS:

None

STATUS OF PRIOR YEAR FINDINGS

None

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

**EXIT CONFERENCE
FOR THE YEAR ENDED OCTOBER 31, 2019**

An exit conference was held on March 5, 2020 with the following individuals in attendance:

Elephant Butte Irrigation District

Michael McNamee

Gary Esslinger

Gail Norvell

President

Treasurer/Manager

Finance Director

Watts CPA, P.C.

Brad Watts

Shareholder

Financial Statement Preparation

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