



State of
New Mexico
Carlsbad Irrigation
District

Annual Financial Report
October 31, 2016

(This page intentionally left blank.)

INTRODUCTORY SECTION

(This page intentionally left blank.)

STATE OF NEW MEXICO
 Carlsbad Irrigation District
 Table of Contents
 October 31, 2016

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Table of Contents		5
Official Roster		7
FINANCIAL SECTION		
Independent Auditors' Report		10-12
BASIC FINANCIAL SECTION		
Government-Wide Financial Statements		
Statement of Net Position	A-1	14-15
Statement of Activities	A-2	17
Fund Financial Statements		
Balance Sheet – Governmental Funds	B-1	18-19
Reconciliation of the Balance Sheet to the Statement of Net Position		21
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	B-2	22-23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities		25
Statement of Revenues, Expenditures, and Changes in Fund Balances Water Distribution Operations General Fund Budget (Modified Accrual Basis) and Actual	C-1	27
Notes to Financial Statements		28-47
	<u>Schedule</u>	
REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of Proportionate Share of Net Pension Liability of PERA Division	I	50
Schedule of Contributions	II	51
Notes to Required Supplementary Information		53
SUPPLEMENTARY INFORMATION		
Schedule of Deposit and Investment Accounts	III	56
Schedule of Collateral Pledged By Depository for Public Funds	IV	57
Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)	V	58-59
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 <i>Government Auditing Standards</i>		62-63
Schedule of Findings and Responses	VI	64
OTHER DISCLOSURES		
		65

(This page intentionally left blank.)

STATE OF NEW MEXICO
Carlsbad Irrigation District
Official Roster
October 31, 2016

<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
Guadalupe Carrasco		Board Member/ Director

	<u>District Officials</u>	
Dale Ballard		Manager
Dane Williams		Water Master

(This page intentionally left blank.)

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, 2016, 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, 2016, 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 50 and 51 and notes to the required supplementary information on page 53 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 financial statements that collectively comprise the District's basic 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 February 28, 2017 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
February 28, 2017

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO

Carlsbad Irrigation District

Statement of Net Position

October 31, 2016

	Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 824,520
Investments	400,000
Tax assessments receivable	146,594
Prepaid expenses	4,605
	<hr/>
<i>Total current assets</i>	1,375,719
	<hr/>
Noncurrent assets	
Restricted cash	323,897
Restricted investments	1,000,000
Capital assets	13,697,713
Less: accumulated depreciation	(7,685,748)
	<hr/>
<i>Total noncurrent assets</i>	7,335,862
	<hr/>
Deferred outflows of resources	
Employer contributions subsequent to the measurement date	56,500
	<hr/>
<i>Total deferred outflows of resources</i>	56,500
	<hr/>
<i>Total assets and deferred outflows of resources</i>	\$ 8,768,081
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

	Governmental Activities
Liabilities	
Current liabilities	
Accounts payable	\$ 25,290
Accrued payroll expenses	28,348
Accrued compensated absences	16,806
	<hr/>
<i>Total current liabilities</i>	70,444
	<hr/>
Noncurrent liabilities	
Accrued compensated absences	1,740
Net pension liability	746,337
	<hr/>
<i>Total noncurrent liabilities</i>	748,077
	<hr/>
<i>Total liabilities</i>	818,521
	<hr/>
Deferred inflows of resources	
Change of assumptions	291
Difference between expected and actual experience	16,532
Changes in proportion	69,099
Net difference between projected and actual investment earnings	2,361
	<hr/>
<i>Total deferred inflows of resources</i>	88,283
	<hr/>
Net position	
Net investment in capital assets	6,011,965
Restricted for:	
Special revenue	1,317,923
Unrestricted	531,389
	<hr/>
<i>Total net position</i>	7,861,277
	<hr/>
<i>Total liabilities, deferred inflows or resources, and net position</i>	\$ 8,768,081
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

(This page intentionally left blank.)

