



State of New Mexico
Carlsbad Irrigation District
Annual Financial Report
October 31, 2015

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
 Carlsbad Irrigation District
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STATE OF NEW MEXICO
Carlsbad Irrigation District
Official Roster
October 31, 2015

<u>Name</u>	<u>Board of Directors</u>	<u>Title</u>
Louise Tracy		President
Gary Walterscheid		Vice President
Charles H. Jurva		Board Member/Director
Coley Burgess		Board Member/Director
Oscar Vasquez		Board Member/ Director

<u>District Officials</u>	
Dale Ballard	Manager
Ron Bailey	Water Master

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Timothy Keller
New Mexico State Auditor
To the President and Board of Directors
Carlsbad Irrigation District
Carlsbad, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparison of the general fund of the Carlsbad Irrigation District ("the District"), as of and for the year ended October 31, 2015, 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 misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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 and each major fund of, Carlsbad Irrigation District, as of October 31, 2015, and the respective changes in financial position 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* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United State of America required Schedules I and II on pages 48 and 49 and notes to the required supplementary information on page 51 to 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements, the combining and individual fund financial statements, and the budgetary comparison. The introductory section, supporting schedules III through V required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section and schedule V have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2016 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.

RPC CPAs + Consultants LLP

RPC CPAs + Consultants LLP
Albuquerque, New Mexico
March 31, 2016

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO

Carlsbad Irrigation District

Statement of Net Position

October 31, 2015

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 757,762
Investments	400,000
Tax assessments receivable	62,390
Prepaid expenses	<u>5,127</u>
Total current assets	<u>1,225,279</u>
Noncurrent assets	
Restricted cash	270,164
Restricted investments	1,000,000
Capital assets	13,289,664
Less: accumulated depreciation	<u>(7,585,523)</u>
Total noncurrent assets	<u>6,974,305</u>
Deferred outflows of resources	
Employer contributions subsequent to the measurement date	<u>57,354</u>
Total deferred outflows of resources	<u>57,354</u>
Total assets and deferred outflows of resources	<u><u>\$ 8,256,938</u></u>

The accompanying notes are an integral part of these financial statements

	Governmental Activities
Liabilities	
Current liabilities	
Accounts payable	\$ 36,653
Accrued payroll expenses	24,171
Accrued compensated absences	<u>19,767</u>
Total current liabilities	<u>80,591</u>
Noncurrent liabilities	
Accrued compensated absences	2,056
Net pension liability	<u>661,531</u>
Total noncurrent liabilities	<u>663,587</u>
Total liabilities	<u>744,178</u>
Deferred inflows of resources	
Change in assumption	448
Net difference between projected and actual investment earnings	<u>258,808</u>
Total deferred inflows of resources	<u>259,256</u>
Net Position	
Net investment in capital assets	5,704,141
Restricted for:	
Special revenue	1,260,575
Unrestricted	<u>288,788</u>
Total net position	<u>7,253,504</u>
Total liabilities, deferred inflows or resources, and net position	<u><u>\$ 8,256,938</u></u>

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STATE OF NEW MEXICO
 Carlsbad Irrigation District
 Statement of Activities
 For the Year Ended October 31, 2015

Exhibit A-2

	Governmental Activities
Expenses:	
Public works	\$ 2,273,408
Total expenses	2,273,408
Program Revenues:	
Licenses and fees	129,560
Federal operating grants	614,046
Total program revenues	743,606
<i>Net program (expense)</i>	<i>(1,529,802)</i>
General Revenues:	
Tax assessments	1,831,065
Oil royalties and lease income	47,691
Investment income	15,232
Miscellaneous income	68,272
Gain on sale of capital assets	10,029
Total general revenues	1,972,289
Change in net position	442,487
Net position, beginning, as previously reported	7,704,205
Restatement (see note 17)	(893,188)
Net position, beginning as restated	6,811,017
Net position, ending	\$ 7,253,504

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Carlsbad Irrigation District

Balance Sheet

Governmental Funds

October 31, 2015

	<u>General Fund</u>	<u>Special Revenue Fund</u>	
	<u>Water Distribution Operations</u>	<u>Water Salvage</u>	<u>Ft. Sumner Dam</u>
<i>Assets</i>			
Cash and cash equivalents	\$ 757,762	\$ 4,929	\$ 55,942
Investments	400,000	-	800,000
Tax assessments receivable	62,390	-	-
Prepaid expenses	5,127	-	-
<i>Total assets</i>	<u>\$ 1,225,279</u>	<u>\$ 4,929</u>	<u>\$ 855,942</u>
<i>Liabilities, deferred inflows and fund balances</i>			
<i>Liabilities</i>			
Accounts payable	\$ 29,946	\$ -	\$ -
Accrued payroll expenses	21,289	-	-
<i>Total liabilities</i>	<u>51,235</u>	<u>-</u>	<u>-</u>
<i>Deferred inflows</i>			
Unavailable revenue	40,940	-	-
<i>Total deferred inflows</i>	<u>40,940</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>			
Nonspendable for prepaid expenses	5,127	-	-
Spendable			
Restricted for:			
Water salvage program maintenance and operation	-	4,929	-
Rehabilitation of radial gates	-	-	855,942
Dam maintenance and operations	-	-	-
Wells maintenance and operation	-	-	-
Unassigned	1,127,977	-	-
<i>Total fund balances</i>	<u>1,133,104</u>	<u>4,929</u>	<u>855,942</u>
<i>Total liabilities, deferred inflows and fund balances</i>	<u>\$ 1,225,279</u>	<u>\$ 4,929</u>	<u>\$ 855,942</u>

