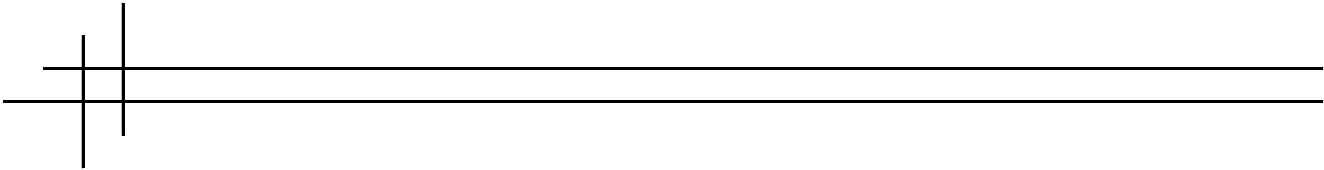




State of New Mexico  
**Carlsbad Irrigation District**  
Carlsbad, New Mexico

**Annual Financial Report**  
October 31, 2018

**De'Aun Willoughby CPA, PC**  
Certified Public Accountant  
Clovis, NM 88101



State of New Mexico  
**Carlsbad Irrigation District**  
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 For the Year Ended October 31, 2018

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State of New Mexico  
**Carlsbad Irrigation District**  
Official Roster  
October 31, 2018

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**Board of Directors**

Gary Walterscheid	President
Coley Burgess	Vice President
Dale Ballard	Secretary/Treasurer
Mary Barnhart	Board Member
Charles Jurva	Board Member
Guadalupe Carrasco	Board Member

**District Personnel**

Dale Ballard	Manager
Shirley Talbot	Administrative Assistant

# De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

## Independent Auditor's Report

Mr. Brian S. Colón  
State Auditor of the State of New Mexico  
Board of Supervisors of the Carlsbad Irrigation District

Mr. Colon and Members of the Board

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparison for the general fund of Carlsbad Irrigation District (District), as of and for the year ended October 31, 2018, 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

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities each major fund of the District as of October 31, 2018, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*De'Aun Willoughby, CPA, PC*

Clovis, New Mexico  
February 13, 2019

State of New Mexico  
**Carlsbad Irrigation District**  
Government-Wide Statement of Net Position  
October 31, 2018

Assets	Governmental
Current Assets	Activities
Cash and Cash Equivalents	\$ 2,794,209
Investments	1,200,000
Accounts Receivable (net of allowance for uncollectibles)	99,498
Other Receivables	4,060
Prepaid Expenses	10,605
Total Current Assets	<u>4,108,372</u>
Noncurrent Assets	
Capital Assets	29,233,394
Less Accumulated Depreciation	<u>(14,673,051)</u>
Total Noncurrent Assets	<u>14,560,343</u>
Total Assets	<u>18,668,715</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Actuarial Experience	39,846
Investment Experience	83,199
Changes of Assumptions	46,764
Changes in Proportion	32,296
Contributions Subsequent to Measurement Date	64,464
Total Deferred Outflows of Resources	<u>266,569</u>
Liabilities	
Current Liabilities	
Accounts Payable	40,277
Accrued Salaries and Benefits	37,780
Compensated Absences	20,089
Total Current Liabilities	<u>98,146</u>
Noncurrent Liabilities	
Pension Liability	1,014,074
Total Noncurrent Liabilities	<u>1,014,074</u>
Total Liabilities	<u>1,112,220</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	
Actuarial Experience	51,938
Changes of Assumptions	10,479
Changes in Proportion	53,727
Total Deferred Inflows of Resources	<u>116,144</u>
Net Position	
Net Investment in Capital Assets	14,560,343
Restricted	1,004,423
Unrestricted	2,142,154
Total Net Position	<u>\$ 17,706,920</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Carlsbad Irrigation District**  
 Government-Wide Statement of Activities  
 For the Year Ended October 31, 2018

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	<u>Governmental Activities</u>
Program Expenses	
Public Works	
Personnel Services	\$ 1,686,651
Operating Costs	628,422
Administrative Costs	130,124
Depreciation	547,828
Total Program Expenses	<u>2,993,025</u>
Program Revenues	
Permits	520,221
State Appropriation	75,000
Federal Operating Grant	354,745
Management Fee	36,611
Equipment Lease	23,400
Total Program Revenues	<u>1,009,977</u>
Net Program (Expense) Revenue	<u>(1,983,048)</u>
General Revenues	
Assessments	2,165,626
Interest Income	24,351
Oil & Gas Royalties & Leases	18,961
Miscellaneous	4,873
Total General Revenues	<u>2,213,811</u>
Change in Net Position	<u>230,763</u>
Net Position at Beginning of Year	8,526,469
Restatement (Note E)	8,949,688
Restated Net Position	<u>17,476,157</u>
Net Position at End of Year	<u>\$ 17,706,920</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Carlsbad Irrigation District**  
 Governmental Funds  
 Balance Sheet  
 October 31, 2018

	General	Special Revenue	
		Brantley Dam	Fort Sumner Dam
<b>Assets</b>			
Cash and Cash Equivalents	\$ 2,563,475	\$ 116,071	\$ 43,578
Investments	400,000	0	800,000
Assessments Receivable	99,498	0	0
Other Receivables	2,933	1,127	0
Prepaid Expenses	10,605	0	0
<b>Total Assets</b>	<b>\$ 3,076,511</b>	<b>\$ 117,198</b>	<b>\$ 843,578</b>
<b>Liabilities</b>			
Accounts Payable	\$ 12,839	\$ 27,438	\$ 0
Accrued Wages and Benefits	37,780	0	0
<b>Total Liabilities</b>	<b>50,619</b>	<b>27,438</b>	<b>0</b>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue	27,515	0	0
<b>Total Deferred Inflows of Resources</b>	<b>27,515</b>	<b>0</b>	<b>0</b>
<b>Fund Balances</b>			
Nonspendable for Prepaid Expenses			
Restricted for:			
Dam Maintenance and Operations	0	89,760	0
Rehabilitation of Radial Gates	0	0	843,578
Well Maintenance and Operations	0	0	0
Water Salvage Program	0	0	0
Unrestricted	2,998,377	0	0
<b>Total Fund Balances</b>	<b>2,998,377</b>	<b>89,760</b>	<b>843,578</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 3,076,511</b>	<b>\$ 117,198</b>	<b>\$ 843,578</b>

The notes to the financial statements are an integral part of this statement.