STATE OF NEW MEXICO
 Carlsbad Irrigation District
 Statement of Activities
 For the Year Ended October 31, 2016

Exhibit A-2

	Governmental Activities
Expenses	
Public works	\$ 2,123,288
<i>Total expenses</i>	<i>2,123,288</i>
Program revenues	
Licenses and fees	214,002
Federal operating grants	411,776
<i>Total program revenues</i>	<i>625,778</i>
<i>Net program (expense)</i>	<i>(1,497,510)</i>
General revenues	
Tax assessments	2,064,895
Oil royalties and lease income	12,471
Investment income	18,961
Miscellaneous income	8,956
<i>Total general revenues</i>	<i>2,105,283</i>
Change in net position	607,773
Net position, beginning	7,253,504
<i>Net position, ending</i>	<i>\$ 7,861,277</i>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 Carlsbad Irrigation District
 Balance Sheet
 Governmental Funds
 October 31, 2016

	General Fund	Special Revenue Fund
	Water Distribution	Water Salvage
	Operations	
Assets		
Cash and cash equivalents	\$ 824,520	\$ 4,929
Investments	400,000	-
Tax assessments receivable	146,594	-
Prepaid expenses	4,605	-
	<u>1,375,719</u>	<u>4,929</u>
<i>Total assets</i>	<u>\$ 1,375,719</u>	<u>\$ 4,929</u>
Liabilities, deferred inflows and fund balances		
<i>Liabilities</i>		
Accounts payable	\$ 22,601	\$ -
Accrued payroll expenses	25,063	-
	<u>47,664</u>	<u>-</u>
<i>Total liabilities</i>	<u>47,664</u>	<u>-</u>
<i>Deferred inflows</i>		
Unavailable revenue	75,322	-
	<u>75,322</u>	<u>-</u>
<i>Total deferred inflows</i>	<u>75,322</u>	<u>-</u>
<i>Fund balances</i>		
Nonspendable for prepaid expenses	4,605	-
Spendable		
Restricted for:		
Water salvage program maintenance and operation	-	4,929
Rehabilitation of radial gates	-	-
Dam maintenance and operations	-	-
Wells maintenance and operation	-	-
Unassigned	1,248,128	-
	<u>1,252,733</u>	<u>4,929</u>
<i>Total fund balances</i>	<u>1,252,733</u>	<u>4,929</u>
<i>Total liabilities, deferred inflows, and fund balances</i>	<u>\$ 1,375,719</u>	<u>\$ 4,929</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Fund			
Ft. Sumner Dam	Brantley Dam	Seven Rivers Wells	Total
\$ 55,496	\$ 195,855	\$ 67,617	\$ 1,148,417
800,000	200,000	-	1,400,000
-	-	-	146,594
-	-	-	4,605
<u>\$ 855,496</u>	<u>\$ 395,855</u>	<u>\$ 67,617</u>	<u>\$ 2,699,616</u>
\$ -	\$ 2,689	\$ -	\$ 25,290
-	3,285	-	28,348
-	5,974	-	53,638
-	-	-	75,322
-	-	-	75,322
-	-	-	4,605
-	-	-	4,929
855,496	-	-	855,496
-	389,881	-	389,881
-	-	67,617	67,617
-	-	-	1,248,128
<u>855,496</u>	<u>389,881</u>	<u>67,617</u>	<u>2,570,656</u>
<u>\$ 855,496</u>	<u>\$ 395,855</u>	<u>\$ 67,617</u>	<u>\$ 2,699,616</u>

The accompanying notes are an integral part of these financial statements.

(This page intentionally left blank.)

