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**STATE OF NEW MEXICO
ANTELOPE VALLEY IRRIGATION DISTRICT
AUDITED FINANCIAL STATEMENTS AND
OTHER FINANCIAL INFORMATION
JUNE 30, 2009 and 2008**

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INTRODUCTORY SECTION

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**STATE OF NEW MEXICO
 ANTELOPE VALLEY IRRIGATION DISTRICT
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**STATE OF NEW MEXICO
ANTELOPE VALLEY IRRIGATION DISTRICT
OFFICIAL ROSTER
JUNE 30, 2009**

BOARD OF DIRECTORS

Jeff Burton

President

Preston Wood

Vice-President

David Wingo

Board Secretary

ADMINISTRATIVE STAFF

Christy Casias

Office Manager

FINANCIAL SECTION

P.O. Box 634
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Member: AICPA
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Independent Auditor's Report

Members of the Board of Directors
Antelope Valley Irrigation District and

Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities and the general fund of the Antelope Valley Irrigation District (the District), State of New Mexico, as of and for the year ended June 30, 2009 and 2008, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Antelope Valley Irrigation District, State of New Mexico as of June 30, 2009 and the respective changes in financial position, thereof, and the budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part on an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 2 through 5 and the budgetary comparison information on page 12 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Robert L. Mantz, CPA, P.C.

Robert L. Mantz, CPA, P.C.

Raton, New Mexico
January 25, 2010

The Antelope Valley Irrigation District

R. F. D. 1

SPRINGER, NEW MEXICO

STATE OF NEW MEXICO ANTELOPE VALLEY IRRIGATION DISTRICT MANAGEMENTS'S DISCUSSION AND ANALYSIS JUNE 30, 2009

As management of the New Mexico Antelope Valley Irrigation District, we offer readers of the Antelope Valley Irrigation District's financial statements this narrative overview and analysis of the financial activities of the Antelope Valley Irrigation District for the fiscal year ended June 30, 2009. All amounts, unless otherwise indicated, are expressed in dollars.

FINANCIAL HIGHLIGHTS

The District's total net assets decreased by \$14,111 compared to the prior year.

As of the close of the current fiscal year, the District's governmental fund reported ending fund balance of \$7,874, which was an decrease of \$ 4,022 in comparison with the prior year.

USING THIS ANNUAL REPORT

Management's Discussion and Analysis

This section includes information on the use of the annual report, and management's analysis of the financial position and results of operations for the District.

Government-Wide Financial Statements

The Government-Wide Financial Statements report information about the District as a whole using accounting methods similar to those used by private sector businesses. The statement of net assets includes all of the Districts assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The financial statements report the District's net assets and how they have changed.

Fund Financial Statements

The Fund Financial Statements provide a more detailed look at the District's significant funds. The funds present sources and uses of liquid resources. This is the manner in which the financial plan (the budget) is typically developed. Funds are established for various purposes and the financial statement allows the demonstration of sources and uses and/or budgeting compliance associated, therewith.

The Antelope Valley Irrigation District

R. F. D. 1

SPRINGER, NEW MEXICO

Budgetary Comparisons

GASB 34 requires budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedules should present both the original and the final appropriated budgets for the reporting period as well as the actual inflows, outflows and balances, stated on the government's budgetary basis. As required by the Office of the State Auditor under 2NMAC2.2, the budgetary comparison statement is presented. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 through 23 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets: Below is a summary of the District's net assets for the fiscal years ending June 30, 2009 and 2008. There have not been any significant changes to assets, liabilities and net assets as compared to the prior year. See page 6 for a more detailed look at the Statement of Net Assets.

ANTELOPE VALLEY IRRIGATION DISTRICT Net Assets

	Governmental Activities	
	2009	2008
Current assets	\$8,909	\$ 12,670
Net Capital assets	775,907	787,290
Total assets	<u>784,816</u>	<u>799,960</u>
Long-term liabilities outstanding	11,879	13,206
Other liabilities	2,362	2,068
Total liabilities	<u>14,241</u>	<u>15,274</u>
Net assets:		
Invested in capital assets	762,701	772,790
Unrestricted	7,874	11,896
Total net assets	<u>\$770,575</u>	<u>\$784,686</u>

The Antelope Valley Irrigation District

R. F. D. 1

SPRINGER, NEW MEXICO

Statement of activities: The following represents the revenues and expenses for fiscal years ended June 30, 2009 and 2008. See page 7 for a more detailed look at the Statement of Activities.