The accompanying notes are an integral part of these financial statements

Special Revenue Fund			
Brantley Dam	Seven Rivers Wells	FEMA Disaster Grant	Total
\$ 158,331	\$ 50,962	\$ -	\$ 1,027,926
200,000	-	-	1,400,000
-	-	-	62,390
-	-	-	5,127
<u>\$ 358,331</u>	<u>\$ 50,962</u>	<u>\$ -</u>	<u>\$ 2,495,443</u>
\$ 6,707	\$ -	\$ -	\$ 36,653
2,882	-	-	24,171
<u>9,589</u>	<u>-</u>	<u>-</u>	<u>60,824</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>40,940</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>40,940</u>
-	-	-	5,127
-	-	-	4,929
-	-	-	855,942
348,742	-	-	348,742
-	50,962	-	50,962
-	-	-	1,127,977
<u>348,742</u>	<u>50,962</u>	<u>-</u>	<u>2,393,679</u>
<u>\$ 358,331</u>	<u>\$ 50,962</u>	<u>\$ -</u>	<u>\$ 2,495,443</u>

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STATE OF NEW MEXICO

Carlsbad Irrigation District

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

October 31, 2015

Exhibit B-1

Page 2 of 2

Amounts reported for governmental activities in the statement of net position are different because:

Fund balances - total governmental funds	\$	2,393,679
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		5,704,141
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds		
Deferred outflows of resources related to employer contributions subsequent to the measurement date		57,354
Deferred inflows of resources related to net difference between actual and projected investment earnings on pension plan investments		(258,808)
Deferred inflow of resources related to changes in assumptions		(448)
Tax assessment receivables not collected within sixty days after year end are not considered "available" revenues and are considered to be unavailable revenue in the fund financial statements, but are considered revenue in the Statement of Activities		40,940
Certain liabilities, including the net pension liability and current and long-term portions of accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued compensated absences		(21,823)
Net pension liability		(661,531)
Net position of governmental activities	\$	<u>7,253,504</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Carlsbad Irrigation District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended October 31, 2015

	General Fund	Special Revenue Fund	
	Water		
	Distribution Operations	Water Salvage	Ft. Sumner Dam
<i>Revenues:</i>			
Tax assessments	\$ 1,811,320	\$ -	\$ -
Oil royalties and lease income	47,691	-	-
Licenses and fees	129,560	-	-
Federal operating grants	-	-	-
Investment income	9,600	-	-
Miscellaneous	68,247	-	-
<i>Total revenues</i>	<u>2,066,418</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>			
Current:			
Public works	1,697,113	-	-
<i>Total expenditures</i>	<u>1,697,113</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>369,305</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>			
Proceeds from sale of capital assets	11,500	-	-
Transfers in	187,801	-	-
Transfers (out)	(2,133)	-	(648)
<i>Total other financing sources (uses)</i>	<u>197,168</u>	<u>-</u>	<u>(648)</u>
<i>Net change in fund balance</i>	566,473	-	(648)
<i>Fund balance - beginning of year</i>	<u>566,631</u>	<u>4,929</u>	<u>856,590</u>
<i>Fund balance - end of year</i>	<u>\$ 1,133,104</u>	<u>\$ 4,929</u>	<u>\$ 855,942</u>

The accompanying notes are an integral part of these financial statements

Special Revenue Fund			
Brantley Dam	Seven Rivers Wells	FEMA Disaster Grant	Total
\$ -	\$ -	\$ -	\$ 1,811,320
-	-	-	47,691
-	-	-	129,560
354,316	20,460	239,270	614,046
5,632	-	-	15,232
25	-	-	68,272
<u>359,973</u>	<u>20,460</u>	<u>239,270</u>	<u>2,686,121</u>
<u>277,992</u>	<u>3,568</u>	<u>195,735</u>	<u>2,174,408</u>
<u>277,992</u>	<u>3,568</u>	<u>195,735</u>	<u>2,174,408</u>
<u>81,981</u>	<u>16,892</u>	<u>43,535</u>	<u>511,713</u>
-	-	-	11,500
-	2,133	-	189,934
<u>(138,279)</u>	<u>(5,339)</u>	<u>(43,535)</u>	<u>(189,934)</u>
<u>(138,279)</u>	<u>(3,206)</u>	<u>(43,535)</u>	<u>11,500</u>
(56,298)	13,686	-	523,213
<u>405,040</u>	<u>37,276</u>	<u>-</u>	<u>1,870,466</u>
<u>\$ 348,742</u>	<u>\$ 50,962</u>	<u>\$ -</u>	<u>\$ 2,393,679</u>

