

State of New Mexico
Elephant Butte Irrigation District

*Basic Financial Statements and Required Supplementary Information
for the Year Ended October 31, 2022, and Independent Auditor's Report*

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
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OCTOBER 31, 2022**

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OFFICIAL ROSTER
BOARD OF DIRECTORS

Michael McNamee
Robert Sloan
Sam Salopek
Joe Paul Lack
Keith Deputy
Steve Lyles
James Salopek
Greg Daviet
Duane Gillis

President
Vice President
Director
Director
Director
Director
Director
Director
Director

DISTRICT OFFICIALS

Patrick Sullivan
Karin Byrum
James Narvaez
Leo Barrett
Delyce Maciel
Erek Fuchs
Zachary Libbin
Patrick Lopez

Treasurer/Manager
Finance Director
Irrigation System Director
Maintenance Project Director
HR - Safety Director
Ground Water Resources Dir
Operations Engineer
SCADA Director

INDEPENDENT AUDITOR'S REPORT

Joseph M. Maestas, P.E.,
New Mexico State Auditor
Members of the Board of Directors
Elephant Butte Irrigation District
Las Cruces, New Mexico

Opinion

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Elephant Butte Irrigation District (District), as of and for the year ended October 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of October 31, 2022 and the respective changes in financial position and the budgetary comparisons for the general fund and the major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that were communicated with those charged with governance and, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion in these matters. We have determined that there are no key audit matters to communicate in our report.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether the conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

- Exercise professional judgement and maintain professional skepticism throughout the audit.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension schedule on pages 6-12 and 49-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Accounting principles generally accepted in the United States of America require that the District's Proportionate Share of the Net Pension Liability, the Schedule of the District's Contributions, and the notes to the required supplementary information, 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, and historical context. We have applied certain limited procedures to the Schedule of the District's Proportionate Share of the Net Pension in accordance with auditing standards general accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and are not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial

statements. The supplementary 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 the basic financials statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion the schedule of pledged collateral information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information required by Section 2.2.2 NMAC, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exist between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we concluded that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2023 on our consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Baldwin Accounting & Consulting, LLC

Baldwin Accounting & Consulting, LLC

Albuquerque, New Mexico

March 29, 2023

STATE OF NEW MEXICO ELEPHANT BUTTE IRRIGATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS OCTOBER 31, 2022

As management of Elephant Butte Irrigation District, we offer the readers of Elephant Butte Irrigation District's financial statements this narrative overview and analysis of the financial activities of Elephant Butte Irrigation District for the fiscal year ended October 31, 2022. We encourage readers to consider the information presented here in conjunction with the financial statements of Elephant Butte Irrigation District and additional information provided.

Financial Highlights

- The assets of Elephant Butte Irrigation District exceeded its liabilities at the close of the most recent fiscal year by \$50,108,863 (net position). Of this amount, \$(6,409,972) is unrestricted deficit net position and is not available to be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$80,938 or 1.8%. The business-type activities fund increased by \$70,496 or 001% in comparison with the prior year.
- Elephant Butte Irrigation District's governmental fund reported an ending net position of \$586,158, an increase of \$10,442 or 1.8% in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Elephant Butte Irrigation District's basic financial statements. Elephant Butte Irrigation District's basic financial statements comprise two components: 1) basic financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Elephant Butte Irrigation District's finances, in a manner similar to a private-sector business.

The *statement of net position* represents information on all of Elephant Butte Irrigation District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Elephant Butte Irrigation District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2022

Both of the government-wide financial statements distinguish functions of Elephant Butte Irrigation District that are principally supported by charges for services and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Elephant Butte Irrigation District include local improvement district services. The business-type activities of Elephant Butte Irrigation District include water distribution and maintenance operations.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated from specific activities or objectives. Elephant Butte Irrigation District, like other state and local governments and special districts, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of Elephant Butte Irrigation District can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between *governmental funds* and *governmental activities*.

Elephant Butte Irrigation District maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in funds balances for the water operations fund, which is considered to be a nonmajor fund. Data from the governmental fund is combined into a single, aggregated presentation.

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

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

Proprietary funds. Elephant Butte Irrigation District maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Elephant Butte Irrigation District uses enterprise funds to account for its water distribution operations and its water conservation reloan fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2022**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water distribution operations, which is considered a major fund of Elephant Butte Irrigation District. The basic proprietary fund financial statements can be found on pages 13 through 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 20 through 48 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Elephant Butte Irrigation District, assets exceeded liabilities by \$50,108,863 at the close of the most recent fiscal year.

By far the largest portion of Elephant Butte Irrigation District's net position reflect its net investment in capital assets (e.g., land, buildings, machinery, equipment, irrigation distribution system), less any related debt used to acquire those assets that is still outstanding. Elephant Butte Irrigation District uses these capital assets to provide services to landowners; consequently, these assets are not available for future spending. Although Elephant Butte Irrigation District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

STATE OF NEW MEXICO ELEPHANT BUTTE IRRIGATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS OCTOBER 31, 2022

Elephant Butte Irrigation District
Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets and Deferred Outflow of Resources:						
Current assets and other assets	\$ 590,503	\$ 575,716	\$ 3,174,027	\$ 2,740,161	\$ 3,764,530	\$ 3,315,877
Capital Assets, net	-	-	55,932,677	55,083,398	-	55,083,398
Total assets	\$ 590,503	\$ 575,716	\$ 59,106,704	\$ 57,823,559	\$ 3,764,530	\$ 58,399,275
Deferred outflow of resources	\$ -	\$ -	\$ 1,086,343	\$ 623,003	\$ 3,764,530	\$ 623,003
Total assets and deferred outflow of resources	\$ 590,503	\$ 575,716	\$ 60,193,047	\$ 58,446,562	\$ 7,529,060	\$ 59,022,278
Liabilities:						
Current liabilities	\$ -	\$ -	\$ 423,557	\$ 320,580	\$ 423,557	\$ 320,580
Other liabilities - LT	-	-	7,558,562	5,159,272	7,558,562	5,159,272
Total liabilities	\$ -	\$ -	\$ 7,982,119	\$ 5,479,852	\$ 7,982,119	\$ 5,479,852
Deferred inflows of resources	\$ 6,456	\$ -	\$ 2,682,370	\$ 3,514,501	\$ 2,688,826	\$ 3,514,501
Net Position:						
Net investment in capital assets	\$ -	\$ -	\$ 55,932,677	\$ 55,083,398	\$ 55,932,677	\$ 55,083,398
Restricted for improvements	584,047	575,716	-	-	584,047	575,716
Unrestricted	-	-	(6,404,119)	(5,631,189)	(6,404,119)	(5,631,189)
Total net position	\$ 584,047	\$ 575,716	\$ 49,528,558	\$ 49,452,209	\$ 50,112,605	\$ 50,027,925
Total liabilities, deferred inflows of resources and net position	\$ 590,503	\$ 575,716	\$ 60,193,047	\$ 58,446,562	\$ 60,783,550	\$ 59,022,278

The remaining balance of unrestricted net position \$(6,409,972) does not provide for ongoing obligations to constituents and creditors as it is a deficit.

At the end of the current fiscal year, Elephant Butte Irrigation District is able to report positive balances in both categories of net position, both for the government as a whole as well as for its separate governmental and business-type activities.