STATE OF NEW MEXICO

Carlsbad Irrigation District

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

October 31, 2016

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	\$	2,570,656
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		6,011,965
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		56,500
Deferred inflow of resources related to change of assumptions		(291)
Deferred inflows of resources related to difference between expected and actual experience		(16,532)
Deferred inflows of resources related to changes in proportion		(69,099)
Deferred inflows of resources related to the net difference between projected and actual investment earning		(2,361)
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		75,322
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		(18,546)
Net pension liability		(746,337)
		(764,883)
<i>Net position of governmental activities</i>	\$	<i>7,861,277</i>

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, 2016

	<u>General Fund</u> <u>Water Distribution</u> <u>Operations</u>	<u>Special Revenue Fund</u> <u>Water Salvage</u>
<i>Revenues</i>		
Tax assessments	\$ 2,030,513	\$ -
Oil royalties and lease income	12,471	-
Licenses and fees	214,002	-
Federal operating grants	-	-
Investment income	13,839	-
Miscellaneous	3,767	-
<i>Total revenues</i>	<u>2,274,592</u>	<u>-</u>
<i>Expenditures</i>		
Current:		
Public works	1,805,794	-
Capital outlay	420,049	-
<i>Total expenditures</i>	<u>2,225,843</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>48,749</u>	<u>-</u>
<i>Other financing sources (uses)</i>		
Transfers in	74,856	-
Transfers (out)	(3,976)	-
<i>Total other financing sources (uses)</i>	<u>70,880</u>	<u>-</u>
<i>Net change in fund balance</i>	119,629	-
<i>Fund balance - beginning of year</i>	<u>1,133,104</u>	<u>4,929</u>
<i>Fund balance - end of year</i>	<u>\$ 1,252,733</u>	<u>\$ 4,929</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Fund			
Ft. Sumner Dam	Brantley Dam	Seven Rivers Wells	Total
\$ -	\$ -	\$ -	\$ 2,030,513
-	-	-	12,471
-	-	-	214,002
-	391,316	20,460	411,776
-	5,122	-	18,961
-	5,189	-	8,956
-	401,627	20,460	2,696,679
-	288,744	5,115	2,099,653
-	-	-	420,049
-	288,744	5,115	2,519,702
-	112,883	15,345	176,977
-	-	3,976	78,832
(446)	(71,744)	(2,666)	(78,832)
(446)	(71,744)	1,310	-
(446)	41,139	16,655	176,977
855,942	348,742	50,962	2,393,679
<u>\$ 855,496</u>	<u>\$ 389,881</u>	<u>\$ 67,617</u>	<u>\$ 2,570,656</u>

The accompanying notes are an integral part of these financial statements.

(This page intentionally left blank.)

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, 2016

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

Net change in fund balances - total governmental funds	\$	176,977
<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>		
Capital expenditures recorded in capital outlay		420,049
Depreciation expense		(112,225)
<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		34,382
<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		56,500
Pension expense		28,813
<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		3,277
<i>Change in net position of governmental activities</i>	\$	607,773

The accompanying notes are an integral part of these financial statements.

(This page intentionally left blank.)

STATE OF NEW MEXICO
 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, 2016

Exhibit C-1

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>(Modified Accrual Basis)</u>	<u>Favorable (Unfavorable)</u>
<i>Revenues</i>				
Tax assessments	\$ 2,066,288	\$ 2,050,980	\$ 2,030,513	\$ (20,467)
Oil royalties and lease income	4,200	464	12,471	12,007
Licenses and fees	42,000	153,925	214,002	60,077
Investment income	250	851	13,839	12,988
Miscellaneous	5,200	26,128	3,767	(22,361)
<i>Total revenues</i>	<u>2,117,938</u>	<u>2,232,348</u>	<u>2,274,592</u>	<u>(20,467)</u>
<i>Expenditures</i>				
Current:				
Public works	2,031,666	1,815,542	1,805,794	9,748
Capital outlay	-	420,049	420,049	-
<i>Total expenditures</i>	<u>2,031,666</u>	<u>2,235,591</u>	<u>2,225,843</u>	<u>9,748</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>86,272</u>	<u>(3,243)</u>	<u>48,749</u>	<u>(10,719)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(86,272)	3,243	-	3,243
Transfers in	-	-	74,856	74,856
Transfers (out)	-	-	(3,976)	(3,976)
<i>Total other financing sources</i>	<u>(86,272)</u>	<u>3,243</u>	<u>70,880</u>	<u>74,123</u>
<i>Net change in fund balances</i>	-	-	119,629	119,629
<i>Fund balance - beginning</i>	<u>-</u>	<u>-</u>	<u>1,133,104</u>	<u>1,133,104</u>
<i>Fund balance - ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,252,733</u>	<u>\$ 1,252,733</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, 2016