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STATE OF NEW MEXICO

Carlsbad Irrigation District

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended October 31, 2015

Exhibit B-2

Page 2 of 2

Amounts reported for governmental activities in the statement of activities
are different because:

Net change in fund balances - total governmental funds	\$	523,213
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Depreciation expense		(128,842)
<p>In the statement of activities, only the <i>gain</i> on sale of capital assets is reported, whereas, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of capital assets sold</p>		
		(1,471)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds:</p>		
Increase in unavailable revenue		19,745
<p>Governmental funds report District pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense</p>		
District pension contributions		57,354
Pension expense		(27,599)
<p>Expenses reported in the statement of activities that do require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:</p>		
Decrease in accrued compensated absences		87
Change in net position of governmental activities	\$	442,487

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO

Exhibit C-1

Carlsbad Irrigation District
 Water Distribution Operations General Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget (Modified Accrual Basis) and Actual
 For the Year Ended October 31, 2015

	Budget Amounts		Actual	Variances
	Original	Final	(Modified Accrual Basis)	Favorable (Unfavorable)
<i>Revenues</i>				
Tax assessments	\$ 1,838,460	\$ 1,839,242	\$ 1,811,320	\$ (27,922)
Oil royalties and lease income	47,700	46,003	47,691	1,688
Licenses and fees	43,000	118,910	129,560	10,650
Investment income	300	354	9,600	9,246
Miscellaneous	1,200	56,613	68,247	11,634
<i>Total revenues</i>	<u>1,930,660</u>	<u>2,061,122</u>	<u>2,066,418</u>	<u>(27,922)</u>
<i>Expenditures</i>				
Current:				
Public works	1,921,686	1,929,853	1,697,113	232,740
<i>Total expenditures</i>	<u>1,921,686</u>	<u>1,929,853</u>	<u>1,697,113</u>	<u>232,740</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>8,974</u>	<u>131,269</u>	<u>369,305</u>	<u>204,818</u>
<i>Other financing sources (uses)</i>				
Designated cash	(12,974)	(153,691)	-	(153,691)
Proceeds from sale of capital assets	4,000	22,422	11,500	(10,922)
Transfers in	-	-	187,801	187,801
Transfers out	-	-	(2,133)	(2,133)
<i>Total other financing sources</i>	<u>(8,974)</u>	<u>(131,269)</u>	<u>197,168</u>	<u>21,055</u>
<i>Net change in fund balances</i>	-	-	566,473	566,473
<i>Fund balance beginning</i>	-	-	566,631	566,631
<i>Fund balance ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,133,104</u>	<u>\$ 1,133,104</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Carlsbad Irrigation District
Notes to Financial Statements
October 31, 2015

NOTE 1. Summary of Significant Accounting Policies

Carlsbad Irrigation District (the “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 Sumner, 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 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.

New Accounting Standards Adopted. During the year ended October 31, 2015, the District adopted GASB Statements No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* (“GASB 68”), and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* (“GASB 71”). These two Statements are required to be implemented at the same time. GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governments through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit plan, plan assets are also legally protected from creditors of the plan members.

GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. As a result of the implementation of GASB 68, the government recognized a net pension liability (“NPL”) measured as of a date no later than the end of its prior fiscal year. If the government employer makes a contribution to the pension plan subsequent to the measurement date but prior to the end of the current fiscal year, GASB 68 requires the government to recognize that contribution as a deferred outflow of resources. In addition, GASB 68 requires the recognition of deferred outflows of resources and deferred inflows of resources for changes in the NPL that arise from other types of events, but does not require the government to recognize beginning deferred outflows of resources or deferred inflows of resources if the amounts are not practical to estimate. At transition to Statement 68, Statement 71 requires the employer or nonemployer contributing entity to recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability but before the start of the government’s fiscal year, thus avoiding possible understatement of an employer or nonemployer contributing entity’s beginning net position and expense in the initial period of implementation.

This pronouncement has materially impacted the financial statements and additional disclosures are included in the notes to the financial statements to highlight the effects.

STATE OF NEW MEXICO
Carlsbad Irrigation District
Notes to Financial Statements
October 31, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the District has no component units, and is not a component unit of another governmental agency.

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 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 Financial Statements
October 31, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements (continued)

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 statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions should be recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from non-exchange transactions should be recognized when the related purpose restriction, eligibility requirement or time requirement is met in accordance with GASB 33 and GASB 65. Tax assessments are recognized as revenues in the year for which they are levied. Federal operating and capital grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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.

Tax assessments are levied in November based on the landowner's water righted acres as contained in the landowner's property deed records. The 1st half of the bill is due by January 1st and the 2nd half of the bill is due by July 1st of each year. 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.

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.

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.

STATE OF NEW MEXICO
Carlsbad Irrigation District
Notes to Financial Statements
October 31, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

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 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 *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)

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. (NMSA 73-10-1)

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 *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 *FEMA Disaster Grant Fund* accounts for the grant proceeds and expenditures provided by the United States Department of Homeland Security's Federal Emergency Manager Agency. The objectives of the program is to prove assistance to the District pursuant to a presidential declaration of a major disaster. The grant agreement and fund is authorized by congressional finding and declaration 42 USC 5121 *et seq.*

STATE OF NEW MEXICO
Carlsbad Irrigation District
Notes to Financial Statements
October 31, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

C. *Measurement focus, basis of accounting, and financial statement presentation (continued)*

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.