There was an increase of \$849,279 in capital assets reported in connection with Elephant Butte Irrigation District's business-type activities. The increase was due to the purchase and construction of assets. Elephant Butte Irrigation District's governmental activities do not maintain capital assets.

The government's net position increased \$338,012 during the current fiscal year. This increase represents an increase in water operations and decrease in maintenance expenses.

Governmental activities. Governmental activities increased Elephant Butte Irrigation District net position by \$10,442. Governmental activities comprise an extremely limited function within Elephant Butte Irrigation District. Ongoing operating activities are primarily conducted as business-type activities.

- Charges for services for governmental activities remained unchanged for the year as compared to the prior fiscal year. The maximum allowed assessment rate of \$5.00 per acre was assessed and the volume of acres subject to local improvement district assessment.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2022**

Elephant Butte Irrigation District
Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues:						
Charges for services	\$ 12,255	\$ 20,810	\$ 8,202,208	\$ 8,799,876	\$ 8,214,463	\$ 8,820,686
Operating grants and contributions		-	-	-	-	-
Capital grants and contributions		-	472,926	593,965	472,926	593,965
General Revenues:						
Other revenues	-	-	534,095	127,131		
Unrestricted interest earnings	3,876	827	72,707	51,432	76,583	52,259
Gain (loss) on disposal of capital assets	-	-	41,665	14,610	41,665	14,610
Total revenue	16,131	21,637	9,323,601	9,587,014	8,805,637	9,481,520
Expenses:						
Local improvement district operations	7,800	3,816	-	-	7,800	3,816
Water system operations and maintenance	-	-	8,990,178	8,949,572	8,990,178	8,949,572
Total expenses	7,800	3,816	8,990,178	8,949,572	8,997,978	8,953,388
Net increase (decrease) in net position	\$ 8,331	\$ 17,821	\$ 333,423	\$ 637,442	\$ (192,341)	\$ 528,132

Business-type activities. Enterprise activities increased Elephant Butte Irrigation District net position by \$327,570.

- Capital grants increased \$413,056 or 69.5% to \$1,007,021.
- Total revenues decreased \$269,266 or 2.8% during the year. This change is predominantly the result of lower capital grant revenues and lower collection rate on assessments.
- An increase in the District's operating and maintenance expenses was \$40,606 or 0.45%. This increase resulted predominantly from increases in the cost of fuel and fleet repair.

Operations and Maintenance Fund Budgetary Highlights

Elephant Butte Irrigation District's original budget was not amended during the current period.

Capital Asset and Debt Administration

Capital assets. Elephant Butte Irrigation District's investment in capital assets for its business-type activities as of October 31, 2022, amounts to \$56,184,867 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, equipment and furnishings and the irrigation distribution system. The total increase in Elephant Butte Irrigation District's investment in capital assets for the current fiscal year was 1.5%.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2022**

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

- Water distribution system improvements were completed (or remain in process) totaling \$1,675,252 consisting of canals, laterals, drains and waste ways.
- Purchases of equipment and vehicles were \$481,426.
- The District disposed of \$328,060 of obsolete vehicles, equipment and other assets via auction.

	Business-Type Activities October 31, 2022
Capital Assets:	
Land	\$ 38,206,688
Building and system	2,438,383
Equipment and vehicles	7,916,909
Furniture and fixtures	266,252
Irrigation distribution system	30,970,543
Construction in process	1,359,528
Irrigation management software	<u>357,650</u>
	81,515,933
Accumulated depreciation	<u>25,583,276</u>
	<u>\$ 55,932,657</u>

Long-term debt. At the end of the current fiscal year, the Elephant Butte Irrigation District had no outstanding debt. (excluding compensated absences).

Economic Factors

- Reservoir Capacity and actual storage, in acre feet:

	Capacity	Storage	
		October 31, 2022	October 31, 2021
Elephant Butte	2,010,900	121,282	116,550
Caballo	350,000	44,714	14,407
	2,360,900	165,996	130,957

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2022**

- Elephant Butte Irrigation District's boundaries include 90,640 total irrigable acres. Crop irrigation acres as of October 31, 2022 and 2021 are as follows:

	October 31, 2022	October 31, 2021
Acres Irrigated	74,676	73,313
Acres Fallowed	15,964	17,327
Total Acres	90,640	90,640

- Elephant Butte Irrigation District's annual assessment did not increase for the 2022 budget year. The rate is \$90 per water righted acre for parcels greater than 2 acres. Parcels under 2 acres are assessed on a tiered rate system. The administration fee for assessments increased from \$10 per parcel to \$25 per parcel.

During the current fiscal year, unrestricted net position in the Water Distribution Operations fund decreased to \$(6,409,972). Elephant Butte Irrigation District's is not carrying forward any unrestricted net position for the 2022 fiscal year since the unrestricted balance is a deficit.

Requests for Information

This financial report is designed to provide a general overview of Elephant Butte Irrigation District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 530 S. Melendres, Las Cruces, New Mexico 88005.

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
STATEMENT OF NET POSITION
OCTOBER 31, 2022**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and temporary investments	\$ 587,648	\$ 2,350,628	\$ 2,938,276
Assessments receivable, net	2,855	381,209	384,064
Other receivables	-	79,592	79,592
Inventory	-	243,867	243,867
Prepaid expenses	-	118,731	118,731
Total current assets	<u>590,503</u>	<u>3,174,027</u>	<u>3,764,530</u>
Noncurrent Assets:			
Capital assets, net of accumulated depreciation	-	55,932,677	55,932,677
Total non current assets	<u>-</u>	<u>55,932,677</u>	<u>55,932,677</u>
Total Assets	<u>590,503</u>	<u>59,106,704</u>	<u>59,697,207</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows, pension related	-	1,086,343	1,086,343
Total deferred outflows of resources	<u>-</u>	<u>1,086,343</u>	<u>1,086,343</u>
Total assets and deferred outflows of resources	<u>\$ 590,503</u>	<u>\$ 60,193,047</u>	<u>\$ 60,783,550</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Current Liabilities			
Accounts payable	\$ -	\$ 251,190	\$ 251,190
Accrued compensation, related taxes, and benefits	-	103,400	103,400
Compensated absences, current portion	-	68,967	68,967
Total current liabilities	<u>-</u>	<u>423,557</u>	<u>423,557</u>
Noncurrent Liabilities			
Compensated absences, noncurrent portion	-	244,321	244,321
Net pension liability	-	7,314,241	7,314,241
Total Non Current Liabilities	<u>-</u>	<u>7,558,562</u>	<u>7,558,562</u>
Total Liabilities	<u>-</u>	<u>7,982,119</u>	<u>7,982,119</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows, permits - land use	6,456	2,337,834	2,344,290
Deferred inflows, pension related	-	344,536	344,536
Total deferred inflows of resources	<u>6,456</u>	<u>2,682,370</u>	<u>2,688,826</u>
Total liabilities and deferred inflows of resources	<u>\$ 6,456</u>	<u>\$ 10,664,489</u>	<u>\$ 10,670,945</u>
NET POSITION			
Net investment in capital assets	-	55,932,677	55,932,677
Restricted for improvements	584,047	-	584,047
Unrestricted	-	(6,404,119)	(6,404,119)
Total net position	<u>584,047</u>	<u>49,528,558</u>	<u>50,112,605</u>
Total liabilities and net position	<u>\$ 590,503</u>	<u>\$ 60,193,047</u>	<u>\$ 60,783,550</u>