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.

During the year ended June 30, 2016, the Agency adopted GASB Statements No. 72, *Fair Value Measurement and Application*, a portion of 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*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, a portion of No. 79, *Certain External Investment Pools and Pool Participants* and No. 82 *Pension Issues-an amendment of GASB Statement No. 67, No. 68, and No.73*. These five Statements are required to be implemented as of June 30, 2016, if applicable. The District has no investments that are subject to fair value adjustments. See below for information on applicable new pronouncements and how they affect the District.

GASB Statement No. 82 objective is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and; (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

This pronouncement has 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, 2016

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.

STATE OF NEW MEXICO
Carlsbad Irrigation District
Notes to Financial Statements
October 31, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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*.

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.

STATE OF NEW MEXICO
Carlsbad Irrigation District
Notes to Financial Statements
October 31, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

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

Under the requirements of GASB 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)

STATE OF NEW MEXICO
Carlsbad Irrigation District
Notes to Financial Statements
October 31, 2016

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, 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, 2016. None of the investments are subject to fair value adjustments.

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.

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 \$323,897 and \$1,000,000 respectively at October 31, 2016.

STATE OF NEW MEXICO
 Carlsbad Irrigation District
 Notes to Financial Statements
 October 31, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)

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, 2016, 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 \$75,322 related to tax assessments considered unavailable.

STATE OF NEW MEXICO
Carlsbad Irrigation District
Notes to Financial Statements
October 31, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

D. *Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, 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. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. The District had no bonds outstanding as of October 31, 2016.

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 (expense) 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 \$56,500 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 (a reduction of expense) until that time. The District has four types of items considered to be deferred inflows of resources, each of which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the items, change in assumption, difference between expected and actual experience, changes in proportion, and net difference between projected and actual investment earnings, are reported on the Statement of Net Position. The District has recorded \$291 related to change of assumptions, \$16,532 related to difference between expected and actual experience, \$69,099 related to changes in proportion, and \$2,361 related to the net difference between projected and actual investment earnings.

STATE OF NEW MEXICO
Carlsbad Irrigation District
Notes to Financial Statements
October 31, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, 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.

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

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

Nonspendable Fund Balance: At October 31, 2016, the nonspendable fund balance on the governmental funds balance sheet is \$4,605.

Restricted Fund Balance: At October 31, 2016, the restricted fund balance on the governmental funds balance sheet is made up of \$1,317,923 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."

STATE OF NEW MEXICO
Carlsbad Irrigation District
Notes to Financial Statements
October 31, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)

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.

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. 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, 2016.

STATE OF NEW MEXICO
Carlsbad Irrigation District
Notes to Financial Statements
October 31, 2016

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information (continued)

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.

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, 2016.

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.

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.

