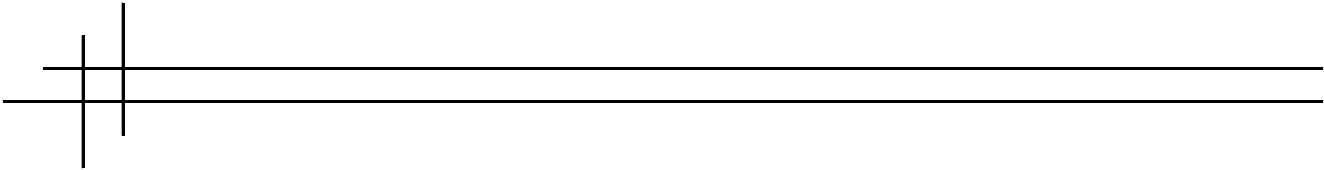


State of New Mexico
Carlsbad Irrigation District
Carlsbad, New Mexico

Annual Financial Report
October 31, 2019

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, 2019

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State of New Mexico
Carlsbad Irrigation District
Official Roster
October 31, 2019

Board of Directors

Gary Walterscheid	President
Mary Barnhart	Vice President
Dale Ballard	Secretary/Treasurer
Coley Burgess	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. Colón 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, 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

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, 2019, 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 6, 2020, 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 6, 2020

State of New Mexico
Carlsbad Irrigation District
Government-Wide Statement of Net Position
October 31, 2019

Assets	Governmental Activities
Current Assets	
Cash and Cash Equivalents	\$ 3,184,838
Investments	1,200,000
Assessments Receivable	134,500
Grant Receivable	244,089
Other Receivables	4,259
Prepaid Expenses	10,682
Total Current Assets	<u>4,778,368</u>
Noncurrent Assets	
Capital Assets	29,731,685
Less Accumulated Depreciation	<u>(15,241,228)</u>
Total Noncurrent Assets	<u>14,490,457</u>
Total Assets	<u>19,268,825</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Actuarial Experience	35,804
Investment Experience	91,878
Changes of Assumptions	112,317
Changes in Proportion	57,008
Contributions Subsequent to Measurement Date	66,896
Total Deferred Outflows of Resources	<u>363,903</u>
Liabilities	
Current Liabilities	
Accounts Payable	134,946
Accrued Salaries and Benefits	53,566
Compensated Absences	17,760
Total Current Liabilities	<u>206,272</u>
Noncurrent Liabilities	
Pension Liability	1,238,825
Total Noncurrent Liabilities	<u>1,238,825</u>
Total Liabilities	<u>1,445,097</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	
Actuarial Experience	32,525
Changes of Assumptions	7,123
Changes in Proportion	15,768
Total Deferred Inflows of Resources	<u>55,416</u>
Net Position	
Net Investment in Capital Assets	14,490,457
Restricted	1,022,679
Unrestricted	2,619,079
Total Net Position	<u>\$ 18,132,215</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, 2019

	<u>Governmental Activities</u>
Program Expenses	
Public Works	
Personnel Services	\$ 1,703,591
Operating Costs	681,584
Administrative Costs	160,939
Depreciation	596,711
Total Program Expenses	<u>3,142,825</u>
Program Revenues	
Permits	491,069
State Capital Grant	244,089
Federal Capital Grant	75,000
Federal Operating Grant	386,179
Management Fee	38,277
Charge for Services	11,120
Equipment Lease	23,400
Total Program Revenues	<u>1,269,134</u>
Net Program (Expense) Revenue	<u>(1,873,691)</u>
General Revenues	
Assessments	2,220,875
Interest Income	24,455
Oil & Gas Royalties & Leases	14,687
Miscellaneous	38,969
Total General Revenues	<u>2,298,986</u>
Change in Net Position	425,295
Net Position at Beginning of Year	<u>17,706,920</u>
Net Position at End of Year	<u>\$ 18,132,215</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, 2019