The accompanying notes are in integral part of these financial statements

**STATE OF NEW MEXICO
ELEPHANTE BUTTE IRRIGATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED OCTOBER 31, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Irrigation District							
Governmental activities:							
Operating and maintenance	\$ 7,800	\$ 12,255	\$ -	\$ -	\$ 4,455	\$ -	\$ 4,455
Total governmental activities	\$ 7,800	\$ 12,255	\$ -	\$ -	4,455	-	4,455
Business-type activities:							
Water distribution operations	8,990,178	8,202,208	-	472,926	-	(315,044)	(315,044)
Total business-type activities	8,990,178	8,202,208	-	472,926	-	(315,044)	(315,044)
Total	<u>8,997,978</u>	<u>8,214,463</u>	<u>-</u>	<u>472,926</u>	<u>4,455</u>	<u>(315,044)</u>	<u>(310,589)</u>
General revenues:							
			Other revenues	-	534,095	534,095	
			Unrestricted interest income	3,876	72,707	76,583	
			Gain on sale of capital assets	-	41,665	41,665	
			Total general revenues and transfers	3,876	648,467	652,343	
			Change in net position	8,331	333,423	341,754	
			Net position - beginning	575,716	49,452,209	50,027,925	
			Restatement, See Footnote 19	-	(257,074)	(257,074)	
			Fund balance - beginning as restated	575,716	49,195,135	49,770,851	
			Net position - ending	\$ 584,047	\$ 49,528,558	\$ 50,112,605	

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

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NONMAJOR GOVERNMENTAL FUND BALANCE SHEET
OCTOBER 31, 2022**

	Local Improvement District
ASSETS	
Cash and temporary investments	\$ 587,648
Receivables:	
Assessments, net of allowance of (\$5,662)	<u>2,855</u>
Total Assets	<u>\$ 590,503</u>
LIABILITIES AND FUND BALANCE	
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows, permits - land use	<u>6,456</u>
Total deferred inflows of resources	<u>6,456</u>
Total liabilities and deferred inflows of resources	<u>6,456</u>
FUND BALANCE	
Restricted for:	
Improvements	<u>584,047</u>
Total Fund Balance	<u>584,047</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 590,503</u>

The accompanying notes are an integral part of the financial statements

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NONMAJOR GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED OCTOBER 31, 2022**

Revenues:	
Charges for services	\$ 12,255
Interest	<u>3,876</u>
Total revenues	<u>16,131</u>
Expenditures:	
Current:	
Operations and Maintenance	<u>7,800</u>
Total expenditures	<u>7,800</u>
Change in fund balance	<u>8,331</u>
Fund balance, beginning of year	<u>575,716</u>
Fund balance, end of year	<u><u>\$ 584,047</u></u>

The accompanying notes are in integral part of these financial statements

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
PROPRIETARY FUND
STATEMENT OF NET POSITION
OCTOBER 31, 2022**

	Business-type Activities
ASSETS	
Current Assets:	
Cash and temporary investments	\$ 2,350,628
Assessments receivable, net	381,209
Other receivables	79,592
Inventory	243,867
Prepaid expenses	118,731
Total current assets	3,174,027
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	55,932,677
Total non current assets	55,932,677
Total Assets	59,106,704
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows, pension related	1,086,343
Total deferred outflows of resources	1,086,343
Total assets and deferred outflows of resources	\$ 60,193,047
LIABILITIES AND NET POSITION	
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 251,190
Accrued compensation, related taxes, and benefits	103,400
Compensated absences, current portion	68,967
Total current liabilities	423,557
Noncurrent Liabilities	
Compensated absences, noncurrent portion	244,321
Net pension liability	7,314,241
Total Non Current Liabilities	7,558,562
Total Liabilities	7,982,119
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows, permits - land use	2,337,834
Deferred inflows, pension related	344,536
Total deferred inflows of resources	2,682,370
Total liabilities and deferred inflows of resources	\$ 10,664,489
NET POSITION	
Net investment in capital assets	-
Restricted for improvements	-
Unrestricted	49,528,558
Total net position	49,528,558
Total liabilities and net position	\$ 60,193,047

The accompanying notes are in integral part of these financial statements

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED OCTOBER 31, 2022**

Operating Revenues:	
Charges for services	\$ 8,202,208
Operating agreements and others	-
Total operating revenues	<u>8,202,208</u>
Operating Expenses:	
Personnel services	4,412,182
Employee benefits	1,108,953
Contractual services	813,303
Operations and maintenance	1,195,181
Administration and other operating	600,441
Depreciation	860,118
Total operating expenses	<u>8,990,178</u>
Operating income	<u>(787,970)</u>
Nonoperating revenues (expenses)	
Other revenues	534,095
Interest income	75,768
Investment expense	(3,061)
Gain on sale of assets	41,665
Total non operating revenues (expenses)	<u>648,467</u>
Loss before capital contributions	<u>(139,503)</u>
Capital contributions:	
Grant revenues:	
State	<u>472,926</u>
Total capital contributions	<u>472,926</u>
Change in net position	<u>333,423</u>
Net position, beginning of year	<u>49,452,209</u>
Restatement, See Footnote 19	(257,074)
Fund balance - beginning as restated	<u>49,195,135</u>
Net position, end of year	<u><u>\$ 49,528,558</u></u>

The accompanying notes are in integral part of these financial statements

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED OCTOBER 31, 2022**

	Business-type Activities Water Distribution Operations
Cash Flows from Operating Activities	
Cash received from customers	\$ 8,074,464
Cash payments to employees for services	(3,072,946)
Cash payments to vendors for goods and services	(3,380,320)
Net cash provided by operating activities	<u>1,621,198</u>
Cash Flows From Capital and Related Financing Activities	
Purchase of capital assets	(2,163,363)
Proceeds from the sale of capital assets	41,665
Payments on notes payable	-
Payments for interest on notes payable	(3,061)
Proceeds from non-operating revenues	534,095
Proceeds from capital grants	472,926
Net cash used by capital and related financing activities	<u>(1,117,738)</u>
Cash Flows from Investing Activities	
Interest and dividends received	28,038
Net cash used in investing activities	<u>28,038</u>
Net change in cash and cash equivalents	531,498
Cash and cash equivalents, beginning of year	1,819,130
Cash and cash equivalents, end of year	<u><u>\$ 2,350,628</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating income	<u>\$ (787,970)</u>
Adjustments to reconcile operating gain to net cash provided by operating activities:	
Depreciation expense	860,118
(Increase) decrease in:	
Accounts receivable	(80,857)
Inventory	(47,478)
Prepaid expenses	591
Increase (decrease) in:	
Accounts payable	98,183
Accrued liabilities	14,676
Deferred Inflows	(869,578)
Net pension contributions and liability	2,433,513
Total adjustments	<u>2,409,168</u>
Net cash provided by operating activities	<u><u>\$ 1,621,198</u></u>

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED OCTOBER 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Elephant Butte Irrigation District (District) was organized on June 15, 1918, by agreement with the United States Bureau of Reclamation resulting in the contractual dissolution of Elephant Butte Water Users Association and the transfer of rights, benefits, privileges, liabilities and project revenues of the irrigation system. The statutory authority for the District is designated as Section 79-10-1 of the New Mexico Statutes Annotated (NMSA 1978).