STATE OF NEW MEXICO
Carlsbad Irrigation District
Notes to Financial Statements
October 31, 2016

NOTE 3. Deposits and Investments (continued)

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, 2016, \$2,048,155 of the District’s bank balances of \$2,548,155 was exposed to custodial credit risk. \$2,048,155 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	\$ 2,548,155
FDIC Coverage	(500,000)
Total uninsured public funds	2,048,155
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name	2,048,155
Uninsured and uncollateralized	\$ -
Collateral requirement (50% of uninsured funds)	\$ 1,024,078
Pledged collateral	4,393,438
Over (under) collateralized	\$ 3,369,360

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	\$ 824,520
Restricted cash per Exhibit A-1	323,897
Investments per Exhibit A-1	400,000
Restricted investments per Exhibit A-1	1,000,000
Plus: Outstanding checks	601
Less: deposits in transit	(263)
Less: petty cash	(600)
Bank balance of deposits	\$ 2,548,155

STATE OF NEW MEXICO
 Carlsbad Irrigation District
 Notes to Financial Statements
 October 31, 2016

NOTE 4. Receivables

The District's receivables as of October 31, 2016 are as follows:

	<u>Governmental Funds</u>
Tax assessments receivable	<u>\$ 146,594</u>

Total receivables above are considered to be 100% collectible.

The District has recorded \$75,322 related to tax assessments considered unavailable as a deferred inflow as of October 31, 2016.

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, 2016 as follows:

Transfers Out	Transfers in	Amount
Water Distribution Operation	Seven Rivers Wells Special Revenue Fund	\$ 3,976
Brantley Dam Special Revenue Fund	Water Distribution Operation	71,744
Seven Rivers Wells Special Revenue Fund	Water Distribution Operation	2,666
Ft Sumner Dam Special Revenue Fund	Water Distribution Operation	<u>446</u>
	Total	<u>\$ 78,832</u>

STATE OF NEW MEXICO
 Carlsbad Irrigation District
 Notes to Financial Statements
 October 31, 2016

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended October 31, 2016. Land is not subject to depreciation.

	<u>Balance, October 31, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, October 31, 2016</u>
Capital assets not being depreciated:				
Land	\$ 2,643,270	\$ -	\$ -	\$ 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	412,132	420,049	12,000	820,181
Water distribution system	7,589,443	-	-	7,589,443
Total capital assets being depreciated	<u>10,646,394</u>	<u>420,049</u>	<u>12,000</u>	<u>11,054,443</u>
Total capital assets	<u>13,289,664</u>	<u>420,049</u>	<u>12,000</u>	<u>13,697,713</u>
Less accumulated depreciation:				
Mineral rights	5,654	1,710	-	7,364
Buildings and improvements	96,608	9,871	-	106,479
Machinery and equipment	384,042	16,542	12,000	388,584
Water distribution system	7,099,219	84,102	-	7,183,321
Total accumulated depreciation	<u>7,585,523</u>	<u>112,225</u>	<u>12,000</u>	<u>7,685,748</u>
Total capital assets, net of depreciation	<u>\$ 5,704,141</u>	<u>\$ 307,824</u>	<u>\$ -</u>	<u>\$ 6,011,965</u>

Depreciation expense for the year ended October 31, 2016 totaled \$112,225 and is charged to the District's public works function on the statement of activities

NOTE 7. Long-term Debt

During the year ended October 31, 2016, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	<u>Balance, October 31, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, October 31, 2016</u>	<u>Due Within One Year</u>
Compensated absences	\$ 21,823	\$ 39,135	\$ 42,412	\$ 18,546	\$ 16,806

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

STATE OF NEW MEXICO
Carlsbad Irrigation District
Notes to Financial Statements
October 31, 2016

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, 2016.
- 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, 2016.
- 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, 2016.

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.

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

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf

Contributions. The contribution requirements of defined benefit plan members and the Agency are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 32 of the PERA FY15 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf

The PERA coverage options that apply to Carlsbad Irrigation District is: Municipal General Division. Statutorily required contributions to the pension plan from the District were \$56,500 for the year ended June 30, 2016.

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, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

STATE OF NEW MEXICO
Carlsbad Irrigation District
Notes to Financial Statements
October 31, 2016

NOTE 9. Public Employees Retirement Association (PERA) Pension Plan (continued)

General Information about the Pension Plan (continued)

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general 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. Carlsbad Irrigation District's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 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.