State of New Mexico  
**Carlsbad Irrigation District**  
Governmental Funds  
Balance Sheet  
October 31, 2018

	Other Governmental Funds	Total
	<u>          </u>	<u>          </u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 71,085	\$ 2,794,209
Investments	0	1,200,000
Assessments Receivable	0	99,498
Other Receivables	0	4,060
Prepaid Expenses	0	10,605
<b>Total Assets</b>	<u>\$ 71,085</u>	<u>\$ 4,108,372</u>
<b>Liabilities</b>		
Accounts Payable	\$ 0	\$ 40,277
Accrued Wages and Benefits	0	37,780
<b>Total Liabilities</b>	<u>0</u>	<u>78,057</u>
<b>Deferred Inflows of Resources</b>		
Unavailable Revenue	0	27,515
<b>Total Deferred Inflows of Resources</b>	<u>0</u>	<u>27,515</u>
<b>Fund Balances</b>		
Nonspendable for Prepaid Expenses		
Restricted for:		
Dam Maintenance and Operations	0	89,760
Rehabilitation of Radial Gates	0	843,578
Well Maintenance and Operations	66,156	66,156
Water Salvage Program	4,929	4,929
Unrestricted	0	2,998,377
<b>Total Fund Balances</b>	<u>71,085</u>	<u>4,002,800</u>
<b>Total Liabilities, Deferred Inflows and     Fund Balances</b>	<u>\$ 71,085</u>	<u>\$ 4,108,372</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Carlsbad Irrigation District**  
 Reconciliation of the Governmental Funds  
 Balance Sheet to the Statement of Net Position  
 October 31, 2018

---

Total Fund Balance - Governmental Funds \$ 4,002,800

Amounts reported for governmental activities in the Statement of Net Position are different because:

Assessments receivable will be collected after the period of availability, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 27,515

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital Assets	\$ 29,233,394	
Accumulated Depreciation	<u>(14,673,051)</u>	14,560,343

Deferred Outflows and Inflows Related to Pensions are the results of differences in expected and actual actuary experience and the difference in actuary projected and actual earnings. Also changes in proportion and differences between contributions and proportionate share of contributions.

Deferred Outflows Related to Pensions	266,569	
Deferred Inflows Related to Pensions	<u>(116,144)</u>	150,425

Long-term and certain other liabilities, including loans payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of :

Pension Liability	(1,014,074)	
Compensated Absences	<u>(20,089)</u>	<u>(1,034,163)</u>

Total Net Position - Governmental Activities \$ 17,706,920

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Carlsbad Irrigation District**  
Governmental Funds  
Statement of Revenues, Expenditures and Changes  
in Fund Balance  
For the Year Ended October 31, 2018

	General	Special Revenue	
		Brantley Dam	Fort Sumner Dam
<b>Revenues</b>			
Assessments	\$ 2,205,731	\$ 0	\$ 0
Permits	520,221	0	0
State Appropriation	75,000	0	0
Federal Grant	0	354,745	0
Local Match	0	19,946	1,259
Management Fee	36,611	0	0
Equipment Lease	23,400	0	0
Interest Income	19,622	4,729	0
Oil & Gas Royalties & Leases	18,961	0	0
Miscellaneous	4,873	0	0
<b>Total Revenues</b>	<b>2,904,419</b>	<b>379,420</b>	<b>1,259</b>
<b>Expenditures</b>			
Current			
Personnel Services	1,409,449	239,754	1,507
Operating Costs	486,674	140,673	561
Administrative Costs	130,124	0	0
Local Match	21,205	0	0
Capital Purchases	173,724	89,155	0
<b>Total Expenditures</b>	<b>2,221,176</b>	<b>469,582</b>	<b>2,068</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>683,243</b>	<b>(90,162)</b>	<b>(809)</b>
<b>Fund Balances at Beginning of Year</b>	<b>2,315,134</b>	<b>196,160</b>	<b>844,387</b>
Restatement (Note E)	0	(16,238)	0
<b>Restated Beginning Fund Balance</b>	<b>2,315,134</b>	<b>179,922</b>	<b>844,387</b>
<b>Fund Balance End of Year</b>	<b>\$ 2,998,377</b>	<b>\$ 89,760</b>	<b>\$ 843,578</b>

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Carlsbad Irrigation District**  
Governmental Funds  
Statement of Revenues, Expenditures and Changes  
in Fund Balance  
For the Year Ended October 31, 2018

	Other Governmental Funds	Total
<b>Revenues</b>		
Assessments	\$ 0	\$ 2,205,731
Permits	0	520,221
State Appropriation	0	75,000
Federal Grant	0	354,745
Local Match	0	21,205
Management Fee	0	36,611
Equipment Lease	0	23,400
Interest Income	0	24,351
Oil & Gas Royalties & Leases	0	18,961
Miscellaneous	0	4,873
Total Revenues	0	3,285,098
<b>Expenditures</b>		
Current		
Personnel Services	1,879	1,652,589
Operating Costs	514	628,422
Administrative Costs	0	130,124
Local Match	0	21,205
Capital Purchases	0	262,879
Total Expenditures	2,393	2,695,219
Excess (Deficiency) of Revenues Over Expenditures	(2,393)	589,879
Fund Balances at Beginning of Year	73,478	3,429,159
Restatement (Note E)	0	(16,238)
Restated Beginning Fund Balance	73,478	3,412,921
Fund Balance End of Year	\$ 71,085	\$ 4,002,800

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Carlsbad Irrigation District**  
 Reconciliation of the Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 to the Statement of Activities  
 October 31, 2018

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Net Change in Fund Balance-Governmental Funds \$ 589,879

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Some assessments will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead reported as deferred revenues. They are however, recorded as revenues in the Statement of Activities.

Assessments Receivable, October 31, 2017	\$ (67,620)	
Assessments Receivable, October 31, 2018	<u>27,515</u>	(40,105)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	(547,828)	
Capital Outlays	<u>262,879</u>	(284,949)

Pension contributions are reported as expenses in the government funds but are deferred outflows in the Statement of Net Position. Pension expense is reported in the Statement of Activities but not in the governmental funds.