The District was established as an agriculture irrigation district in cooperation with the United States Bureau of Reclamation. The District's governing body operates with a nine-member board of directors elected from the landholders and water users within the boundaries of the District. The District is responsible for the operation and maintenance of the water distribution system and improvements of Percha, Leasburg and Mesilla diversion dams, including the canal and drainage system and structures. The physical boundaries begin approximately 1.5 miles south of Caballo Dam extending to the New Mexico-Texas state line. Currently, the District has 90,640 water righted acres available for irrigation.

The significant accounting policies and procedures of the District are more fully described below.

Financial Reporting Entity

The accompanying financial statements present the District, who is not a component unit to any governmental agencies. The District, itself, has no component unit entities as defined by applying the criteria set forth in GASB No.14, 34 and 61.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the activities of the primary government. All assets, all liabilities and deferred outflows and inflows of resources are included on the statement of net position. The effect of interfund activity between governmental activities and business-type activities has been eliminated in these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of the various functional activities and segments of the District are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who directly benefit from goods, services or privileges provided by a given function or segment.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED OCTOBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment, including special assessments. Taxes and other items not properly included as program revenues are reported as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues.

Separate financial statements are provided for governmental and proprietary funds. There were no major individual governmental funds, one major individual enterprise fund and one nonmajor individual governmental fund which are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Water assessments are recognized as revenues in the year for which the assessment is billed. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus and modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities in the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. When cash or accounts receivable have been recorded for which time requirements have not been met or before the resources are permitted to be used they are not considered revenue and therefore, are recorded as deferred inflows of resources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Only the portion of special assessments receivable due within the current fiscal year is considered to be susceptible to accrual as revenue of the current period and have been recognized as revenues of the current fiscal period. As under accrual accounting, grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED OCTOBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The District reports the following nonmajor governmental fund:

The *local improvement district* special revenue fund accounts for special assessments levied on properties within the District.

The District reports the following proprietary fund: Major Proprietary Fund:

The *Water Distribution Operations Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

Financial statements for proprietary funds use the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the water distribution operations fund are the water righted assessments and charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

Assets, Liabilities and Net Position

Deposits and Investments

The District is authorized under the provision of 6-10-10 NMSA 1978, as amended, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States. The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED OCTOBER 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

All money not immediately necessary for the public uses of the District may be invested in:

a. bonds or negotiable securities of the United States, the State or any county, municipality or school district which has taxable valuation of real property for the last preceding year of at least one million dollars (\$1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bond maturities at any time within the preceding five years; or

b. securities that are issued by the United States Government or by its agencies or instrumentalities that are either direct obligations of the United States or are backed by the full faith and credit of the United States Governments or agencies guaranteed by the United States Government; and

c. contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices as a price differential representing the interest income to be earned by the investor. The contract shall be on the books of the financial institution as being the property of the investor and designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The contract required for investment in the contracts provided for in the subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations.

Pursuant to Section 6-10-10.1 NMSA 1978, as amended, if the District is unable to receive payment on public money at the rate of interest as set forth in Section 6-10-36 NMSA 1978 from financial institutions within the geographic boundaries of the governmental unit, then a local public finance official having money of that local public body in custody not required for expenditure within thirty days or less may, with the consent of the appropriate local board of finance, if any, remit some or all of such money to the state treasurer, banks, savings and loan associations or credit unions for deposit for the purpose of short-term investment as allowed by law.

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED OCTOBER 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Before any local funds are invested or reinvested for the purpose of short-term investment pursuant to Section 6-10-10.1 NMSA 1978, as amended, the local public body finance official shall notify and make such funds available to banks, savings and loan associations and credit unions located within the geographical boundaries of their respective governmental unit, subject to the limitation on credit union accounts. To be eligible for such funds, the financial institution shall pay to the local public body the rate established by the state treasurer pursuant to a policy adopted by the state board of finance for such short-term investments.

State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit, be collateralized by the depository thrift or banking institution. Currently, state statutes require that a minimum of fifty percent (50%) of uninsured balances on deposit with any one institution must be collateralized, with higher requirements up to one hundred percent (100%) for financially troubled institutions. If the securities pledged are United States government securities, they are pledged at market value, if they are New Mexico municipal bonds, they are pledged at par value.

In accordance with Federal Deposit Insurance Authority, public unit deposits are funds owned by the District. All time and savings accounts of a public unit in an institution in the same state will be insured up to \$250,000. Separately, all demand deposits of a public unit in an institution in the same state will be insured up to \$250,000.

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash and temporary investments for the District are reported at fair value.

Receivables

The District recognizes water assessment receivables net of any allowance for uncollectible accounts, when applicable. The related assessment revenues are recognized when levied, in conjunction with the receivables, net of estimated refunds. All other receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Delinquent accounts accrue interest at 6% until paid in full.

Water assessments are levied on November 1 based on the landowner's water righted acres contained in the landowner's property deed records. Water assessments uncollected after February 1 are considered delinquent. District assessments attach as an enforceable lien on the property as of February 1.

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED OCTOBER 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Inventories and Prepaid Items

Inventories are recorded at the lower of cost or market on a FIFO basis and consist of operating parts; materials and supplies held for use in operations and are recorded as inventory when purchased. Inventory issuance is accomplished with departmental procurement supply requisitions initiating the recognition of materials and supplies expense.

Certain payments to vendors for items that include insurance and water irrigation system maintenance agreements with the New Mexico Interstate Stream Commission reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government- wide and fund financial statements.

Repayment terms for loans advanced to landowners from the District's operations and maintenance fund for construction and renovation projects are payable annually and are non- interest bearing. The notes are secured by deed and mortgage agreements.

Capital Assets

Capital assets, which include property, plant, equipment, and water irrigation system assets (e.g., dams, canals, diversions, laterals, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB No. 34, the historical costs of infrastructure assets, (retroactive to 1979) are included as part of the capital assets reported in the government-wide financial statements. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets placed in service or under construction during the current fiscal year.

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED OCTOBER 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>		
<u>Years</u>	Land improvements	40
	Buildings and system	40
	Machinery and equipment	3 – 10
	Furniture and fixtures	5 – 10
	Irrigation distribution system	25 – 50

Interfund Transactions

There are transactions that constitute reimbursements to a fund for expenditures initially expended from one fund that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditure in the fund that is reimbursed. Interfund payables and receivables are reflected in the appropriate fund. There are no due from/to between funds at October 31, 2022. There are no interfund transfers in/out between funds at October 31, 2022.

Long-Term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations including compensated absences, are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Compensated Absences

District employees are entitled to certain compensated absences based on length of employment. With minor exceptions, the District allows full-time employees to accumulate unused sick leave to a maximum of 600 hours. Full-time employees accrue 3.08 hours of sick leave in each pay period of eighty (80) hours of regular paid time. However, accumulated sick leave is not eligible for payment to terminating employees. Earned vacation, up to the amount the employee accrues each year, is allowed to be carried over from one calendar year to the next. Upon termination, employees shall receive payment for unused, accrued vacation. All vacation pay is accrued when incurred in the operations and maintenance proprietary fund financial statement. A liability for these amounts is reported in accrued expenses for amounts that will be used or have matured, for example, as a result of employee resignations and retirements.