D. *Assets, Liabilities and Net Position or Equity*

Deposits 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.

State statutes authorize the District to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the District are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The only investments of the District are Certificates of Deposit which have original maturity dates that exceed three months from the date of acquisition and total \$1,400,000 at October 31, 2015.

Receivables and Payables: Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

STATE OF NEW MEXICO
 Carlsbad Irrigation District
 Notes to Financial Statements
 October 31, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position or Equity (continued)

Prepaid Items: 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.

Restricted Assets: Restricted assets consist of those funds restricted by the Bureau of Reclamation for federal projects associated with the repair and replacement of Radial Gates at the Ft Sumner Dam and for the operation and maintenance of the Brantley Dam. Restricted cash and investments total \$270,164 and \$1,000,000 respectively at October 31, 2015.

Capital Assets: Capital assets, which include property, plant, equipment, mineral rights, and water irrigation systems (e.g. dams, canals, diversions, laterals, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Because the District is a phase III government for purposes of implementing GASB 34, it is not required to retroactively report its major general infrastructure assets. However, it must report all infrastructure assets purchased or built after July 1, 2003. Donated capital assets are recorded at estimated fair market value at the date of donation. The District does not develop any software.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Machinery and equipment	5-10
Water distribution system	25-50

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

Accrued Expenses: Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through October 31, 2015, along with any applicable employer related expenses including FICA, Medicare, and retirement expenses.

Unearned Revenues and Unavailable Revenues:

- *Unearned revenue-* Under both the accrual and the modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability called unearned revenue.
- *Unavailable revenue-* Under the modified accrual basis of accounting, revenue must also be susceptible to accrual (it must be both measureable 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 \$40,940 related to tax assessments considered unavailable.

STATE OF NEW MEXICO
Carlsbad Irrigation District
Notes to Financial Statements
October 31, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position or Equity (continued)

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.

The liability for these compensated absences is recorded in the government-wide statements. A liability for compensated absences is reported in the governmental fund financial statements only if they have matured. In the fund financial statements, governmental funds anticipate that none of the liability will be liquidated with expendable available financial resources; therefore, none of the liability is reported.

Long-term Obligations: In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. For bonds issued after the District implemented GASB 34, bond premiums and discounts, are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. The District had no bonds outstanding as of October 31, 2015.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows 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, deferred outflows of resources, 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 only one type of item that qualifies for reporting in this category. Accordingly, the item, contributions subsequent to the measurement date, is reported in the Statement of Net Position. This amount is deferred and recognized as a direct reduction of the net pension liability during the next reporting period. The District has recorded \$57,354 related to contributions subsequent to the measurement date.

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, deferred inflows of resources, 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. The District has two types of items considered to be deferred inflows of resources, both of which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the items, net difference between expected and actual investment earnings and change in assumptions, are reported on the Statement of Net Position. These amounts are deferred and amortized into pension expense in future reporting periods. The District has recorded \$448 related to change in assumptions and \$258,808 related to the net difference between expected and actual investment earnings.

STATE OF NEW MEXICO
Carlsbad Irrigation District
Notes to Financial Statements
October 31, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position or Equity (continued)

Net Position or Fund Equity

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 Governing Body 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.

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 Governing Body permit general unassigned funds be spent to meet a specific fund's objectives.

Restricted Fund Balance: At October 31, 2015, the restricted fund balance on the governmental funds balance sheet is made up of \$1,260,575 for the restricted purposes as defined by each fund as described on page 31.

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets
Net position invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position:
Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position:
All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Interfund Transactions: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the District's financial statements include management's estimate of depreciation on assets over their estimated useful lives, accrued compensated absences, and the allowance for uncollectible accounts. Amortization of mineral rights are based on depletion of oil and gas reserves and is estimated to be 15% of oil and gas royalties received in a given fiscal year.

STATE OF NEW MEXICO
Carlsbad Irrigation District
Notes to Financial Statements
October 31, 2015

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

Governmental – Special Revenue Funds

The District, with assistance from the Bureau of Reclamation, will prepare budget or master work schedules and detailed work schedules that must be approved by the Bureau. These schedules will cover the following items:

- Master work schedules will, on a continuing basis, cover three (3) full years and show by fiscal years (November through October) each Project's facilities that are to be operated and maintained by the District and the total estimated costs by feature. The master work schedule will be updated and submitted to the Bureau by May 1st of each year for the upcoming three (3) years for all work covered under the cooperative agreement.
- The detailed quarterly work schedules will identify each Project's facilities that are to be operated and maintained by the District using Bureau funds, with a detailed description of work to be performed; equipment, materials and supplies to be purchased; and funds required during each month of the quarter.
- The master work schedule and detailed quarterly work schedules shall be prepared in advance of the proposed operation and maintenance work to permit review and approval by the Bureau of the proposed program. The District will not be obligated to do any of the proposed work until the Bureau has approved the master work schedule and the applicable quarterly work schedule, and funds are made available to the District.