Pension Contributions	64,464	
Pension Expense	<u>(95,572)</u>	(31,108)

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences, October 31, 2017	17,135	
Compensated Absences, October 31, 2018	<u>(20,089)</u>	<u>(2,954)</u>

Changes in Net Position of Governmental Activities	\$	<u><u>230,763</u></u>
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The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Carlsbad Irrigation District**  
 General Fund  
 Statement of Revenues, Expenditures, and Changes in Cash Balance  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended October 31, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Assessments	\$ 2,160,891	\$ 2,160,891	\$ 2,166,869	\$ 5,978
Permits	128,400	128,400	520,221	391,821
State Allocation	0	0	75,000	75,000
Management Fee	0	0	36,471	36,471
Equipment Lease	0	0	23,400	23,400
Interest Income	9,000	9,000	19,622	10,622
Oil & Gas Royalties & Leases	0	0	18,961	18,961
Miscellaneous	3,500	3,500	4,873	1,373
<b>Total Revenues</b>	<b>2,301,791</b>	<b>2,301,791</b>	<b>2,865,417</b>	<b>563,626</b>
<b>Expenditures</b>				
Salaries	1,156,000	1,156,000	978,033	177,967
Group Health	370,000	370,000	314,265	55,735
Workers Comp Insurance	46,000	46,000	36,946	9,054
Pension Expense	71,000	71,000	66,395	4,605
Bureau of Reclamation	57,874	57,874	57,874	0
Basin Water Management	55,000	55,000	56,068	(1,068)
Supplies & Materials	36,000	36,000	37,247	(1,247)
Canal & Lateral Repairs	60,000	60,000	65,631	(5,631)
Equipment Repairs	38,000	38,000	64,604	(26,604)
Building Repairs	14,000	14,000	12,967	1,033
Maintenance	27,000	27,000	0	27,000
Gas, Oil & Grease	45,000	45,000	68,250	(23,250)
Weed Control/Herbicide	40,000	40,000	18,106	21,894
Utilities	45,000	45,000	70,751	(25,751)
Insurance	35,000	35,000	37,077	(2,077)
Contract Labor	2,000	2,000	3,341	(1,341)
Equipment Lease	23,400	23,400	0	23,400
Capital Purchases	293,400	293,400	173,724	119,676
Local Match	0	0	21,206	(21,206)
Director Fees	1,500	1,500	1,118	382
Travel & Meetings	5,500	5,500	6,153	(653)
Legal Fees	60,000	60,000	64,037	(4,037)
Accounting	30,000	30,000	25,370	4,630
Office	8,000	8,000	9,306	(1,306)
Computer Expenses	9,500	9,500	10,513	(1,013)
Dues & Publications	6,500	6,500	6,094	406
Bank Fees	300	300	0	300
<b>Total Expenditures</b>	<b>\$ 2,535,974</b>	<b>\$ 2,535,974</b>	<b>\$ 2,205,076</b>	<b>\$ 330,898</b>

State of New Mexico  
**Carlsbad Irrigation District**  
 General Fund  
 Statement of Revenues, Expenditures, and Changes in Cash Balance  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended October 31, 2018

Excess (Deficiency) of Revenues Over Expenditures	\$	(234,183)	\$	(234,183)	\$	660,341	\$	894,524
Cash Balance Beginning of Year		<u>2,303,134</u>		<u>2,303,134</u>		<u>2,303,134</u>		<u>0</u>
Cash Balance End of Year	\$	<u><u>2,068,951</u></u>	\$	<u><u>2,068,951</u></u>	\$	<u><u>2,963,475</u></u>	\$	<u><u>894,524</u></u>

Reconciliation of Budgetary Basis to GAAP Basis

Excess (Deficiency) of Revenues Over Expenditures-Cash Basis	\$	660,341
Net Change in Assessments Receivable		(1,242)
Net Change in Other Receivables		2,933
Net Change in Prepaid Expenses		6,000
Net Change in Accounts Payable		(12,840)
Net Change in Accrued Payroll		(12,054)
Net Change in Unavailable Revenue		<u>40,105</u>
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis	\$	<u><u>683,243</u></u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Carlsbad Irrigation District**  
Notes to the Financial Statements  
October 31, 2018

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**I. Summary of Significant Accounting Policies**

**A. Reporting Entity**

Carlsbad Irrigation District (District) was organized on January 1, 1938, by agreement with the United States Bureau of Reclamation resulting in the transfer of rights, benefits, privileges, liabilities and project revenues of the irrigation system. The District is organized and acting under the laws of the State of New Mexico and in cooperation with the United States Government for the care, operation and maintenance of all irrigation and drainage works of the project.

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 five 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 distributions system and improvements of Ft. Sumner, Seven Rivers Wells, Brantley, and Avalon diversion dams, including the canal and drainage system and structures. The physical boundaries begin just below Avalon Dam extending to 4 miles southwest of Malaga, New Mexico and include all area between the Pecos River and the Canal. Currently, the District has 25,055 water righted acres available for irrigation. The District has no component unit.

The summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of the District's management who is responsible for their integrity and objectivity. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The significant policies of the District are summarized below.

**B. Government-Wide and Fund financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The District's Governmental activities, are supported by tax assessments, oil and gas royalties and lease income, and intergovernmental revenues.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis by column, and are reported on a full accrual, economic resource basis, which recognized all long-term assets and receivables as well as long-term debt and obligations. The District's net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Tax assessments and other items not properly included among program revenues are reported instead as general revenues.



State of New Mexico  
**Carlsbad Irrigation District**  
Notes to the Financial Statements  
October 31, 2018

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Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statement are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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 the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. for this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, if any are recorded only when payment is due.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The District does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the 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 of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Licenses and fees associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, subject to the availability criterion. Only the available portion of tax assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. The unavailable portion of tax assessments receivable is considered to be a deferred inflow. All other revenue items including oil royalties and lease income are considered to be measurable and available only when cash is received by the government.

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Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the District's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of District facilities, etc., (b) program specific operating grants, which includes revenues received from state and federal sources such as small cities assistance to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. The District has no expenditure-driven grants.

Governmental funds are used to account for the District's general government activities, including the collection and disbursement of specific or legally restricted monies and the District's water distributions operations as described below.