	General	Special Revenue	
		Brantley Dam	Fort Sumner Dam
Assets			
Cash and Cash Equivalents	\$ 2,933,676	\$ 139,526	\$ 43,578
Investments	400,000	0	800,000
Assessments Receivable	134,500	0	0
Grant Receivable	244,089	0	0
Other Receivables	3,032	1,227	0
Prepaid Expenses	10,682	0	0
Total Assets	\$ 3,725,979	\$ 140,753	\$ 843,578
Liabilities			
Accounts Payable	\$ 105,236	\$ 29,710	\$ 0
Accrued Wages and Benefits	53,566	0	0
Compensated Absences	8,566	0	0
Total Liabilities	167,368	29,710	0
Deferred Inflows of Resources			
Unavailable Revenue	67,047	0	0
Total Deferred Inflows of Resources	67,047	0	0
Fund Balances			
Nonspendable for Prepaid Expenses			
Restricted for:	10,682	0	0
Dam Maintenance and Operations	0	111,043	0
Rehabilitation of Radial Gates	0	0	843,578
Well Maintenance and Operations	0	0	0
Water Salvage Program	0	0	0
Unrestricted	3,480,882	0	0
Total Fund Balances	3,491,564	111,043	843,578
Total Liabilities, Deferred Inflows and Fund Balances	\$ 3,725,979	\$ 140,753	\$ 843,578

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, 2019

	Other Governmental Funds	Total
	<u> </u>	<u> </u>
Assets		
Cash and Cash Equivalents	\$ 68,058	\$ 3,184,838
Investments	0	1,200,000
Assessments Receivable	0	134,500
Grant Receivable	0	244,089
Other Receivables	0	4,259
Prepaid Expenses	0	10,682
Total Assets	<u>\$ 68,058</u>	<u>\$ 4,778,368</u>
Liabilities		
Accounts Payable	\$ 0	\$ 134,946
Accrued Wages and Benefits	0	53,566
Compensated Absences	0	8,566
Total Liabilities	<u>0</u>	<u>197,078</u>
Deferred Inflows of Resources		
Unavailable Revenue	0	67,047
Total Deferred Inflows of Resources	<u>0</u>	<u>67,047</u>
Fund Balances		
Nonspendable for Prepaid Expenses		
Restricted for:	0	10,682
Dam Maintenance and Operations	0	111,043
Rehabilitation of Radial Gates	0	843,578
Well Maintenance and Operations	63,129	63,129
Water Salvage Program	4,929	4,929
Unrestricted	0	3,480,882
Total Fund Balances	<u>68,058</u>	<u>4,514,243</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 68,058</u>	<u>\$ 4,778,368</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, 2019

Total Fund Balance - Governmental Funds \$ 4,514,243

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. 67,047

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

Capital Assets	\$ 29,731,685	
Accumulated Depreciation	<u>(15,241,228)</u>	14,490,457

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	363,903	
Deferred Inflows Related to Pensions	<u>(55,416)</u>	308,487

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	(1,238,825)	
Compensated Absences	<u>(9,194)</u>	<u>(1,248,019)</u>

Total Net Position - Governmental Activities \$ 18,132,215

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, 2019

	General	Special Revenue	
		Brantley Dam	Fort Sumner Dam
Revenues			
Assessments	\$ 2,181,343	\$ 0	\$ 0
Permits	491,069	0	0
State Appropriation	244,089	0	0
Federal Grant	75,000	386,179	0
Local Match	0	16,154	0
Management Fee	38,277	0	0
Charge for Services	11,120	0	0
Equipment Lease	23,400	0	0
Interest Income	16,272	8,183	0
Oil & Gas Royalties & Leases	14,687	0	0
Miscellaneous	22,815	0	0
Total Revenues	3,118,072	410,516	0
Expenditures			
Current			
Personnel Services	1,392,323	253,984	0
Operating Costs	528,644	135,249	0
Administrative Costs	160,939	0	0
Local Match	16,154	0	0
Capital Purchases	526,825	0	0
Total Expenditures	2,624,885	389,233	0
Excess (Deficiency) of Revenues Over Expenditures	493,187	21,283	0
Fund Balances at Beginning of Year	2,998,377	89,760	843,578
Fund Balance End of Year	\$ 3,491,564	\$ 111,043	\$ 843,578

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, 2019

	Other Governmental Funds	Total
	<u> </u>	<u> </u>
Revenues		
Assessments	\$ 0	\$ 2,181,343
Permits	0	491,069
State Appropriation	0	244,089
Federal Grant	0	461,179
Local Match	0	16,154
Management Fee	0	38,277
Charge for Services	0	11,120
Equipment Lease	0	23,400
Interest Income	0	24,455
Oil & Gas Royalties & Leases	0	14,687
Miscellaneous	0	22,815
Total Revenues	<u>0</u>	<u>3,528,588</u>
Expenditures		
Current		
Personnel Services	1,490	1,647,797
Operating Costs	1,537	665,430
Administrative Costs	0	160,939
Local Match	0	16,154
Capital Purchases	0	526,825
Total Expenditures	<u>3,027</u>	<u>3,017,145</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,027)	511,443
Fund Balances at Beginning of Year	<u>71,085</u>	<u>4,002,800</u>
Fund Balance End of Year	<u>\$ 68,058</u>	<u>\$ 4,514,243</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
 Statement of Revenues, Expenditures and Changes in Fund Balance
 to the Statement of Activities
 October 31, 2019