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED OCTOBER 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The noncurrent balance is reported as long-term debt.

Service Years	Vacation Hours Earned
1 - 3	3.08
4 - 6	3.69
7 - 9	4.31
10 - 12	4.62 to 5.23
13 - 14	5.45 to 5.85
15+	6.15

Pensions

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

Deferred Outflows / Inflows of Resources

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

In addition to liabilities, the statement of net position reports deferred inflows of resources. This represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. The District has two types of deferred inflows; advances under utilities land use fees for access and use of the District's land which amounted to \$2,344,290 as of October 31, 2022, and deferred inflows related to the PERA pension as discussed in Note 15.

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED OCTOBER 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Net Position and Fund Equity

In the government wide financial statements, fund equity represents the following:

- Net investment in capital assets - This component of net position consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments. It also pertains to constraints imposed by law or constitutional provisions or enabling legislation.
- Unrestricted - This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Governmental fund balances (special revenue funds) are classified as restricted. Restricted fund balance has limitations imposed by third parties such as creditors, grantors, or contributors.

Restricted and Unrestricted Revenue

Amounts reported as program revenues include 1) charges to customers for services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations.

The principal operating revenues of the proprietary funds are special assessment charges to landowners for irrigation water services. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources, as they are needed. The governmental fund’s primary source of revenue is a special assessment for District use to maintain and repair certain watershed structures and drainage systems with the geographic boundaries of the District.

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED OCTOBER 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncements

During the year ended October 31, 2022, the District implemented the following new accounting pronouncements which did not have a material effect on the District's financial statements:

The following pronouncements have been issued, but are not yet effective for the year ended October 31, 2022.

- GASB Statement No.92, Omnibus 2020
- GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements
- GASB Statement No. 96, Subscription-Based Information Technology Arrangements
- GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32

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

The following pronouncements have been issued, and are effective for the year ended October 31, 2022.

- GASB Statement No.87 Leases

The District assessed the need for adoption of new accounting standard GASB statement No. 87 (GASB 87), “Leases”. GASB 87 requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB 87 establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED OCTOBER 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

This District has determined that their special permits for land use do not fall under the provisions of GASB 87, because the customer does not have the right to direct how and for what purpose an asset is used throughout the period of use. The special use land permits are to allow customers to access the land to discharge storm water into the District's infrastructure. The customer does not have the right to direct how and for what purpose the land is used throughout the period of use. As such, the provisions of GASB 87 is not applicable to the District. Management will assess the materiality and significance of GASB 87 on an annual basis.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The District's Treasurer/Manager and Finance Director submit to the District's Board of Directors on or before August 31st, a proposed operating budget for the fiscal year commencing the following November 1. The operating budget includes proposed expenditures and the means of financing them. Budget meetings are conducted from June to September to formulate the proposed operating budgets. Upon approval by the State of New Mexico Department of Finance and Administration (DFA), the budget is legally enacted through passage of the budget resolution. The District's Board of Directors is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the DFA. The legal level of budgetary control is at the fund level.

Formal budgetary integration is employed as a management control device during the year for the Special Revenue Fund. Budgets for the District's governmental activities are adopted on a basis that is not in accordance with accounting principles generally accepted in the United States of America (GAAP). The budgets secure appropriations for only one year. All annual appropriations lapse at fiscal year-end. Budgeted amounts are as originally adopted, or as amended by the District's Board of Directors. Budgets adopted for business-type activities or proprietary fund types represent financial plans based on the accrual basis of accounting and are amended as financial information becomes available.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the District's governmental and business-type activity funds.

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED OCTOBER 31, 2022**

3. DEPOSITS AND TEMPORARY INVESTMENTS

Cash and temporary investments as of October 31, 2022, are classified as and comprised of in the accompanying financial statements as follows:

	Balance
Cash and cash equivalents - unrestricted	\$ <u>2,938,276</u>
Cash on hand	1,500
Deposits held with financial institutions	793,334
Deposits held with NM State Treasurer	<u>2,143,442</u>
	<u>\$ 2,938,276</u>

Authorized Deposits and Investments

Under provisions of New Mexico Statutes Annotated, the District may invest in certain types of deposit and investment accounts as listed in Note 1 Deposits and Investments to the financial statements.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District has not adopted a deposit and investment policy with policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half (50 percent) of the amount on deposit with the institution.

At October 31, 2022, of the District's bank balance of \$803,533, \$553,533 was exposed to custodial credit risk as collateral was pledged for the uninsured balance but held by the bank's agent not in the District's name. At October 31, 2022, the carrying amount or book balance of these deposits was \$793,335

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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3. DEPOSITS AND TEMPORARY INVESTMENTS, CONTINUED

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

Bank deposits:	
Total amount of Deposits	\$ 803,533
Total uninsured	803,533
Insured (FDIC)	(250,000)
Total deposits	\$ 553,533
State of New Mexico collateral requirement:	
50% of uninsured public fund bank deposits	\$ 276,767
Pledged security	629,041
Over collateralization	352,275

As of October 31, 2022, the District's bank balances were exposed to custodial credit risk. The amount above identified as uninsured \$553,533 is subject to custodial credit risk. This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk.

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ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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3. DEPOSITS AND TEMPORARY INVESTMENTS, CONTINUED

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

Account	Account Type	
Bank of the West Operating	Checking - noninterest bearing	\$ 801,433
Bank of the West Operating	Checking - noninterest bearing	<u>2,100</u>
Total amount of deposits		803,533
FDIC Coverage		<u>250,000</u>
Total uninsured public funds		553,533
Pledged collateral held by the pledging bank's trust department or agent in the District's name		629,041
Uninsured and uncollateralized		<u>-</u>
50% pledged collateral requirement		276,767
Total pledged collateral		<u>629,041</u>
Pledged collateral exceeding the requirements		<u>352,275</u>

The various bank account reconciliations as of October 31, 2022 are as follows:

Account	Account Type	Balance per Bank	Deposits in Transit	Outstanding Checks	Balance per Books
Operating	Checking noninterest bearing	\$ 801,433	\$ -	\$ 10,198	\$ 791,235
Operating	Checking noninterest bearing	<u>2,100</u>	<u>-</u>	<u>-</u>	<u>2,100</u>
Total amount of deposits		\$ <u>803,533</u>	\$ <u>-</u>	\$ <u>10,198</u>	\$ <u>793,335</u>
Temporary investments:					
NM State Treasurer Investment Pool					2,143,441
Petty Cash					<u>1,500</u>
Total Cash					\$ <u>2,938,276</u>
Total as reported in the Financial Statements:					
Statement of Net Position					
Cash and temporary investments - Governmental activities					\$ 587,648
Cash and temporary investments - Business-type activities					<u>2,350,628</u>
Total cash per financial statements					\$ <u>2,938,276</u>

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
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3. DEPOSITS AND TEMPORARY INVESTMENTS, CONTINUED

The District's investment in the State Investment Pool was not rated, although the securities within the pool are rated.