Under the requirements of GASB Statement No. 34, the District is required to present certain of its governmental funds as major based upon specific criteria.

The District reports the following major governmental funds:

The Water Distribution Operations Fund is the District's primary operating fund (general fund). It accounts for all financial resources of the District, except those required to be accounted for in another fund. The Water Distribution Operations fund's principal revenue sources are tax assessments levied for the purpose of defraying the expenses associated with the care, operation, management, repair and improvement of all canals, ditches, reservoirs and works within the District in accordance with NMSA 73-11-28).

The Brantley Dam Special Revenue Fund accounts for funds provided by the United States Department of Interior, Bureau of Reclamation for operation and maintenance of the Brantley Dam. (NMSA 73-10-1).

The Ft. Sumner Dam Special Revenue Fund accounts for proceeds provided by the United States Department of Interior, Bureau of Reclamation to replace and repair radial gates at the dam.

The District reports the following non-major governmental funds:

The Seven Rivers Wells Special Revenue Fund accounts for proceeds provided by the United States Department of Interior, Bureau of Reclamation for maintenance and repairs to wells located at Seven Rivers. (NMSA 73-10-1).

The Water Salvage Special Revenue Fund accounts for funds provided by the United States Department of Interior, Bureau of Reclamation for operation and maintenance of the Pecos River Water Salvage Program. (NMSA 73-10-1).

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, because elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

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.

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**D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Net Position and Fund Balance**

**Cash and Investments**

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. The investments are certificate of deposits with maturity dates greater than three months.

**Assessments Receivable**

Water assessments are levied in November based on the landowner's water righted acres as contained in the landowner's property deed records. Water assessments uncollected after October 31 are considered delinquent. Water rights can be sold by the District if delinquent assessments receivable are over three years old.

**Prepaid Expenses**

Certain payments to vendors for items that include insurance costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**Capital Assets**

Capital assets, which include property, equipment (including software), farm equipment and furniture are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by state law as assets with an initial cost of \$5,000 and an estimated useful life of more than one year. The total amounts spent for construction, if any, are capitalized and reported in the government-wide financial statements. For donations, the government values these capital assets at the estimated fair value of the item at the date of acquisition. The cost of normal maintenance and repairs that do not add to the value or extend the life of the asset are not capitalized.

Property and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

Water Distribution System	40 years
Building & Improvements	40 years
Vehicles and Equipment	5-7 years

Mineral rights are amortized based on 15% of oil royalties and lease payments received during the fiscal year.

**Accounts payable**

The account payable as of the balance sheet date includes routine monthly bills for services rendered and products purchased which are paid in the following month.

**Accrued Wages and Benefits**

Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through October 31, 2018, along with any applicable employer related expenses including payroll taxes and retirement expenses.

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**Compensated Absences**

Full-time employees are granted vacation benefits in varying amounts of two or three weeks per year depending on tenure with the District. Employees are allowed to carry over forty hours from one year to the next. The District allows full-time employees to accumulate unused sick leave to a maximum of 80 hours. However, accumulated sick leave is not eligible for payment to terminating employees. Upon termination, employees shall receive payment for unused, accrued vacation.

**Unavailable Revenue**

Under the modified accrual basis of accounting, revenue must also be susceptible to accrual (it must be both measurable and available to finance expenditures of the current fiscal period). If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflow. The District has recorded \$27,515 related to tax assessments considered unavailable.

**Pension Liability**

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 of Resources**

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The District has four types of items that qualify for reporting in this category. Accordingly, these items, employer contributions subsequent to the measurement date in the amount of \$64,464, the difference between expected and actual experience in the amount of \$39,846, the net difference between projected and actual investment earnings of \$83,199, and the changes of assumptions in the amount of \$46,764, and are reported in the Statement of Net Position. These amounts are deferred and will be recognized as pension expense in future periods.

**Deferred Inflows of Resources**

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The District has three types of items present on the Statement of Net Position which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, these items, the difference between expected and actual experience in the amount of \$51,938, changes of assumptions in the amount of \$10,479, and changes in proportion in the amount of \$53,727 are reported on the Statement of Net Position. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

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**Net Position and Fund Balance**

Fund Balance Classification Policies and Procedures: For restricted fund balances, the District includes amounts that can be spent only for the specific purposes stipulated by Statute, Ordinance, Resolutions or enabling Legislation. Fund balances in this category represent the remaining amount that is restricted for future use in the specific fund.

For committed fund balances, the District includes amounts for specific purposes by formal action of the Board of Directors of the Carlsbad Irrigation District.

For assigned fund balances, the District includes amounts that are intended to be spent for specific purposes, but are not restricted or committed.

For nonspendable fund balance, the District includes amounts that cannot be spent because they are either (a) not in spendable form, for example, inventories, prepaid amounts, long term amount of loans and note receivable; or (b) legally or contractually required to be maintained intact, for example, debt service reserves.

Regarding the District's spending policies, in all cases, restricted, then committed, and then assigned fund balances are to be expended in that order, prior to infusion and expenditures of any general (unassigned) funds designated for supplementing any given department. In this manner, only after restricted, committed, or assigned funds are expended will the Board of Directors permit general unassigned funds be spent to meet a specific fund's objectives.

Nonspendable Fund Balance: At October 31, 2018, the nonspendable fund balance on the governmental funds balance sheet is \$10,605.

Restricted Fund Balance: At October 31, 2018, the restricted fund balance on the governmental funds balance sheet is made up of \$1,004,423 for the restricted purposes as defined by each fund as described on the Governmental Funds-Balance Sheet.

**II. Stewardship, Compliance and Accountability**

**A. Budgetary Information**

The budget is prepared on a basis that differs from accounting principles generally accepted in the United States of America (GAAP). GAAP basis revenues and expenditures include accrued amounts. The revenues and expenditures reported in the budgetary comparisons are generally recorded on the cash basis. The District uses the following procedures to establish the budgeted amounts reflected in the budgetary comparisons:

1. Prior to August 1, the Budget Committee submits to the District Board of Supervisors a proposed revenue and expenditure budget for the fiscal year beginning November 1.
2. The Board reviews the budget proposal and makes any necessary adjustments.
3. Prior to October 1, the Board approves the budget by passing a resolution.