Net Change in Fund Balance-Governmental Funds \$ 511,443

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, 2018	\$ (27,515)	
Assessments Receivable, October 31, 2019	<u>67,047</u>	39,532

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	(596,711)	
Capital Outlays	<u>526,825</u>	(69,886)

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	66,896	
Pension Expense	<u>(133,585)</u>	(66,689)

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, 2018	20,089	
Compensated Absences, October 31, 2019	<u>(9,194)</u>	<u>10,895</u>

Changes in Net Position of Governmental Activities	\$	<u><u>425,295</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, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Assessments	\$ 2,189,830	\$ 2,189,830	\$ 2,185,874	\$ (3,956)
Permits	141,400	115,000	491,069	376,069
Federal Grant	0	354,745	75,000	(279,745)
Management Fee	40,000	40,000	38,177	(1,823)
Equipment Lease	0	23,400	23,400	0
Interest Income	10,500	18,481	16,272	(2,209)
Oil & Gas Royalties & Leases	0	18,961	14,687	(4,274)
Miscellaneous	0	3,000	33,934	30,934
Total Revenues	2,381,730	2,763,417	2,878,413	114,996
Expenditures				
Salaries	1,165,721	1,307,436	938,738	368,698
Group Health	357,500	403,874	328,129	75,745
Workers Comp Insurance	46,000	46,000	32,963	13,037
Pension Expense	72,100	81,088	66,402	14,686
Other Personnel Expenses	4,200	4,525	1,407	3,118
Bureau of Reclamation	0	71,758	71,758	0
Basin Water Management	62,708	62,708	62,708	0
Supplies & Materials	38,000	41,980	30,379	11,601
Canal & Lateral Repairs	163,258	63,237	16,053	47,184
Equipment Repairs	38,000	64,729	52,723	12,006
Building Repairs	15,000	17,511	5,810	11,701
Maintenance	0	28,500	0	28,500
Gas, Oil & Grease	47,250	70,798	61,269	9,529
Weed Control/Herbicide	40,000	40,220	33,378	6,842
Utilities	47,250	161,730	73,354	88,376
Insurance	40,500	40,500	43,871	(3,371)
Contract Labor	2,500	2,500	10,232	(7,732)
Equipment Lease	23,400	23,400	0	23,400
Capital Purchases	309,000	309,000	526,825	(217,825)
Election	2,000	2,000	2,243	(243)
Director Fees	1,500	1,500	1,255	245
Travel & Meetings	5,800	5,948	7,763	(1,815)
Legal Fees	60,000	60,000	84,798	(24,798)
Accounting	30,000	30,000	29,941	59
Office	9,000	9,501	9,983	(482)
Computer Expenses	10,000	10,000	9,007	993
Dues & Publications	6,500	6,500	7,223	(723)
Total Expenditures	\$ 2,597,187	\$ 2,966,943	\$ 2,508,212	\$ 458,731

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, 2019

Excess (Deficiency) of Revenues Over Expenditures	\$	(215,457)	\$	(203,526)	\$	370,201	\$	573,727
Cash Balance Beginning of Year		<u>2,963,475</u>		<u>2,963,475</u>		<u>2,963,475</u>		<u>0</u>
Cash Balance End of Year	\$	<u>2,748,018</u>	\$	<u>2,759,949</u>	\$	<u>3,333,676</u>	\$	<u>573,727</u>

Reconciliation of Budgetary Basis to GAAP Basis

Excess (Deficiency) of Revenues Over Expenditures-Cash Basis	\$	370,201
Net Change in Assessments Receivable		35,002
Net Change in Other Receivables		100
Net Change in Grants Receivable		244,089
Net Change in Prepaid Expenses		77
Net Change in Accounts Payable		(92,398)
Net Change in Accrued Payroll		(15,786)
Net Change in Compensated Absences		(8,566)
Net Change in Unavailable Revenue		<u>(39,532)</u>
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis	\$	<u>493,187</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, 2019

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, 2019

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.