The District does not prepare budgets for the special revenue funds other than the budgets on the quarterly work schedules. 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. In addition the District does not prepare or authorize a budget for the FEMA Disaster Grant Special Revenue fund as the budget is adopted on one-time project basis that is approved by FEMA. The inclusion of the budgets in the audit report would be misleading to the financial statements of the District for the year ended October 31, 2015.

General Fund-Budget

The District prepares an annual operating budget for its water operations fund (general fund), and the Board of Directors approves the budget. The budget is not submitted to any other agency for approval. The budget is adopted for the general fund on the modified accrual basis of accounting which is the same basis of accounting used to record revenues and expenditures for the governmental fund financial statements.

Formal budgetary integration is employed as a management control device during the year for the general fund. The budget secures appropriations for only one year. Line items within the budget may be over-expended; however, it is not legally permissible to over-expend the budget in total at the fund level. The budgets secure appropriations for only one year. All annual appropriations lapse at fiscal year end. Budgeted amounts are as originally adopted, or as amended by the District's Board of Directors.

The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Modified Accrual) and Actual presents comparisons of the legally adopted budget with actual data on the modified accrual basis.

STATE OF NEW MEXICO
 Carlsbad Irrigation District
 Notes to Financial Statements
 October 31, 2015

NOTE 3. Deposits and Investments

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of October 31, 2015.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or are collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit. Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

The collateral pledged is listed on Schedule IV in this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

By operation of federal law, beginning January 1, 2013, funds deposited in a noninterest-bearing transaction account no longer will receive unlimited deposit insurance coverage by the Federal Deposit Insurance Corporation (FDIC). Beginning January 1, 2013, all of the District's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000.

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, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At October 31, 2015, \$2,179,883 of the District's bank balances of \$2,429,883 was exposed to custodial credit risk. \$2,179,883 was uninsured and collateralized by securities held by the pledging bank's trust department, not in the District's name and none was uninsured and uncollateralized.

	Carlsbad National Bank
Amount of deposits	\$ 2,429,883
FDIC Coverage	(250,000)
Total uninsured public funds	2,179,883
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name	2,179,883
Uninsured and uncollateralized	\$ -
Collateral requirement (50% of uninsured funds)	\$ 1,089,942
Pledged collateral	2,573,517
Over (under) collateralized	\$ 1,483,576

STATE OF NEW MEXICO
 Carlsbad Irrigation District
 Notes to Financial Statements
 October 31, 2015

NOTE 3. Deposits and Investments (continued)

The collateral pledged is listed on Schedule IV in this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

Reconciliation to the Statement of Net Position

Unrestricted cash and cash equivalents per Exhibit A-1	\$	757,762
Restricted cash per Exhibit A-1		270,164
Investments per Exhibit A-1		400,000
Restricted investments per Exhibit A-1		1,000,000
Plus: Outstanding checks		2,795
Less: deposits in transit		(238)
Less: petty cash		(600)
		(600)
Bank balance of deposits	\$	2,429,883

NOTE 4. Receivables

The District's receivables as of October 31, 2015 are as follows:

	Governmental	
	Funds	
Tax assessments receivable	\$	62,390

The District has recorded \$40,940 related to tax assessments considered unavailable as a deferred inflow as of October 31, 2015.

NOTE 5. Interfund Transfers

Transfers have primarily been recorded to supplement funding sources in the normal course of operations and to close out funds for projects completed during the year. Transfers were recorded during the year ended October 31, 2015 as follows:

Transfers Out	Transfers in	Amount
Water Distribution Operation	Seven Rivers Wells Special Revenue Fund	\$ 2,133
Ft. Sumner Dam Special Revenue Fund	Water Distribution Operation	648
Brantley Dam Special Revenue Fund	Water Distribution Operation	138,279
Seven Rivers Wells Special Revenue Fund	Water Distribution Operation	5,339
FEMA Disaster Grant Special Revenue Fund	Water Distribution Operation	43,535
	Total	\$ 189,934

STATE OF NEW MEXICO
 Carlsbad Irrigation District
 Notes to Financial Statements
 October 31, 2015

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended October 31, 2015. Land is not subject to depreciation.

	Balance, October 31, 2014	Additions	Deletions	Balance, October 31, 2015
Capital assets not being depreciated:				
Land	\$ 2,643,283	\$ -	\$ 13	\$ 2,643,270
Capital assets being depreciated:				
Mineral rights	2,250,000	-	-	2,250,000
Buildings and improvements	394,819	-	-	394,819
Machinery and equipment	417,432	-	5,300	412,132
Water distribution system	7,589,443	-	-	7,589,443
Total capital assets being depreciated	10,651,694	-	5,300	10,646,394
Total capital assets	13,294,977	-	5,313	13,289,664
Less accumulated depreciation:				
Mineral rights	-	5,654	-	5,654
Buildings and improvements	86,737	9,871	-	96,608
Machinery and equipment	369,875	18,009	3,842	384,042
Water distribution system	7,003,911	95,308	-	7,099,219
Total accumulated depreciation	7,460,523	128,842	3,842	7,585,523
Total capital assets, net of depreciation	\$ 5,834,454	\$ (128,842)	\$ 1,471	\$ 5,704,141

Depreciation expense for the year ended October 31, 2015 totaled \$128,842 and is charged to the District's public works function on the statement of activities

STATE OF NEW MEXICO
 Carlsbad Irrigation District
 Notes to Financial Statements
 October 31, 2015

NOTE 7. Long-term Debt

During the year ended October 31, 2015, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance, October 31, 2014	Additions	Retirements	Balance, October 31, 2015	Due Within One Year
Compensated absences	\$ 21,910	\$ 43,818	\$ 43,905	\$ 21,823	\$ 19,767

In prior years, compensated absences have been liquidated out of the Water Distribution Operations fund (general fund).