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4. Prior to October 20, the approved budget is submitted to the State of New Mexico, Department of Finance and Administration, Local Government Division (DFA-LGD) for approval by the first Monday of September. The Board receives notice of the approved budget.

The legal level at which actual expenditures may not exceed budgeted expenditures is at the total fund level. The Board can revise its budget with the approval of DFA-LGD. There were no changes made to the budget during the fiscal year. Encumbrance accounting is not utilized by the District.

The District, with assistance from the Bureau of Reclamation, will prepare master work schedules and detailed work schedules that must be approved by the Bureau of Reclamation for the Major Special Revenue Funds, Brantley Dam and Fort Sumner Dam. These work schedules which include estimates of the costs are not approved by the Board of Directors. These budgets are prepared based on the accrual basis of accounting and are consistent with generally accepted accounting principles (GAAP). However, the budgets are not legally adopted by the Board of Directors of the District. Due to the budgets not being legally adopted or monitored by Board of Directors, the budgetary statements for the special revenue funds have been omitted from these financial statements. The inclusion of the budgets in the audit report would be misleading to the financial statements of the District.

**B. Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis Financial Statements**

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

Reconciliations are located at the bottom of the budget actual statement.

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**III. Detailed Notes on all Funds**

**A. Cash and Investments**

	Account Type	Bank Balance 10/31/18	Reconciled Balance 10/31/18
CNB (formerly Carlsbad National Bank)			
Carlsbad Irrigation District-Operations	Checking-Non-interest Bearing	\$ 255,610	\$ 255,610
Carlsbad Irrigation District	Checking-Interest Bearing	1,479,518	1,479,518
Carlsbad Irrigation District	Savings-Interest Bearing	826,566	826,566
Carlsbad Irrigation District	Checking-Non-interest Bearing	1,182	1,182
Carlsbad Irrigation District	CD-Interest Bearing	400,000	400,000
Carlsbad Irrigation District *(BOR)	Savings-Interest Bearing	230,734	230,734
Carlsbad Irrigation District	CD-Interest Bearing	800,000	800,000
		<u>3,993,610</u>	<u>\$ 3,993,610</u>
	Less FDIC coverage	(250,000)	
	Amount uninsured	\$ 3,743,610	
	50% collateral requirement	1,871,805	
	Pledged securities	<u>2,287,082</u>	
	Over (Under) requirement	<u>\$ 415,277</u>	

\*(BOR-Bureau of Reclamation)

The following securities are pledged:

Description	CUSIP #	Market Value	Maturity Date	Location
FN99AR AL 508	3138EHVA7	\$ 203,567	07/01/37	FHLB Dallas, TX
FHLMC POOL#C91709	3128P73S0	521,751	06/01/33	FHLB Dallas, TX
FNMA POOL#AL4694	3138EMGC9	542,194	02/01/28	FHLB Dallas, TX
GNMA II Pool#82391	36225EUR1	291,579	09/20/39	FHLB Dallas, TX
FHR 4118 MO	3137AUQN2	727,991	09/15/42	FHLB Dallas, TX
		<u>\$ 2,287,082</u>		

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

**Custodial Credit Risk-Deposits**

Depository Account	Bank Balance
Insured	\$ 250,000
Collateralized	
Collateral held by the pledging bank in District's name	2,287,082
Uninsured and uncollateralized	1,456,528
Total Deposits	<u>\$ 3,993,610</u>

*Custodial Credit Risk* — Deposits. Custodial credit risk 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. As of October 31, 2018 \$1,456,528 of the District's bank balances of \$3,993,610 were exposed to custodial credit risk.

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**B. Capital Assets**

	Beginning Balance 10/31/17	Restatement	Restated Beginning Balance	Additions
Capital Assets, not being Depreciated				
Land	\$ 2,643,270	\$ 0	\$ 2,643,270	\$ 0
Capital Assets, being Depreciated				
Mineral Rights	2,250,000	0	2,250,000	0
Water Distribution System	7,589,443	15,000,000	22,589,443	0
Buildings & Improvements	394,819	172,854	567,673	95,109
Vehicles & Equipment	898,583	21,545	920,128	167,771
Total Capital Assets, being Depreciated	11,132,845	15,194,399	26,327,244	262,880
Less Accumulated Depreciation				
Mineral Rights	102,438	0	102,438	2,844
Water Distribution System	7,255,936	6,066,102	13,322,038	434,826
Buildings & Improvements	116,350	81,788	198,138	17,422
Vehicles & Equipment	422,026	80,583	502,609	92,736
Total Accumulated Depreciation	7,896,750	6,228,473	14,125,223	547,828
	\$ 3,236,095	\$ 8,965,926	\$ 12,202,021	\$ (284,948)
			Deletions	Ending Balance 10/31/18
Capital Assets, not being Depreciated				
Land			\$ 0	\$ 2,643,270
Capital Assets, being Depreciated				
Mineral Rights			0	2,250,000
Water Distribution System			0	22,589,443
Buildings & Improvements			0	662,782
Vehicles & Equipment			0	1,087,899
Total Capital Assets, being Depreciated			0	26,590,124
Less Accumulated Depreciation				
Mineral Rights				105,282
Water Distribution System				13,756,864
Buildings & Improvements			0	215,560
Vehicles & Equipment				595,345
Total Accumulated Depreciation			0	14,673,051
			\$ 0	\$ 11,917,073

Depreciation expense for the year ended October 31, 2018 totaled \$547,827 and is charged to the District's public works function on the Statement of Activities.



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In 2001 the Bureau of Reclamation conveyed land and mineral rights surrounding the dams, laterals and ditches owned by the Bureau to Carlsbad Irrigation District. In 2014 management realized the mineral rights had significant value and included them at that time. In the process of this audit, management realized the conveyed value of the water distribution system, laterals and ditches, conveyed by the Bureau were not included in the capital assets. As a result capital assets were restated for the value of the distribution system of \$15,000,000. Also during the audit process it was discovered two ditch riders houses were also conveyed by the Bureau in 2001 and two other ditch rider's houses were missing from the depreciation schedule resulting in a restatement of \$172,854. And finally a comparison of the insurance schedule to the depreciation schedule revealed both equipment and vehicles were not included on the depreciation schedule for a total value of \$21,545. Accumulated depreciation was also restated for the additions as if they had been included from the conveyance date or purchase date.