State of New Mexico
Carlsbad Irrigation District
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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, 2019, 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 \$67,047 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. 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. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

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.

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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, 2019, the nonspendable fund balance on the governmental funds balance sheet is \$10,682.

Restricted Fund Balance: At October 31, 2019, the restricted fund balance on the governmental funds balance sheet is made up of \$1,022,679 for the restricted purposes as defined by each fund as described on the Governmental Funds-Balance Sheet.

Pensions

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.

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 10/31/19	Reconciled Balance 10/31/19
CNB (formerly Carlsbad National Bank)			
Carlsbad Irrigation District-Operations	Checking-Non-interest Bearing	\$ 251,162	\$ 251,162
Carlsbad Irrigation District	Checking-Interest Bearing	1,954,086	1,954,086
Carlsbad Irrigation District	Savings-Interest Bearing	845,689	845,689
Carlsbad Irrigation District	Checking-Non-interest Bearing	177,667	129,011
Carlsbad Irrigation District	CD-Interest Bearing	4,290	4,290
Carlsbad Irrigation District *(BOR)	Savings-Interest Bearing	400,000	400,000
Carlsbad Irrigation District	CD-Interest Bearing	800,000	800,000
		<u>4,432,894</u>	<u>\$ 4,384,238</u>
	Less FDIC coverage	(250,000)	
	Amount uninsured	4,182,894	
	50% collateral requirement	2,091,447	
	Pledged securities	2,387,796	
	Over (Under) requirement	<u>\$ 296,349</u>	

*(BOR-Bureau of Reclamation)

The following securities are pledged:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FNMA Pool#MA0641	31417YWB9	\$ 831,536	07/01/37	FHLB Dallas, TX
FHLMC Pool#C91709	3128P73S0	477,946	06/01/33	FHLB Dallas, TX
FNMA Pool#AL4694	3138EMGC9	457,175	02/01/28	FHLB Dallas, TX
FHR 4118 MP	3137AUQN2	621,139	09/15/42	FHLB Dallas, TX
		<u>\$ 2,387,796</u>		

There is \$600 cash on hand.

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

Custodial Credit Risk-Deposits

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 250,000
Collateralized	
Collateral held by the pledging bank in District's name	2,387,796
Uninsured and uncollateralized	1,795,098
Total Deposits	<u>\$ 4,432,894</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, 2019 \$1,795,099 of the District's bank balances of \$4,432,895 were exposed to custodial credit risk.

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B. Capital Assets

	Beginning Balance 10/31/18	Additions	Deletions	Ending Balance 10/31/19
Capital Assets, not being Depreciated				
Land	\$ 2,643,270	\$ 0	\$ 0	\$ 2,643,270
Capital Assets, being Depreciated				
Mineral Rights	2,250,000	0	0	2,250,000
Water Distribution System	22,589,443	107,130	0	22,696,573
Buildings & Improvements	662,782	83,564	0	746,346
Vehicles & Equipment	1,087,899	336,131	(28,534)	1,395,496
Total Capital Assets, being Depreciated	<u>26,590,124</u>	<u>526,825</u>	<u>(28,534)</u>	<u>27,088,415</u>
Less Accumulated Depreciation				
Mineral Rights	105,282	0	0	105,282
Water Distribution System	13,756,864	454,507	0	14,211,371
Buildings & Improvements	215,560	22,993	0	238,553
Vehicles & Equipment	595,345	119,211	(28,534)	686,022
Total Accumulated Depreciation	<u>14,673,051</u>	<u>596,711</u>	<u>(28,534)</u>	<u>15,241,228</u>
	<u>\$ 11,917,073</u>	<u>\$ (69,886)</u>	<u>\$ 0</u>	<u>\$ 11,847,187</u>

Depreciation expense for the year ended October 31, 2019 totaled \$596,711 and is charged to the District's public works function on the Statement of Activities.

C. Compensated Absences

	Beginning Balance 10/31/18	Earned	Used	Ending Balance 10/31/19
Compensated Absences	\$ 20,089	\$ 36,946	\$ 39,275	\$ 17,760

The compensated absences liability are liquidated by the General Fund and \$17,760 is considered a long-term liability.

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IV. Other Information

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.