NOTE 8. Deficit Fund Balance and Budget Noncompliance

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds. There were no deficit fund balances as of October 31, 2015.
- B. Actual expenditures in excess of amount budgeted at the budgetary authority level. Budgetary legal level of controls is at the fund level. There were no funds that exceeded approved budgetary authority for the year ended October 31, 2015.
- C. Designated cash appropriations in excess of available balances. There were no funds in which the designated cash appropriations were in excess of available balances for the year ended October 31, 2015.

NOTE 9. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN

General Information about the Pension Plan

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

STATE OF NEW MEXICO
 Carlsbad Irrigation District
 Notes to Financial Statements
 October 31, 2015

NOTE 9. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The District's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Municipal General Division. At October 31, 2015, the District reported a liability of \$661,531 for its proportionate share of the net pension liability. At June 30, 2014, the District's proportion was 0.0848 percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended October 31, 2015, the District recognized PERA Fund Municipal General Division pension expense of \$27,599. At October 31, 2015, the District reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 448
Net difference between projected and actual earnings on pension plan investments	-	258,808
Carlsbad Irrigation District's contributions subsequent to the measurement date	57,354	-
Total	<u>\$ 57,354</u>	<u>\$ 259,256</u>

STATE OF NEW MEXICO
 Carlsbad Irrigation District
 Notes to Financial Statements
 October 31, 2015

NOTE 9. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN (Continued)

\$57,354 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended October 31, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (64,814)
2017	(64,814)
2018	(64,814)
2019	(64,814)
2020	-
Thereafter	-

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the PERA for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.75% annual rate, net of investment expense
Payroll growth	3.50% annual rate
Projected salary increases	3.50 to 14.25% annual rate
Includes inflation at	3.00% annual rate

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

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.10%	5.00%
International Equity	24.80	5.20
Private Equity	7.00	8.20
Core and Global Fixed Income	26.10	1.85
Fixed Income Plus Sectors	5.00	4.80
Real Estate	5.00	5.30
Real Assets	7.00	5.70
Absolute Return	4.00	4.15
Total	100.00%	

STATE OF NEW MEXICO
 Carlsbad Irrigation District
 Notes to Financial Statements
 October 31, 2015

NOTE 9. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN (Continued)

Discount rate: The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the District's net pension liability in each PERA Fund Division that the District's participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

PERA Fund Municipal General Division	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Carlsbad Irrigation District's proportionate share of the net pension liability	\$ 1,247,135	\$ 661,531	\$ 209,124

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan. There were no amounts owed to PERA at October 31, 2015. Contractually required contributions are remitted to PERA monthly for the previous month's withholdings. Accrued payroll includes the employer's portion of retirement contributions related to employee services rendered as of October 31, 2015 but paid in November 2015.

NOTE 10. Post-Employment Benefit – State Retiree Health Care Plan

Carlsbad Irrigation District did not participate in the Retiree Health Care Plan provided under the Retiree Health Care Act (10-7c-1 to 10-tc-17, NMSA 1978) during the year ended October 31, 2015.

NOTE 11. Contingent Liabilities

The District is party to various claims and lawsuits in the normal course of business. The District is unaware of any material pending or threatened litigation, claims or assessments against the District which are not covered by the District's insurance.

STATE OF NEW MEXICO
 Carlsbad Irrigation District
 Notes to Financial Statements
 October 31, 2015

NOTE 12. Federal and State Grants

In the normal course of operations, the District receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not expected to be material. Federal programs are subject to a single audit in the event total expenditures exceed \$500,000. Total federal expenditures during the year ended October 31, 2015 were as follows:

	<u>Federal Expenditures</u>
Brantley Dam Special Revenue Fund	\$ 277,992
Seven Rivers Wells Special Revenue Fund	3,568
FEMA Disaster Grant Special Revenue Fund	<u>195,735</u>
 Total federal expenditures	 <u><u>\$ 477,295</u></u>

NOTE 13. Concentrations

Approximately 67% of the District’s revenues are derived from tax assessments to landowners. Reduction or interruption of these revenue sources is not expected. The District also depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the District is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and federal and State appropriations.

NOTE 14. Subsequent Pronouncements

In February 2015, GASB Statement No. 72 Fair Value Measurement and Application, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The District will implement this standard during the fiscal year ended June 30, 2016. The District is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 73 Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. This pronouncement will not effect the District’s financial statements.

In June 2015, GASB Statement No. 76 The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The District will implement this standard during the fiscal year ended June 30, 2016. The District expects the pronouncement to have a material effect on the financial statements.