**C. Compensated Absences**

	Beginning Balance 10/31/17	Earned	Used	Ending Balance 10/31/18
Compensated Absences	\$ 17,135	\$ 34,022	\$ 31,068	\$ 20,089

The compensated absences liability are liquidated by the General Fund and \$20,089 is considered a long-term liability.

**IV. Other Information**

**Pensions**

**Summary of Significant Accounting Policies**

*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 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's. 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.

**General Information about the Pension Plan**

*Public Employees Retirement 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 Officers, 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 Public Employees Retirement 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), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

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*Benefits Provided* – Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

*Tier II*-The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

*Contributions* – The following tables illustrate the various coverage options under the PERA plan and the contribution rates effective during the year.

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<b>PERA Contribution Rates and Pension Factors as of July 1, 2017</b>						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
<b>STATE PLAN</b>						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
<b>MUNICIPAL PLANS 1 - 4</b>						
Municipal Plan 1 (plan open to new employers)	7.0%	8.5%	7.4%	2.0%	2.0%	90%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.5%	2.0%	90%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	14.65%	9.55%	3.0%	2.5%	90%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.05%	3.0%	2.5%	90%
<b>MUNICIPAL POLICE PLANS 1 - 5</b>						
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
<b>MUNICIPAL FIRE PLANS 1 - 5</b>						
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.9%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
<b>MUNICIPAL DETENTION OFFICER PLAN 1</b>						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
<b>STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.</b>						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

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**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions –**

At October 31, 2018, the District reported a liability of \$1,014,074 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the District's proportion was 0.0738%, which was an increase of 0.0038% from its proportion measured as of June 30, 2016.

For the year ended October 31, 2018, the District recognized pension expense of \$96,097. At October 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,846	\$ 51,938
Net difference between projected and actual earnings on pension plan investments	83,199	0
Changes of assumptions	46,764	10,479
Changes in proportion and differences between the District's contributions and proportionate share of contributions	32,296	53,727
District's contributions subsequent to the measurement date	64,464	0
Total	\$ 266,569	\$ 116,144

\$64,464 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended October 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 2,152
2019	85,459
2020	22,664
2021	(24,314)
Total	\$ 85,961

*Actuarial assumptions.* The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

State of New Mexico  
**Carlsbad Irrigation District**  
Notes to the Financial Statements  
October 31, 2018

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year Smoothed Market Value
Actuarial assumptions:	
(1) Investment rate of return	7.51% annual rate, net of investment expense
(2) Projected benefit payment	100 years
(3) Payroll growth	2.75% for first 9 years, then 3.5% annual rate
(4) Projected salary increases	2.75% to 14.00% annual rate
(5) Includes inflation at	2.75% annual rate for the first 9 years and 2.75% all other years
(6) Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirements, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
(7) Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2016 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board use in the June 30, 2016 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets	20.00%	7.35%
Total	<u>100.00%</u>	

*Discount rate.* A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

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Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the employer name's proportionate share of the net pension liability calculated using the discount rate of 7.51 percent, as well as what the employer name's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.51 percent) or 1-percentage-point higher (8.51 percent) than the current rate:

	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
The District's proportionate share of the net pension liability	\$ 1,589,389	\$ 1,014,074	\$ 535,620

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in separately issued PERA'S financial reports.

**B. Risk Management**

The District is exposed to various risks of loss due to torts, theft or damage of assets, errors and omissions and natural disasters. The District's supervisors and employees are covered by an errors and omissions liability policy purchased by the New Mexico State University, Department of Agriculture, to which the District is administratively attached. The limits for this policy are \$1,000,000 for each wrongful act and \$1,000,000 for the policy aggregated. The District is required to obtain a corporate fidelity bond on behalf of persons responsible for District assets. The District currently maintains a \$100,000 fidelity bond on its Program Director and Board of Supervisors. The District has not sustained any losses during the last several years and is not a defendant in any lawsuit.

**C. Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at the time, although the government expects such amounts, if any to be immaterial.

**D. Subsequent Events**

Subsequent events were evaluated through February 13, 2019, which is the date the financial statements were available to be issued.

**E. Restatement**

The fund balance of the Brantley Dam Fund was restated as follows:

Receivable for the Local Match from the General Fund	\$	1,255
Accrued Wages and Benefits		3,285
Accounts Payable		(29,099)
Cash Balance		8,321
	\$	(16,238)

The Net Position was restated for the above fund balance of \$(16,238) and capital assets were restated \$8,965,926 for a total restatement of Net Position of \$8,949,688. See Note B. Capital Assets for a detailed explanation of the capital assets restatement.

**F. GASBS 77 Disclosure**

This District does not receive property taxes and therefore, would not be affected by a tax abatement.

**Required Supplemental Information**

State of New Mexico  
**Carlsbad Irrigation District**  
Schedules of Required Supplementary Information and Notes for Pension Plan

**Schedule of the District's Proportionate Share of the Net Pension Liability**

Last 10 Fiscal Years\*

	Fiscal Year Measurement Date	2015	2016	2017	2018
		2014	2015	2016	2017
District's proportion of the net pension liability		8.48000%	0.07320%	0.07000%	0.07380%
District's proportionate share of the net pension liability	\$	661,531	\$ 746,337	\$ 1,118,365	\$ 1,014,074
District's covered-employee payroll		775,054	763,514	829,419	871,135
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		85.35%	97.75%	134.84%	116.41%
Plan fiduciary net position as a percentage of the total pension liability		84.29%	76.99%	61.58%	52.95%

\**Governmental Accounting Standards Board Statement No. 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**Schedule of District's Contributions**

Last 10 Fiscal Years\*

	June 30,			
	2015	2016	2017	2018
Contractually required contribution	\$ 57,354	\$ 56,500	\$ 61,377	\$ 64,464
Contributions in relation to the contractually required	57,354	56,500	61,377	64,464
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0
District's covered-employee payroll	\$ 775,054	\$ 763,514	\$ 829,419	\$ 871,135
Contributions as a percentage of covered-employee	7.40%	7.40%	7.40%	7.40%

\**Governmental Accounting Standards Board Statement No. 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**Notes to Required Supplementary Information**

**Changes of benefit terms.** The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>

**Assumptions:** The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2017 report is available at [www.nmpera.org/](http://www.nmpera.org/)

The notes to the financial statements are an integral part of this statement.