Employer Pickup

During March 2016, Governmental Accounting Standards Board (GASB) issued Statement No. 82, Pension Issues, which clarifies that payments made by an employer to satisfy member contribution requirements should be classified as member contributions for purposes of GASB Statement No. 67. For purposes of applying GASBS 68 for fiscal year ending June 30, 2016 amounts paid by the District to satisfy member contributions requirements in the previous year totaling \$(543) have been reclassified as pension expense for fiscal year ending June 30, 2016. The amount had been previously classified as a deferred outflow. This amount is not included in pension expense in PERA's Schedule of Employer Pension Amounts for the year ended June 30, 2015.

Reallocation of Deferred Amounts

Due to Changes in proportion in fiscal year 2015 the beginning deferred inflows and outflows were reclassified due to the employer's change in proportion for fiscal year 2015. The total reallocation of deferred inflows and outflows decreased pension expense by \$(35,438) for fiscal year ending June 30, 2016. This amount is not included in pension expense in PERA's Schedule of Employer Pension Amounts for the year ended June 30, 2015.

For PERA Fund Municipal General Division. At October 31, 2016, the District reported a liability of \$746,337 for its proportionate share of the net pension liability. At June 30, 2015, the District's proportion was 0.0732 percent, which was a decrease from its proportion measured as of June 30, 2014 of 0.0848.

STATE OF NEW MEXICO
 Carlsbad Irrigation District
 Notes to Financial Statements
 October 31, 2016

NOTE 9. Public Employees Retirement Association (PERA) Pension Plan (continued)

For the year ended October 31, 2016, the District recognized PERA Fund Municipal General Division pension expense of \$7,168. At October 31, 2016, 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	\$ -	\$ 291
Difference between expected and actual experience	-	16,532
Changes in proportion	-	69,099
Net difference between projected and actual earnings on pension plan investments	-	2,361
Carlsbad Irrigation District's contributions subsequent to the measurement date	56,500	-
Total	<u>\$ 56,500</u>	<u>\$ 88,283</u>

\$56,500 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended October 31, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2017	\$	41,161
2018		41,161
2019		41,161
2020		(35,200)
2021		-
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, 2014 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, 2015 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, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

STATE OF NEW MEXICO
 Carlsbad Irrigation District
 Notes to Financial Statements
 October 31, 2016

NOTE 9. Public Employees Retirement Association (PERA) Pension Plan (continued)

Actuarial valuation date	June 30, 2014
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
Mortality assumptions	RP-200 mortality tables (combined table for healthy post-retirements, Employee table for active members, and disabled table for disabled retirees before retirement age) with projections to 2018 using scale AA.
Experience study date	July 1, 2008 to June 30, 2013

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	<u>100.00%</u>	

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.

STATE OF NEW MEXICO
 Carlsbad Irrigation District
 Notes to Financial Statements
 October 31, 2016

NOTE 9. Public Employees Retirement Association (PERA) Pension Plan (continued)

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	\$ 1,270,716	\$ 746,337	\$ 310,352

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 PERA financial report. The report is available at [http://osanm.org/media/audit/366 Public Employees Retirement Association FY 2015.pdf](http://osanm.org/media/audit/366%20Public%20Employees%20Retirement%20Association%20FY%202015.pdf).

Payables to the pension plan. There were no amounts owed to PERA at October 31, 2016. 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, 2016 but paid in November 2016.

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 10-7c-17, NMSA 1978) during the year ended October 31, 2016.

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.

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 \$750,000. Total federal expenditures during the year ended October 31, 2016 were as follows:

	<u>Federal Expenditures</u>
Brantley Dam Special Revenue Fund	\$ 288,744
Seven Rivers Wells Special Revenue Fund	5,115
Total federal expenditures	<u>\$ 293,859</u>

STATE OF NEW MEXICO
Carlsbad Irrigation District
Notes to Financial Statements
October 31, 2016

NOTE 13. Concentrations

Approximately 75% 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 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 affect the District's financial statements.