- a The investments are valued at fair value based on quoted market prices as of the valuation date;
- b The State Treasurer Local Government Investment Pool is not SEC registered. The State Treasurer is authorized to invest the short-term investment funds with the advice and consent of the State Board of Finance in accordance with Sections 6-10-10 I through 6-10- 10 P and Sections 6-10-10 1A and E, NMSA 1978.
- c The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts fund was invested; and
- d Participation in the local government investment pool is voluntary.
- e Separately issued financial statements are available from the New Mexico State Treasurer that does disclose the collateral pledged to secure State Treasurer cash and investments.

Investments for the District are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares:

Investment Type	<u>Cost Basis</u>	<u>Market Value</u>	<u>Credit Risk-Rating</u>	<u>Weighted Average Maturity Days</u>
State investment pool ** - LGIP	2,143,442	2,143,442	AAAm	49
Less investments reported as cash equivalents	<u>2,143,442</u>	<u>2,143,442</u>		
Total	<u>-</u>	<u>-</u>		

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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4. RECEIVABLES

Receivables as of October 31, 2022, for the District's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Water Distribution Operations	Nonmajor Governmental Funds	Total
Receivables:			
Accounts/Assessments (including interest)	\$ 803,261	8,517	811,778
Other	79,592	-	79,592
Gross receivables	882,853	8,517	891,370
Less allowance for uncollectible accounts	(422,052)	(5,662)	(427,714)
Net receivables	\$ 460,801	2,855	463,656

The District retains the authority to enforce lien rights on delinquent landowner accounts when nonpayment of water assessments occurs. However, an allowance for uncollectible accounts is established based on historical trends in actual account collections on assessments reflecting the net realizable value of amounts due for fiscal year ending October 31, 2022.

5. CAPITAL ASSETS

Capital assets consist of the following as of October 31, 2022:

	Beginning Balance	Additions	Deletions	Adjustment	Ending Balance
Business-type Capital assets, not depreciated:					
Land	\$ 38,206,688	\$ -	\$ -	\$ -	\$ 38,206,688
Construction in Process	587,410	1,223,685	451,567	-	1,359,528
Total capital assets not being depreciated	38,794,098	1,223,685	451,567	-	39,566,216
Business-type Capital assets, depreciated					
Buildings and system	\$ 2,445,573	6,686	13,876	-	2,438,383
Equipment and vehicles	7,784,177	481,425	323,176	(25,517)	7,916,909
Furniture & fixtures	266,252	-	-	-	266,252
Irrigation distribution	30,518,976	451,567	-	-	30,970,543
Irrigation management software	357,650	-	-	-	357,650
Total capital assets being depreciated	41,372,628	939,678	337,052	(25,517)	41,949,737
Accumulated depreciation:					
Buildings and system	986,464	81,550	13,876	-	1,054,138
Equipment and vehicles	6,516,466	246,232	323,176	(25,517)	6,414,005
Furniture & fixtures	244,602	13,481	-	-	258,083
Irrigation distribution	17,051,438	485,489	-	-	17,536,927
Irrigation management software	284,358	35,765	-	-	320,123
Total accumulated depreciation	25,083,328	862,517	337,052	(25,517)	25,583,276
Total capital assets being depreciated, net	66,455,956	1,802,195	674,104	(51,034)	16,366,461
Business-type Total capital assets, net	\$ 105,250,054	\$ 3,025,880	\$ 1,125,671	\$ (51,034)	\$ 55,932,677

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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5. CAPITAL ASSETS, CONTINUED

Depreciation expense of \$862,517 was charged in the District's water distribution operations fund for the fiscal year ended October 31, 2022.

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and other current liabilities as of October 31, 2022 for the District's funds are as follows:

	Water Distributions Operations	Nonmajor Governmental Funds	Total
Accounts payable	\$ 251,190	\$ -	\$ 251,190
Accrued expenses	103,400	-	103,400
Total accounts payable and other current liabilities	<u>\$ 354,590</u>	<u>\$ -</u>	<u>\$ 354,590</u>

7. DEFERRED INFLOWS OF RESOURCES – PERMITS – LAND USE

The District charges various utilities land use fees for access and use of the District's land. These permits entered into by contract have a definite term (five to twenty-five years). Therefore, the District has recorded deferred inflows of resources for these permits that relate to future years. The deferred inflows of resources are amortized into income ratably over the life of the contract. At October 31, 2022, deferred inflows of resources for permits for land use were \$2,344,290. GASB 87 does not apply to the land use permits.

8. COMPENSATED ABSENCES

Following is a schedule of changes in compensated absences for the year ended October 31, 2022:

Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
425,246	287,042	399,000	313,288	68,967
<u>\$ 425,246</u>	<u>\$ 287,042</u>	<u>\$ 399,000</u>	<u>\$ 313,288</u>	<u>\$ 68,967</u>

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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9. FUND BALANCE CLASSIFICATIONS

The District has only one governmental fund, which is a special revenue fund and therefore, has defined the following fund balance classification:

Restricted Fund Balance – includes amounts that have constraints placed on their use which are: externally imposed by:

- Creditors (such as debt covenants)
- Grantors
- Contributors
- Laws or regulations of other governments (state and federal)

OR

imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party – such as citizens, public interest groups, or the judiciary - to use resources created by enabling legislation only for the purposes specified by the legislation.

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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10. RISK MANAGEMENT

The District maintains insurance coverage for all anticipated risks excluding flood and earthquake. A summary of the more significant policies and provisions are as follows:

Policy Type	Liability Limits <u>Aggregate</u>	Per <u>Occurance</u>	<u>Deductible</u>
Commercial liability	\$ 4,000,000	\$ Varies per type	\$ -
Auto liability	Varies per type	Varies per type	\$ -
Public officials errors & omissions	\$ 2,000,000	\$ 1,000,000	\$ 5,000
Foreign jurisdiction	\$ 1,000,000	\$ 1,000,000	\$ -
Emergency medical malpractice	\$ N/A	\$ N/A	\$ -
Property	\$ 16,455,986	\$ 2,000,000	\$ 2,500 - 100,000
Inland marine	\$ 3,286,053	\$ 3,286,053	\$ 2,500
Electronic Data Processing Equipment (EDP)	\$ 109,131	\$ 109,131	\$ 2,500
Boiler & Machinery	Varies per type	Varies per type	\$ 2,500
Crime:			
- Employee dishonesty	\$ 500,000	\$ 500,000	\$ 10,000
- Depository forgery	\$ 50,000	\$ 50,000	\$ 10,000
- Theft of money	\$ 50,000	\$ 50,000	\$ 10,000
Director and officer E&O	\$ 1,000,000	\$ 1,000,000	\$ 10,000
Business Auto	\$ 2,000,000	\$ 2,000,000	\$ 2,500
Workers Compensation	\$ 500,000	\$ 50,000	\$ -

11. NET POSITION

Net Position represents the difference between assets, deferred outflows, liabilities and deferred inflows. The net position amounts at October 31, 2022 were as follows:

Net investment in capital assets:	
Net property and equipment in service	\$ 55,932,677
Less: notes payable	<u>-</u>
Net Investment in Capital Assets	<u>55,932,677</u>
Restricted - capital projects	584,047
Unrestricted	<u>(6,404,119)</u>
Total net position	<u>\$ 50,112,605</u>

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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12. PENSION PLAN

The District contributes to a defined contribution pension plan adopted under the provision of Internal Revenue Code Section 401.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments on those contributions.