**Supplemental Information Related to  
Nonmajor Funds**

State of New Mexico  
**Carlsbad Irrigation District**  
 Nonmajor Funds  
 Combining Balance Sheet  
 October 31, 2018

	<u>Special Revenue</u>		
	<u>Seven Rivers Wells</u>	<u>Water Salvage</u>	<u>Total</u>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 66,156	\$ 4,929	\$ 71,085
Receivables	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$ 66,156</u>	<u>\$ 4,929</u>	<u>\$ 71,085</u>
<b>Liabilities</b>			
Accounts Payables	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances</b>			
Restricted for:			
Well Maintenance and Operations	66,156	0	66,156
Water Salvage Program	<u>0</u>	<u>4,929</u>	<u>4,929</u>
Total Fund Balance	<u>66,156</u>	<u>4,929</u>	<u>71,085</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 66,156</u>	<u>\$ 4,929</u>	<u>\$ 71,085</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico  
**Carlsbad Irrigation District**  
 Nonmajor Funds  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balance  
 For the Year Ended October 31, 2018

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	<u>Special Revenue</u>		
	<u>Seven Rivers Wells</u>	<u>Water Salvage</u>	<u>Total</u>
Revenues			
Federal Grants	\$ 0	\$ 0	\$ 0
Local Match	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures			
Current			
Personnel Services	1,879	0	1,879
Operating Costs	<u>514</u>	<u>0</u>	<u>514</u>
Total Expenditures	<u>2,393</u>	<u>0</u>	<u>2,393</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,393)	0	(2,393)
Fund Balances at Beginning of Year	<u>68,549</u>	<u>4,929</u>	<u>73,478</u>
Fund Balance End of Year	<u>\$ 66,156</u>	<u>\$ 4,929</u>	<u>\$ 71,085</u>

The notes to the financial statements are an integral part of this statement.

De'Aun Willoughby CPA, PC

Certified Public Accountant

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Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
In Accordance with *Government Auditing Standards*

Independent Auditor's Report

Mr. Brian S. Colón  
State Auditor of the State of New Mexico  
Board of Supervisors of the Carlsbad Irrigation District

Mr. Colon and Members of the Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the budgetary comparison of the general fund of Carlsbad Irrigation District (District) as of and for the year ended October 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 13, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 are less severe than a material weakness, yet important enough to merit attention by those charged with governance. However, material weaknesses may exist that have not been identified.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies. 2018-001, 2018-002, 2018-003, 2018-004.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Responses as items 2017-002, 2018-001, 2018-002, 2018-003 and 2018-005.

#### The District's Responses to Findings

The District's responses to the finding identified in our audit as described in the accompanying schedule of findings and responses. Responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*De'Aun Willoughby, CPA, PC*

Clovis, New Mexico  
February 13, 2019

**Prior Year Audit Findings**

	<u>Status</u>
2017-001 Review of Payroll Transaction Cycle	Resolved
2017-002 No Certified Chief Procurement Officer	Repeated
2017-003 Fixed Asset Disposals	Resolved
2017-004 Adjustments by Auditor	Resolved

**Current Year Audit Findings**

**2017-002 No Certified Chief Procurement Officer-Other Non-compliance**

**Condition**

The District did not have a chief procurement officer for the entire fiscal year.

**Management has made progress resolving this finding.**

**Criteria**

NMAC 1.4.1.94 (D) - Chief procurement officer duties, responsibilities and obligations. On and after July 1, 2015, only certified chief procurement officers may: (1) make determinations, including determinations regarding exemptions, pursuant to the Procurement Code; (2) issue purchase orders and authorize small purchases pursuant to the Procurement Code; and (3) approve procurement pursuant to the Procurement Code; (4) provided that, persons using procurement cards may continue to issue purchase orders and authorize small purchases.

**Cause**

Management was not aware of this requirement until March 30, 2018. The bookkeeper could not get scheduled for the class until August 29, 2018.

**Effect**

The purpose of the training was to improve the procurement process through gained knowledge. Issuing purchase orders by someone other than the CPO negates the purpose of the training.

**Recommendation**

Management should keep records when the CPO is required to be recertified and not incur a lapse in the certification now that the District is in compliance.

**Response**

During the March 2017 audit, Management was made aware of the CPO requirement. The Bookkeeper enrolled in the first class that was available which was July 24-27, 2018 and received certification certificate August 29, 2018. Management has a procurement file and is well aware of the two year certification to stay current.

**Responsible Party and Timeline**

The bookkeeper is responsible and the finding has been resolved.

**2018-001 Internal Controls over Capital Asset Additions-Compliance and Internal Control-Significant Deficiency**

**Condition**

The Bureau of Reclamation conveyed the land around the dams including the mineral rights and the water distribution system in 2001. The mineral rights were added to capital assets in 2014. The land and water distribution system were added in this fiscal year. All should have been added to capital assets in 2001 when they were conveyed to the District.

**Criteria**

According to NMAC 2.20.1.8 (A) Fixed Asset Accounting System- Agencies should implement systematic and well documented methods for accounting for fixed assets. A computerized system with appropriate controls on access and authorizations of transactions should be implemented.

**Cause**

It is unknown why the assets were not added in 2001. Employees involved in the conveyance in 2001 have since retired. Current management had not reviewed the depreciation schedule that has been maintained by an accounting firm.

**Effect**

The financial statements were understated by \$8,932,927 which is a significant amount.

**Recommendation**

Management should review the depreciation schedule each year approving the additions and comparing the schedule to events that have occurred during the year.

**Response**

Our fee accountant maintains our depreciation schedule. No money was exchanged between CID and BOR in 2001 causing the assets to be missed. This issue was not raised in any of the previous audit cycles.

**Responsible Party and Timeline**

The manager is responsible and the finding has been resolved.

**2018-002 Reports were not submitted to DFA-Compliance and Internal Control-Significant Deficiency Condition**

The District submitted quarterly financial reports to the DFA for the first three quarters on September 18, 2018.