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. This pronouncement will not affect the District's financial statements.

In August 2015, GASB Statement No. 77 *Tax Abatement Disclosures*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The District will implement this standard during the fiscal year ended June 30, 2017. The District is still evaluating how this pronouncement will affect the financial statements.

In December 2015, GASB Statement No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plan* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In January 2016, GASB Statement No. 80 *Blending Requirements for Certain Component Units*-an amendment of GASB Statement No. 14 was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In March 2016, GASB Statement No. 81 *Irrevocable Split-Interest Agreements* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In November 2016, GASB Statement No. 83 *Certain Asset Retirement Obligations* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO
Carlsbad Irrigation District
Notes to Financial Statements
October 31, 2016

NOTE 15. Restricted Net Position

The government-wide statement of net position reports \$1,317,923 of restricted net position, all of which is restricted by enabling legislation referred to in the special revenue fund descriptions on page 31.

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, 2016, 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. Subsequent Events

The date to which events occurring after October 31, 2016, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statement or disclosures is February 28, 2017, which is the date on which the financial statements were issued.

(This page intentionally left blank.)

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO

Schedule I

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*

	2016 Measurement Date (As of and for the year ended June 30, 2015)	2015 Measurement Date (As of and for the year ended June 30, 2014)
Carlsbad Irrigation District's proportion of the net pension liability	0.0732%	0.0848%
Carlsbad Irrigation District's proportionate share of the net pension liability	\$ 746,337	\$ 661,531
Carlsbad Irrigation District's covered-employee payroll	\$ 803,947	\$ 913,908
Carlsbad Irrigation District's proportionate share of the net pension liability as a percentage	92.83%	72.38%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	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.

STATE OF NEW MEXICO

Schedule II

Carlsbad Irrigation District
Schedule of Contributions
Public Employees Retirement Association (PERA) Plan
Municipal General Division
Last 10 Fiscal Years*

	As of and for the year ended October 31, 2016	As of and for the year ended October 31, 2015
Contractually required contribution	\$ 56,500	\$ 57,354
Contributions in relation to the contractually required contribution	<u>56,500</u>	<u>57,354</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Carlsbad Irrigation District's covered-employee payroll	\$ 764,320	\$ 774,466
Contributions as a percentage of covered-employee payroll	7.39%	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.

(This page intentionally left blank.)

STATE OF NEW MEXICO
Carlsbad Irrigation District
Notes to Required Supplementary Information
For the Year Ended October 31, 2016

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 on pages 40-42 of the PERA FY15 audit available at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf.

Changes of assumptions. The Public Employees Retirement Association (PERA) of the NEW Mexico Annual Actuarial Valuation as of June 30, 2015 is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>. See Appendix B on pages 53-61 of the report which summarizes actuarial assumptions and methods effective with the June 30, 2014 valuation.

Changes in assumptions resulted in a decrease of \$91.8 million to the total pension liability for the PERA Fund and an increase of 0.42% to the funded ratio for the year ended June 30, 2015. See more details of actuarial methods and assumptions on Note 2 on page 34 of PERA's Schedule of Employer Allocations and Pension amounts at http://osanm.org/media/audits/366-B_PERA_Schedule_of_Employer_Allocations_FY2015.pdf

See independent auditors' report.
See notes to required supplementary information.

(This page intentionally left blank.)