NOTE 15. Restricted Net Position

The government-wide statement of net position reports \$1,260,575 of restricted net position, all of which is restricted by enabling legislation referred to in the special revenue fund descriptions on page 31.

STATE OF NEW MEXICO
Carlsbad Irrigation District
Notes to Financial Statements
October 31, 2015

NOTE 16. Risk Management

The District is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions and natural disasters. The District participates in the New Mexico Self-Insurers' Fund risk pool.

The District has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the District which exceeds the insurance coverage, the District would not be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverages have not changed significantly from prior years and coverages are expected to be continued.

At October 31, 2015, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the Carlsbad Irrigation District.

New Mexico Self-Insurers' Fund has not provided information on an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year.

NOTE 17. Net Position Restatement

The District has recorded a prior period adjustment in the amount of \$(956,177) to record the beginning balance of the net pension liability and a prior period adjustment of \$62,989 to record a beginning deferred outflow for employer contributions after the beginning measurement date of June 30, 2013 but before July 1, 2014. These adjustments were required for implementation of GASBS 68 and GASBS 71. Total beginning net position was restated by (\$893,188).

NOTE 18. Subsequent Events

The date to which events occurring after October 31, 2015, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statement or disclosures is March 31, 2016, which is the date on which the financial statements were issued.

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REQUIRED SUPPLEMENTARY INFORMATION

CARLSBAD IRRIGATION DISTRICT
 Schedule of Proportionate Share of the Net Pension Liability of PERA Division
 Public Employees Retirement Association (PERA) Plan
 Municipal General Division
 Last 10 Fiscal Years*

Schedule I

	2015 Measurement Date (As of and for the year ended <u>June 30, 2014</u>)
Carlsbad Irrigation District's proportion of the net pension liability	0.0848%
Carlsbad Irrigation District's proportionate share of the net pension liability	\$ 661,531
Carlsbad Irrigation District's covered-employee payroll	\$ 913,908
Carlsbad Irrigation District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.38%
Plan fiduciary net position as a percentage of the total pension liability	81.29%

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

See independent auditors' report
 See notes to required supplementary information

CARLSBAD IRRIGATION DISTRICT
 Schedule of Contributions
 Public Employees Retirement Association (PERA) Plan
 Municipal General Division
 Last 10 Fiscal Years*

Schedule II

	As of and for the year ended <u>October 31, 2015</u>
Contractually required contribution	\$ 57,354
Contributions in relation to the contractually required contribution	<u>57,354</u>
Contribution deficiency (excess)	<u>\$ -</u>
Carlsbad Irrigation District's covered-employee payroll	\$ 774,466
Contributions as a percentage of covered-employee payroll	7.41%

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

See independent auditors' report
 See notes to required supplementary information

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CARLSBAD IRRIGATION DISTRICT
Notes to Required Supplementary Information
For the Year Ended October 31, 2015

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at: http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Changes of assumptions. Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2014 report is available at:
http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf.

The summary of Key Findings for the PERA Fund (on page 2 of the report) states “based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

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SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 Carlsbad Irrigation District
 Schedule of Deposit and Investment Accounts
 October 31, 2015

Schedule III

Bank Account Type/Name	Deposits
	Carlsbad National Bank
O & M Checking - Noninterest Bearing	\$ 24,960
Money Management Checking - Interest Bearing	538,253
Oil & Gas Savings - Interest Bearing	196,319
E-Account Checking - Noninterest Bearing (CID Traveling Debit Card)	188
BOR Savings - Interest Bearing	270,163
CD - BOR	200,000
CD - BOR	800,000
CD - Oil and Gas	400,000
	2,429,883
Total on deposit	2,429,883
Reconciling items	(2,557)
	(2,557)
Reconciled balance	\$ 2,427,326
	2,427,326
Petty cash	600
Total deposits and investments	\$ 2,427,926
	2,427,926
Total unrestricted cash and cash equivalents per exhibit A-1	\$ 757,762
Total restricted cash per exhibit A-1	270,164
Total unrestricted investments per exhibit A-1	400,000
Total restricted investments per exhibit A-1	1,000,000
	1,727,926
Total deposits and investments	\$ 2,427,926
	2,427,926

See accompanying independent auditors' report

STATE OF NEW MEXICO
 Carlsbad Irrigation District
 Schedule of Collateral Pledged By Depository
 For Public Funds
 October 31, 2015

Schedule IV

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at October 31, 2015	Location of Safekeeper
Carlsbad National Bank					
	Repo 6601643	10/16/2039	38377QSW8	\$ 859,240	Federal Home Loan Bank Dallas, TX
	Repo 6601644	1/1/2021	31417YVW4	1,014,388	Federal Home Loan Bank Dallas, TX
	Repo 6814472	10/16/2039	38377QSW8	699,889	Federal Home Loan Bank Dallas, TX
	Total Carlsbad National Bank			<u>2,573,517</u>	
	Total Pledged Collateral			<u>\$ 2,573,517</u>	

See accompanying independent auditors' report

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STATE OF NEW MEXICO

Schedule V

Carlsbad Irrigation District

Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)