**Criteria**

NM State Statues 6-6-3 Local Public bodies; duties. Every local public body shall: B. make all reports as may be required by the local government division and C. conform to the rules and regulations adopted by the local government division.

**Cause**

Management was not aware quarterly financial reports should be submitted to DFA. It is unknown when the last report had been filed or if a report has ever be filed.

**Effect**

DFA is not able to provide the oversight required and necessary because there are no financial reports being filed.

**Recommendation**

The District should file the required reports with DFA and should DFA require, file the reports for prior quarters.

**Response**

This was our first year we have submitted quarterly financial reports and budgets to DFA. We did submit the final quarterly report and were are working with our budget analyst with DFA during the year. Since CID's a Special District our filing requirements are different, and we have established a quarterly filing schedule going forward.

**Responsible Party and Timeline**

The bookkeeper is responsible and the finding has been resolved.



**2018-003 I-9s-Compliance and Internal Control-Significant Deficiency**

**Condition**

Three of the nine I-9's that were reviewed were incomplete. Section one was completed on the computer by the District however, there was no information in the translator area. Section 2 had errors. For example, the documents did not enter acceptable List A document or acceptable List B and List C documents on the form. The document title, issuing authority, number(s) or expiration date for the documentation were not entered. Employer did not enter the date employment began (date of hire).

**Criteria**

As per U.S. Citizens and Immigration Services Employers have certain responsibilities under immigration law during the hiring process. The employer sanctions provisions, found in section 274A of the Immigration and Nationality Act (INA), were added by the Immigration Reform and Control Act of 1986 (IRCA). These provisions further changed with the passage of the Immigration Act of 1990 and the Illegal Immigration Reform and Immigrant Responsibility Act (IIRIRA) of 1996. Complete and retain a Form I-9 for each employee required to complete the form.

**Cause**

District personnel did not have the appropriate training in completing I-9's.

**Effect**

The District is subject to penalties. The penalties can include \$250 to \$3,000 for improper completion of the I-9 form. Improper completion, retention or making it available for inspection fines range from \$100 to \$1,100 for each I-9. Knowingly hiring or continuing to employ unauthorized workers fines range from \$250 up to \$11,000 per violation.

**Recommendation**

We recommend additional training and review. All I-9 should be reviewed and updated as necessary.

**Response**

It was brought to our attention that some I-9's we had typed the employee's information and had the employees sign the form. We were unaware that if the form was typed you then became the preparer and are required to have another personal verify their information and sign off as CID's authorized representative. All I-9's will be reviewed and updated as necessary.

**Responsible Party and Timeline**

The bookkeeper is responsible and the finding has been resolved.

**2018-004 State Unemployment Reports are not correct - Compliance and Internal Control-Significant**

**Deficiency**

**Condition**

All four quarters of the state unemployment reports were under reporting wages. The estimated total amount that was under reported for the fiscal year is \$160,756.

**Criteria**

Instructions for completing the 903 A can be found at [www.jobs.state.nm.us/ES903 A](http://www.jobs.state.nm.us/ES903A).

**Cause**

There is a setup issue with the software used by the District. The information provided by the software is incorrect.

**Effect**

Inaccurate reporting to state and federal agencies causes amounts due to be incorrect which may result in penalties and interest. Employees will not be paid the correct benefits and the District may overpay or underpay taxes.

**Recommendation**

The District must ensure that correct wages are being reported to the proper authorities to avoid the possibility of have to pay penalty and interest fees and effecting unemployment benefits paid to employees.

**Response**

CID has used reports generated by QuickBooks to report and file the State Unemployment Wage Reports. Past annual Worker Compensation Audits performed have not found any discrepancies. CID will work with our CPA to ensure the accuracy of our QuickBooks program and determine if any wages were under reported. All 2018 reports will be reviewed and verified for accuracy.

**Responsible Party and Timeline**

The bookkeeper is responsible and the finding has been resolved.

**2018-005 Some W-9s could not be located - Other Non-compliance**

**Condition**

Of the vendors sampled there were three W-9's that could not be located.

**Criteria**

As per IRS Instructions for the Requester of Form W-9 (Rev. October 2018) Request for Taxpayer Identification Number and Certification. The district is to Use Form W-9 to request the taxpayer identification number (TIN) of a U.S. person (including a resident alien) and to request certain certifications and claims for exemption. (See Purpose of Form on Form W-9.) Withholding agents may require signed Forms W-9 from U.S. exempt recipients to overcome a presumption of foreign status. For federal tax purposes, a U.S. person includes but is not limited to: • An individual who is a U.S. citizen or U.S. resident alien; • A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States; • Any estate (other than a foreign estate); or • A domestic trust (as defined in Regulations section 301.7701-7). A partnership may require a signed Form W-9 from its U.S. partners to overcome a presumption of foreign status and to avoid withholding on the partner's allocable share of the partnership's effectively connected income. For more information, see Regulations section 1.1446-1. A participating foreign financial institution (PFFI) should request Form W-9 from an account holder that is a U.S. person. If an account is jointly held, the PFFI should request a Form W-9 from each holder that is a U.S. person. Advise foreign persons to use the appropriate Form W-8 or Form 8233, Exemption From Withholding on Compensation for Independent (and Certain Dependent) Personal Services of a Nonresident Alien Individual. See Pub. 515, Withholding of Tax on Nonresident Aliens and Foreign Entities, for more information and a list of the W-8 forms.

**Cause**

The W-9s were misplaced.

**Effect**

Without W-9's from vendors the 1099s with correct information, the District cannot ensure the 1099s issued are correct. The penalties for filing incorrect 1099s can range anywhere from \$50 to \$530 per 1099.

**Recommendation**

We recommend that the District obtains a new W-9 each year from vendors. If the vendor is unwilling to provide the District with a W-9 the District is required to withhold 24% for backup withholding and remit the withholding to the Internal Revenue Service.

**Response**

CID will make sure to request W-9 form for all required vendors.

**Responsible Party and Timeline**

The bookkeeper is responsible and the finding has been resolved.

**Financial Statement Preparation**

The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

**Exit Conference**

An exit conference was held on February 13, 2019. Those present were, Dale Ballard-Manager, Shirley Talbot-Administrative Assistant, April Travelstead, Gary Walterscheid and De'Aun Willoughby, CPA.