As established on May 12, 1999, the Board of directors approved a resolution establishing the plan and on July 26, 1999, entered in an Agreement with the International City Management Association Retirement Corporation (ICMA) to administer the plan for District employees. The International Management Association Retirement Trust, common law trust, is governed by an elected board of trustees overseeing retirement funds held by state and local governmental entities and their employees. ICMA acts as the investment advisor to the Trust.

Employees of the District participating in the Deferred Compensation Plan before PERA was adopted are eligible to participate. The District is required to contribute 7% of the employee's gross earnings. Contributions by the District belong to the participant upon retirement or termination, provided the vesting requirements have been satisfied.

The vesting provision for all employees is as follows:

0% after 1 years of completed service
0% after 2 years of completed service
100% after 3 years of completed service

During the year ended October 31, 2022, the District's required and actual contribution amount of \$3,451 was 7% of its current and 7% of its prior year covered payroll.

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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13. DEFERRED COMPENSATION PLANS

Eligible employees of the District may participate, in conjunction with the Pension Plan above, in a deferred compensation plan adopted under the provision of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). The deferred compensation plan is available to all employees of the District. Under the plan, employees defer a portion of their salaries and delay paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

All contributions withheld from employee/participant's wages by the District have been paid to the Plan Administrator. Employee contributions withheld and remitted to the plan were \$4,550 for the year ended October 31, 2022.

In addition, the District offers another Internal Revenue Service Code Section 457 (Deferred Compensation) plan with Nationwide Retirement Solutions. Under this plan, employees may elect to defer a portion of salary and delay paying tax on this amount until withdrawal. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, or death. All contributions withheld from employee/participant's wages by the District have been paid to the Plan Administrator. Employee contributions withheld and remitted to the plan were \$81,710 for the year ended October 31, 2022.

14. PERA PENSION PLAN

General Information about the Pension Plan

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

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
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14. PERA PENSION PLAN, CONTINUED

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, 2021 available at: <https://www.osaapp.org/uploads/2021/79e9aae3593149ccb2449786cab4a0ca/366B%20PERA%20%20Schedule%20of%20Employer%20Allocation%20Final%20FY2020.pdf>

Contributions. The contribution requirements of defined benefit plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY20 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 39 of the PERA FY21 annual audit report at

The PERA coverage options that apply to the District is the Municipal General Division. Statutorily required contributions to the pension plan from the District were \$390,085 for the year ended October 31, 2022, of which \$132,063 was contributed after the measurement date June 30, 2022.

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, 2021. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2022, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2022.

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
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14. PERA PENSION PLAN, CONTINUED

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The District's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2022. Only employer contributions for the pay period end dates that fell within the period of July 1, 2021 to June 30, 2022 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2022 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General, at October 31, 2022, the District reported a liability of \$7,314,241 for its proportionate share of the net pension liability. At October 31, 2022, the District's proportion was 0.08665 percent, which was a decrease from its proportion measured as of October 31, 2021, which was 0.42720 percent.

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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14. PERA PENSION PLAN, CONTINUED

For the year ended October 31, 2022, the District recognized PERA Fund Division Municipal General pension expense of \$711,139. At October 31, 2022, the District reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 29,321	\$ 177,879
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	723,859	-
Changes in proportion and differences between contributions and proportionate share of contributions	201,100	166,657
Employer contributions subsequent to the measurement date	<u>132,063</u>	<u>-</u>
Total	\$ <u>1,086,343</u>	\$ <u>344,536</u>

\$132,063 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date June 30, 2022 will be recognized as a reduction of the net pension liability in the year ended October 31, 2022.

STATE OF NEW MEXICO
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14. PERA PENSION PLAN, CONTINUED

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Amount</u>
2022	\$ 230,172
2023	93,056
2024	(285,022)
2025	571,538
2026	-
Total	<u>\$ 609,744</u>

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, 2022 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, 2022 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, 2022. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2022 actuarial valuation.

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ELEPHANT BUTTE IRRIGATION DISTRICT
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14. PERA PENSION PLAN, CONTINUED

Actual valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	25 years Actuarial assumptions:
• Investment rate of return expense	7.25 % annual rate, net of investment
• Projected benefit payment	100 years
• Payroll growth	3.00%
• Projected salary increases	3.25% to 13.50% annual rate
• Included inflation at	2.50%
• Mortality assumption the	The mortality assumptions are based on RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
• Experience study dates (demographic)	July 1, 2008 to June 30, 2017 and July 1, 2013 through June 30, 2017 (economic)

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

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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14. PERA PENSION PLAN, CONTINUED

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

All Funds - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	35.50%	5.90%
Risk Reduction & Mitigation	19.50%	1.00%
Credit Oriented Fixed Income	15.00%	4.20%
Real Assets	20.00%	6.00%
Multi-Risk Allocation	10.00%	6.40%
Total	100.00%	

Discount rate: Previously, a select and ultimate rate of return assumption had been adopted for funding purposes but new economic assumptions were adopted for the June 30, 2022 valuations including the change to a 7.25% static rate. The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB Statement No. 67. Therefore, the 7.25% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Association's proportionate share of the net pension liability	\$ 11,068,015	\$ 7,314,241	\$ 4,195,848

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY22 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
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14. PERA PENSION PLAN, CONTINUED

Payables to the pension plan. The District is legally required to make defined contributions to the cost sharing pension plan on behalf of its' participant employees. At October 31, 2022, the District had paid all required contributions and therefore, there is no payable to the pension plan.

15. CONCENTRATIONS

Approximately 98.6% of the District's operating revenues are derived from special assessments and services to landowners. Reduction or interruption of these revenue sources is not expected, however, if reduction or interruption occurred, it would have a material impact on the operations of the District.

16. CONTINGENT LIABILITIES

The District participates in a number of programs that are fully or partially funded by grants received from other governmental agencies. Expenditures financed by grants are subject to audit by the appropriate grantor agency(s). If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor agency. As of October 31, 2022, significant amounts of grant expenditures have not been audited by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be discovered in subsequent grantor audits may be disallowed by the grantor. Amounts of disallowed grant expenditures, if any, cannot be determined at this time. The District expects such amounts, if any, will not have a material effect on any of the individual funds or the overall financial position of the District.

The District is the plaintiff and defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's management and legal counsel that the resolution of these matters will not have a material adverse effect on the financial condition of the District.

17. SUBSEQUENT REVIEW

Elephant Butte Irrigation District has evaluated subsequent events through March 29, 2023, which is the date the financial statements were available to be issued.