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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PERA Contribution Rates and Pension Factors in effect during FY18						
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	
STATE PLAN						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
MUNICIPAL PLANS 1 - 4						
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%
MUNICIPAL POLICE PLANS 1 - 5						
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%
MUNICIPAL FIRE PLANS 1 - 5						
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%
MUNICIPAL DETENTION OFFICER PLAN 1						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.						
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%

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

At October 31, 2019, the District reported a liability of \$1,238,825 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. 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, 2018, the District's proportion was 0.0777%, which was an increase of 0.0039% from its proportion measured as of June 30, 2017.

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For the year ended October 31, 2019, the District recognized pension expense of \$133,585. At October 31, 2019, 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	\$ 35,804	\$ 32,525
Net difference between projected and actual earnings on pension plan investments	91,878	0
Changes of assumptions	112,317	7,123
Changes in proportion and differences between the District's contributions and proportionate share of contributions	57,008	15,768
District's contributions subsequent to the measurement date	66,896	0
Total	\$ 363,903	\$ 55,416

\$66,896 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 October 31:	
2019	\$ 139,809
2020	73,019
2021	24,036
2022	4,727
Total	\$ 241,591

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	
Actuarial assumptions:	
(1) Investment rate of return	7.25% annual rate, net of investment expense
(2) Projected benefit payment	100 years
(3) Payroll growth	3.00%
(4) Projected salary increases	3.25% to 13.50% annual rate
(5) Includes inflation at	2.50%, 2.75% all other years

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(6) 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.
(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, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 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%	7.48%
Risk Reduction & Mitigation	21.50%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets	20.00%	6.48%
Total	100.00%	

Discount rate. A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, 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.

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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

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	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
The District's proportionate share of the net pension liability	\$ 1,908,947	\$ 1,238,825	\$ 684,863

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 6, 2020, which is the date the financial statements were available to be issued.

E. Related Party

TNT Refrigeration & A/C, LLC. is owned by the accounts payable specialist's husband. The total amount paid to TNT Refrigeration & A/C, LLC during fiscal year 2019 totaled \$19,129.99. The construction crew supervisor has a side business and did additional work for the District during off hours. The total paid to the side business for fiscal year 2019 totaled \$21,809.52. The administrative assistant son owns Lookout Trucking. The total amount paid during the fiscal year totaled \$2,200. The administrative assistant nephew owns LA Ballard & Sons. The total amount paid during the fiscal year totaled \$2,200. The administrative assistant niece owns Ballard Cook Shack. The total amount paid during the fiscal year totaled \$500.

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*

	2015 2014	2016 2015	2017 2016	2018 2017	2019 2018
District's proportion of the net pension liability.	8.48000%	0.07320%	0.07000%	0.07380%	0.07770%
District's proportionate share of the net pension liability.	\$ 661,531	\$ 746,337	\$ 1,118,365	\$ 1,014,074	\$ 1,238,825
District's covered-employee payroll.	775,054	763,514	829,419	871,135	893,178
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%	138.70%
Plan fiduciary net position as a percentage of the total pension liability.	84.29%	76.99%	61.58%	52.95%	71.13%

**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*

	2015	2016	2017	2018	2019
	June 30,				
Contractually required contribution.	\$ 57,354	\$ 56,500	\$ 61,377	\$ 64,464	\$ 66,896
Contributions in relation to the contractually required contribution.	57,354	56,500	61,377	64,464	66,896
Contribution deficiency (excess).	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
District's covered-employee payroll.	\$ 775,054	\$ 763,514	\$ 829,419	\$ 871,135	\$ 893,178
Contributions as a percentage of covered-employee payroll.	7.40%	7.40%	7.40%	7.40%	7.49%

**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 2018 report is available at 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, 2019

	<u>Special Revenue</u>		
	<u>Seven Rivers Wells</u>	<u>Water Salvage</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 63,129	\$ 4,929	\$ 68,058
Receivables	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$ 63,129</u>	<u>\$ 4,929</u>	<u>\$ 68,058</u>
Liabilities			
Accounts Payables	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Restricted for:			
Well Maintenance and Operations	63,129	0	63,129
Water Salvage Program	<u>0</u>	<u>4,929</u>	<u>4,929</u>
Total Fund Balance	<u>63,129</u>	<u>4,929</u>	<u>68,058</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 63,129</u>	<u>\$ 4,929</u>	<u>\$ 68,058</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, 2019

	<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	1,490	0	1,490
Operating Costs	<u>1,537</u>	<u>0</u>	<u>1,537</u>
Total Expenditures	<u>3,027</u>	<u>0</u>	<u>3,027</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,027)	0	(3,027)
Fund Balances at Beginning of Year	<u>66,156</u>	<u>4,929</u>	<u>71,085</u>
Fund Balance End of Year	<u>\$ 63,129</u>	<u>\$ 4,929</u>	<u>\$ 68,058</u>

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

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. Colón 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, 2019, 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 6, 2020.