For the Year Ended October 31, 2015

Prepared by: Carlsbad Irrigation District

Title: Accounts Payable Coordinator

Date: October 31, 2015

<u>RFP#/ RFB#</u>	<u>Type of Procurement</u>	<u>Awarded Vendor</u>	<u>\$ Amount of Awarded Contract</u>	<u>\$ Amount of Amended Contract</u>	<u>Name and Physical Address per the Procurement Documentation, of <u>ALL</u> Vendors that Responded</u>	<u>In-State/Out-of- State Vendor (Y or N) (Based on Statutory Definition)</u>	<u>Was the Vendor In- State and Chose Veteran's Preference (Y or N) For Federal Funds Answer N/A</u>	<u>Brief Description of the Scope of Work</u>
None								

See independent auditors' report

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COMPLIANCE SECTION

**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 AUDITORS' REPORT

Timothy Keller
New Mexico State Auditor
To the President and Board of Directors
Carlsbad Irrigation District
Carlsbad, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the budgetary comparison of the general fund of the Carlsbad Irrigation District (the "District"), as of and for the year ended October 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 31, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph 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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 instances 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 FS 2015-001 and FS 2015-002.

District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's 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 result 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.

RPC CPAs + Consultants LLP

RPC CPAs + Consultants LLP
Albuquerque, New Mexico
March 31, 2016

STATE OF NEW MEXICO
Carlsbad Irrigation District
Schedule of Findings and Responses
October 31, 2015

Section I – Summary of Auditors’ Results

Financial Statements:

- | | |
|----------------------------------------------------------------------------------|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 1. Internal control over financial reporting: | |
| a. Material weaknesses identified? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements noted? | None noted |

Section II – Financial Statement Findings and Responses

A. Financial Statement Findings

FS 2015-001 Payroll Register Review and Approval Not Evidenced-(finding that does not rise to the level of significant deficiency)

Condition: During our testwork of internal controls surrounding the payroll approval processes we noted 1 instance out of 5 tested in which there was no evidence the payroll register was reviewed and approved. The gross pay associated with the employee selected for testing was \$965.60.

Criteria: Good accounting practices require management to evidence their reviews and approvals through initial or sign-off.

Effect: The actual outcome was that the external auditors were unable to determine a control activity occurred. The potential outcome is that unauthorized pay could occur in the absence of review and approvals.

Cause: It could not be determine why approval was not evidenced whether the General Manager forgot to sign-off or if review did not occur.

Auditors' Recommendation: We recommend the District be more diligent in ensuring controls are evidenced through proper sign-off or initials.

Agency's Response: We concur with the finding. We will ensure proper sign-offs are present to ensure controls activities are evidenced for external audit verification purposes. The manager has been designated as responsible for ensuring corrective action with respect to this finding and corrective action has occurred as of the date of this report.

Section II – Financial Statement Findings and Responses (continued)

A. Financial Statement Findings

FS 2015-002 Oil & Gas Savings Account Not Reconciled – (finding that does not rise to the level of significant deficiency)

Condition: During our testwork of cash we noted the Oil & Gas Savings –Interest bearing bank account was not reconciled as of October 31, 2015. The bank statement balance was \$196,318, but the general ledger balance was \$198,277 a difference of \$1,959.

Criteria: Good accounting practices require timely and accurate bank reconciliations to be prepared.

Effect: The general ledger balance could be overstated by \$1,959. The potential outcome is that fraud or unauthorized disbursements could not be detected in the absence of timely and accurate reconciliations.

Cause: It appeared this specific bank account was last reconciled on July 31, 2015. There were transactions after July 31, 2015 and October 31, 2015 that have not incorporated into the reconciliation.

Auditors' Recommendation: We recommend the District ensure bank reconciliations for all bank accounts are prepared no later than the 30 days after the end of the preceding month and that reconciling items are researched and resolved.

Agency's Response: We concur with the finding and will ensure bank reconciliations are timely and accurately completed. The Administrative Services Director has been designated as responsible for correction action with respect to this finding and corrective action has occurred as of the date of this report.

STATE OF NEW MEXICO
Carlsbad Irrigation District
Schedule of Findings and Responses
October 31, 2015

Section III – Schedule of Prior Year Audit Findings

FS 2014-001	Phantom Revenues and Expenditures Recorded	Resolved
FS 2014-002	CID Property Management L.L.C-Unbilled Amounts, Noncompliance with Contract	Resolved
FS 2014-003	Inadequate Monitoring of Collateral	Resolved

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STATE OF NEW MEXICO
Carlsbad Irrigation District
Other Disclosures
October 31, 2015

Exit Conference

An exit conference was held on March 29, 2016. In attendance were the following:

Representing Carlsbad Irrigation District:

Louise Tracey	President
Dale Ballard	Manager
Shirley Talbot	Accounts Payable Specialist

Representing Accounting & Consulting Group, LLP:

Cindy Bryan	Partner
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Auditor Prepared Financial Statements

RPC CPAs + Consultants LLP prepared the GAAP-basis financial statements and footnotes of Carlsbad Irrigation District from the original books and records provided to them by the management of the District. The responsibility for the financial statements remains with the District.