18. TAX ABATEMENT DISCLOSURES

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

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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19. RESTATEMENT

A restatement to the Business-Type Activities fund net position of \$(257,074) was made to write off construction in process for a project that was cancelled in 2020.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
OF PERA FUND DIVISION MUNICIPAL GENERAL PUBLIC EMPLOYEES RETIREMENT
ASSOCIATION (PERA) PLAN LAST 10 FISCAL YEARS
OCTOBER 31, 2022**

	2022*	2021	2020	2019
Association's proportion of the net pension liability	0.08665%	0.42720%	0.40610%	0.39130%
Association's proportionate share of the net pension liability	\$ 7,314,241	\$ 4,812,875	\$ 8,212,265	\$ 6,773,793
Association's covered payroll	\$ 3,948,108	\$ 3,875,473	\$ 3,758,885	\$ 3,522,649
Association's proportionate share of the net pension liability as a percentage of its covered-employee payroll	185.26%	124.19%	192.30%	192.29%
Plan fiduciary net position as a percentage of the total pension liability	69.35%	77.25%	66.36%	70.52%
	2018	2017	2016	2015
Association's proportion of the net pension liability	0.40800%	0.36790%	0.33260%	0.31590%
Association's proportionate share of the net pension liability	\$ 6,505,030	\$ 5,055,258	\$ 5,313,829	\$ 3,220,874
Association's covered payroll	\$ 3,458,390	\$ 3,230,907	\$ 2,848,315	\$ 2,616,331
Association's proportionate share of the net pension liability as a percentage of its covered-employee payroll	188.09%	156.47%	186.56%	123.11%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	69.18%	81.50%

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

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
OF PERA FUND DIVISION MUNICIPAL GENERAL PUBLIC EMPLOYEES RETIREMENT
ASSOCIATION (PERA) PLAN LAST 10 FISCAL YEARS
OCTOBER 31, 2022**

	<u>2022*</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Statutory required contributions	390,085	379,796	368,371	339,303
Contribution in relations to the statutorily required contributions	(390,085)	(379,796)	(368,371)	(339,303)
Annual contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Association's covered-employee payroll	3,948,108	3,875,473	3,758,885	3,522,649
Contribution as a percentage of covered-employee payroll	9.88%	9.80%	9.80%	9.63%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory required contributions	319,588	316,991	280,600	255,117
Contribution in relations to the statutorily required contributions	(319,588)	(316,991)	(280,600)	(255,117)
Annual contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Association's covered-employee payroll	3,458,390	3,319,279	2,938,220	2,671,377
Contribution as a percentage of covered-employee payroll	9.24%	9.55%	9.55%	9.55%

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

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA FUND DIVISION MUNICIPAL GENERAL LAST 10 FISCAL YEARS
OCTOBER 31, 2022**

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY22 audit available at <http://www.nmpera.org/financialoverview/comprehensive-annual-financial-report>.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2022 report is available at <https://www.nmpera.org/assets/uploads/downloads/6-30-2022-PERA-Valuation-Report-FINAL.pdf> For details about changes in the actuarial assumptions see the report. For a description of actuarial assumptions, see Appendix B of the report.

**SUPPLEMENTARY
INFORMATION**

**STATE OF NEW MEXICO
ELEPHANT BUTTE
SCHEDULE OF SPECIAL ASSESSMENT
RECEIVABLE FOR PUBLIC FUNDS
FOR THE YEAR ENDED OCTOBER 31, 2022**

Assessment Year	Business-type Activities	Governmental Activities
2021	\$ 226,978	\$ 1,200
2020	139,110	773
2019	77,537	643
2018	39,949	428
2017	31,436	365
2016	23,256	334
2015	17,890	315
2014	15,643	287
2013	14,124	236
2012	13,848	229
2011 and prior	56,983	1,648
	<u>656,754</u>	<u>6,458</u>
Interest	146,507	2,059
Total Assessment (including interest)	<u>803,261</u>	<u>8,517</u>
Less allowance for doubtful accounts	(422,052)	(5,662)
	<u>\$ 381,209</u>	<u>\$ 2,855</u>

**OTHER SUPPLEMENTAL
INFORMATION**

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
SCHEDULE OF PLEDGED COLLATERAL
FOR THE YEAR ENDED OCTOBER 31, 2022**

Description	CUSIP#	Maturity	Market Value
Bank of the West:			
FHMS K108 A2	3137FTBM8	3/25/2030	357,109
FH K105 A2 FIX	3137FRUJ8	1/25/2030	107,126
FHLMC GOLD 30YR	3132HM3Y5	10/1/2042	30,161
FNMA CONV 30YR SF	3138M93R0	9/1/2042	43,118
FNMA CONV 30YR SF	3138MAKS6	9/1/2042	74,993
G2SF MA2753 3.00 4/20/45	36179RBW8	4/20/2045	11,232
FNCL MA4437 2.000 09/01/51	31418D4X7	9/1/2051	<u>5,302</u>
Total pledged collateral			<u>629,041</u>

COMPLIANCE SECTION

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

Joseph M. Maestas, P.E.,
New Mexico State Auditor and
Members of the Board of Directors
Elephant Butte Irrigation District
Las Cruces, NM

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, business-type activities, each major fund, and the aggregate remaining fund information of the Elephant Butte Irrigation District as of and for the year ended October 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued my report thereon dated March 29, 2023.

Internal Control Over Financial Reporting

In planning and performing my 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did identify a deficiency in internal control that we consider to be material weaknesses. Finding 2022-001

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The results of our tests disclosed no instances to be significant deficiencies that are required to be reported under *Government Auditing Standards*.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that is required to be reported under Government Auditing Standards.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baldwin Accounting & Consulting, LLC

Baldwin Accounting & Consulting, LLC

Albuquerque, New Mexico

March 29, 2023

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
SUMMARY OF AUDIT RESULTS AND SCHEDULE OF FINDINGS AND RESPONSES
OCTOBER 31, 2022**

Summary of Auditors' Results

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| c. Noncompliance material to the financial statements noted? | None Noted |
| d. Other deficiencies identified that are not significant deficiencies or material weaknesses? | |
| No | |
-

CURRENT YEAR FINDINGS:

2022-001: Adjustment for the Correction of an error (Material Weakness)

Condition: During our audit, a material audit adjustment needed to be made by the auditor in regards to capital assets, construction in progress that was discontinued in 2020.

Criteria: Per NMAC 6.20.2.11, local public body shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: The auditor had to make a prior period adjustment to write off the cancelled project, which was cancelled in 2020. The previous auditor had grouped the balance with prepaid assets, rather than construction in process.

Effect: Potential misstatements of the financial statements and accounting records.

Recommendation: We recommend management update its policies and procedures to include all aspects of financial close and reporting including accrual entries and fiscal year end adjustments.

Views of responsible officials and planned corrective actions: The Finance Department accepted the results of the prior year's audit categorization but will update financial policies and procedures to ensure that going forward, assets are more properly and timely recorded in the accounting records.

Person Responsible: *Finance Director*

Implementation by: *By October 31, 2023*

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
SUMMARY OF AUDIT RESULTS AND SCHEDULE OF FINDINGS AND RESPONSES
OCTOBER 31, 2022**

STATUS OF PRIOR YEAR FINDINGS	STATUS
2020-001 Late Submission of Audit Report – Other Non-Compliance	Resolved

**STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
EXIT CONFERENCE
OCTOBER 31, 2022**

An exit conference was held on March 31, 2023 with the following individuals in attendance:

Elephant Butte Irrigation District

Greg Daviet
Karin Byrum
Leah Diaz

President
Finance Director
Finance Assistant

Baldwin Accounting & Consulting, LLC

Lee Baldwin

Managing Principal

Financial Statement Preparation

The financial statements were prepared by Baldwin Accounting & Consulting, LLC. from the books and records of the Elephant Butte Irrigation District. However, the contents of these financial statements remain the responsibility of the District's management.