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. 2019-001, 2019-002 and 2019-003.

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 2019-004.

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 6, 2020

2019-002 (2018-003) I-9s-Compliance and Internal Control-Significant Deficiency

Condition

Four of the nine I-9's that were reviewed were incomplete or incorrectly completed.

Management has made progress in correcting the above issues from the prior year. The District corrected the I-9's that were tested the prior year, but did not review all I-9's.

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

The District failed to review all 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 the District review of all I-9's and correct as necessary in accordance with I-9 instructions.

Response

All employee files will be reviewed and corrected as needed. The District will put policies and procedures in place to address issues with employee files.

Responsible Party and Timeline

The Accounts Payable Specialist is responsible and the finding has been resolved.

2019-003 Timesheets-Compliance and Internal Control-Significant Deficiency

Condition

Nine of nine non-exempt employee's timesheets tested did not show true and accurate hours worked. They all had 8 or 10 hours written in with no in and out times documented.

Criteria

Recordkeeping Requirements under the Fair Labor Standards Act (FLSA) - Employees on Fixed Schedules: Many employees work on a fixed schedule from which they seldom vary. The employer may keep a record showing the exact schedule of daily and weekly hours and merely indicate that the worker did follow the schedule. When a worker is on a job for a longer or shorter period of time than the schedule shows, the employer must record the number of hours the worker actually worked, on an exception basis.

Cause

Staff does not understand FLSA and therefore doesn't understand why they need to document their actual hours. Also, Supervisors don't realize the consequences of violating the Labor Laws.

Effect

By violating the Fair Labor Standards Act (FLSA), the District may be liable for both back wages and penalties.

Recommendation

The District needs to review non-exempt employee timesheets and determine if they have paid for all hours physically worked and if overtime or compensating time is owed. The time records should record actual hours worked including documentation of in and out times.

Response

The District will review all non-exempt employee timesheets and policies and determine what and if any changes need to be made. Review of the FLSA is in progress and additional resources are being utilized to insure what is best for the District.

Responsible Party and Timeline

Manager is responsible and review will be completed by 07/30/2020.

2019-004 New Hires - Other Non-compliance

Condition

Of 14 new hires during the 2019 fiscal year we reviewed 5 and 3 of the 5 were not submitted timely.

Criteria

Under New Mexico law (§50-13-1 to 50-13-4) and Federal law (42 USC §653.a.(b)(1)(A)), all public, private, non-profit, and government employers are required to report all newly hired employees within 20 days of hire or rehire to the New Mexico New Hires Directory.

Cause

Some New hires forms were mailed in, the bookkeeper was unaware a confirmation was needed in employee file.

Effect

Pursuant to federal law, states have the option of imposing civil monetary penalties on employers who fail to report new hires. The fine can be up to \$20 per newly hired employee, and if there is a conspiracy between the employer and employee not to report, the penalty can be up to \$500 per newly hired employee.

Recommendation

Training and supervision should occur to assure the new hire reporting requirements are met.

Response

New hires are now submitted online and confirmation printed at that time. A New Employee checklist will be used to insure accurate and prompt reporting of all new hires.

Responsible Party and Timeline

Accounts Payable Specialist is responsible and the finding has been resolved.

2019-005 Late Audit Contract - Compliance and Internal Control - Other Matters

Condition

The IPA recommendation and audit contract was not received by the Office of the State Auditor (NMOSA) by the required due date of September 30, 2019. The District did not submit the auditor recommendation to NMOSA until November 12, 2019.

Criteria

2.2.2.8 (F) (8) (g) NMAC requires the contract be received by the Office of the State Auditor from the District 30 days before the end of the fiscal year, September 30, 2019.

Cause

The bookkeeper was unaware of the deadline.

Effect

2.2.2.8 (F) (8) (g) NMAC was violated.

Recommendation

Due dates should be added to a reminder calendar to avoid missed deadlines.

Response

Internal controls have been created to ensure deadlines are met.

Responsible Party and Timeline

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 6, 2020. Those present were, Robert Boatman-Manager, Shirley Talbot-Administrative Assistant, April Travelstead-Accounts Payable Specialist, Starla Sharp-Auditor, and De'Aun Willoughby, CPA.