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 Carlsbad Irrigation District
 Schedule of Deposit and Investment Accounts
 October 31, 2016

Schedule III

Bank Account Type/Name	Deposits
	Carlsbad National Bank
O & M Checking - Noninterest Bearing	\$ 99,468
Money Management Checking - Interest Bearing	510,851
Oil & Gas Savings - Interest Bearing	213,251
E-Account Checking - Noninterest Bearing (CID Traveling Debit Card)	688
BOR Savings - Interest Bearing	323,897
CD - BOR	200,000
CD - BOR	800,000
CD - Oil and Gas	400,000
	400,000
 Total on deposit	 2,548,155
 Reconciling items	 (338)
 <i>Reconciled balance</i>	 <u>\$ 2,547,817</u>
 Petty cash	 600
<i>Total deposits and investments</i>	<u>\$ 2,548,417</u>
 Total unrestricted cash and cash equivalents per exhibit A-1	 \$ 824,520
Total restricted cash per exhibit A-1	323,897
Total unrestricted investments per exhibit A-1	400,000
Total restricted investments per exhibit A-1	1,000,000
	1,000,000
 <i>Total deposits and investments</i>	 <u>\$ 2,548,417</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Carlsbad Irrigation District
 Schedule of Collateral Pledged By Depository
 For Public Funds
 October 31, 2016

Schedule IV

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market Value at October 31, 2016</u>	<u>Location of Safekeeper</u>
Carlsbad National Bank					
	Repo 6814472 GNMA II Pool #MA0082	5/2/2042	36179MCT5	\$ 1,243,357	FHLB: Dallas, Texas
	Repo 6601643 GNMA II Pool #MA0082	5/2/2042	36179MCT5	1,243,357	FHLB: Dallas, Texas
	Repo 6601644 FHR 4118 MP	9/15/2042	3137AUQN2	1,188,090	FHLB: Dallas, Texas
	FN99AR AL 508	7/1/2037	3138EHVA7	396,215	FHLB: Dallas, Texas
	FHR 3795 PL	10/15/2035	3137A5NP5	<u>322,419</u>	FHLB: Dallas, Texas
	Total Carlsbad National Bank			<u>4,393,438</u>	
	<i>Total Pledged Collateral</i>			<u><u>\$ 4,393,438</u></u>	

See independent auditors' report.

STATE OF NEW MEXICO
 Carlsbad Irrigation District
 Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)
 For the Year Ended October 31, 2016

Prepared by: Carlsbad Irrigation District
 Title: Accounts Payable Coordinator
 Date: October 31, 2016

<i>Agency Number</i>	<i>Agency Name</i>	<i>Agency Type</i>	<i>RFB#/RFP# (If applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract?</i>	<i>\$ Amount of Awarded Contract</i>
----------------------	--------------------	--------------------	----------------------------------	----------------------------	--------------------	---------------------------------	--------------------------------------

None

See independent auditors' report.

<i>\$ Amount of Amended Contract</i>	<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>	<i>If the procurement is attributable to a Component Unit, Name of Component Unit</i>
--------------------------------------	---	---	--	---	---

See independent auditors' report.

(This page intentionally left blank.)

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 28, 2017.

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.

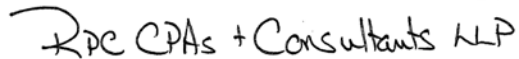
Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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.

Handwritten signature in black ink that reads "RPC CPAs + Consultants LLP". The signature is written in a cursive, slightly slanted style.

RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
February 28, 2017

STATE OF NEW MEXICO
Carlsbad Irrigation District
Schedule of Findings and Responses
October 31, 2016

Section I – Summary of Auditors’ Results

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 2. 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

None noted

B. Section 12-6-5 NMSA 1978 Findings

None noted

Section III – Schedule of Prior Year Audit Findings

FS 2015-001	Payroll Register Review and Approval Not Evidenced	Resolved
FS 2015-002	Oil & Gas Savings Account Not Reconciled	Resolved

STATE OF NEW MEXICO
Carlsbad Irrigation District
Other Disclosures
October 31, 2016

Exit Conference

An exit conference was held on February 10, 2017. In attendance were the following:

Representing Carlsbad Irrigation District:

Louise Tracey	President
Dale Ballard	Manager
Shirley Talbot	Accounts Payable Specialist

Representing RPC CPAs + Consultants, LLP:

Cindy Bryan	Partner
-------------	---------

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.