ANTELOPE VALLEY IRRIGATION DISTRICT Changes in Net Assets

	Governmental Activities	
	2009	2008
Revenues:		
General revenues-Assessments	45,144	\$ 46,385
General revenues-Interest	28	27
General revenues-Miscellaneous	41	418
Total revenues	45,213	46,830
Expenses:		
District operations	59,324	63,863
Decrease in net assets	(14,111)	(17,033)
Net assets-Beginning	784,686	801,719
Net assets-Ending	\$770,575	\$784,686

FUND FINANCIAL ANALYSIS

Governmental Funds: The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. As of year-end, the governmental funds reported a fund balance of \$7,874.

The District has only one fund, the general fund. The general fund realized a decrease in the fund balance of \$4,022 from the previous year. General fund revenues decreased as compared to the prior year. The principal reason for the decrease was a \$14,500 loan that was received in 2008 while none was received in 2009. Future years property tax expense will vary according to the amount of water delivered in the respective preceding year.

The Antelope Valley Irrigation District

R. F. D. 1

SPRINGER, NEW MEXICO

GENERAL FUND BUDGETARY HIGHLIGHTS

In total, there were no differences between the original budget and the final amended budget. During the year, actual revenues were less than budgetary estimates while actual expenditures were less than budgetary estimates. The District's operating budget for the year ended June 30, 2009 was about \$3,656 more than the previous year's budget because of an anticipated increase in the county tax assessment.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The District's investment in capital assets for its governmental activities as of June 30, 2009 amounts to \$762,701 (net of accumulated depreciation and net of loans). This investment in capital assets consists mainly of irrigation systems, including storage reservoirs, siphons, dams and canals.

The District did not have any capital asset additions or deletions for this year.

Additional information on the District's capital assets can be found in Note 4 B on page 22 of this report.

Long-Term Debt: At the end of 2008 fiscal year, the District obtained a long-term loan. The balance as of June 30, 2009, was \$13,206.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The District did not increase its' per member water share assessments in 2010. It remained at \$9.00 per share for the fiscal year ending June 30, 2010. Budgeted expenditures for the fiscal year ending June 30 were decreased from \$56,810 in 2009 to \$53,361 in 2010.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Antelope Valley 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 Antelope Valley Irrigation District, Route 1 Box 36, Springer, New Mexico 87747.

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
ANTELOPE VALLEY IRRIGATION DISTRICT
COMPARATIVE STATEMENT OF NET ASSETS
June 30, 2009 and 2008**

	2,009	2,008
ASSETS		
Current Assets:		
Cash	7,852	11,893
Assessments Receivable	743	495
Due from the State	122	-
Prepaid Expenses	192	282
Total Current Assets	8,909	12,670
Noncurrent Assets		
Capital Assets	900,193	900,193
Less: Accumulated Depreciation	(124,286)	(112,903)
Net Capital Assets	775,907	787,290
 Total Assets	 784,816	 799,960
 LIABILITIES		
Current Liabilities		
Accounts Payable	-	-
Payroll Taxes Payable	1,035	774
Note Payable - Current Portion	1,327	1,294
Total Current Liabilities	2,362	2,068
Long-term Liabilities		
Notes Payable	13,206	14,500
Less: Current Portion from Above	(1,327)	(1,294)
Total Long-term Liabilities	11,879	13,206
 Total Liabilities	 14,241	 15,274
 NET ASSETS		
Invested in Capital Assets (Net of Operating Loan)	762,701	772,790
Unrestricted	7,874	11,896
Total Net Assets	770,575	784,686
 Total Liabilities and Net Assets	 784,816	 799,960

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

**STATE OF NEW MEXICO
ANTELOPE VALLEY IRRIGATION DISTRICT
COMPARATIVE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2009 and 2008**

	<u>2,009</u>	<u>2,008</u>
Expenses		
District and System Operations		
Salaries	10,226	13,663
Payroll Taxes	837	1,195
Insurance - Workman's Comp.	1,266	2,139
Audit Fees	3,234	2,857
County Assessments	449	453
Election Fees	-	367
Insurance - Bond	150	200
Legal and Accounting	-	106
Miscellaneous Expense	106	-
Office and Postage	73	-
Office Supplies	435	751
Rent	1,600	3,994
Schools	-	115
Tax Assessments	14,047	5,844
Telephone	335	465
Travel	-	24
Depreciation	11,383	11,470
Equipment Repairs and Supplies	9,027	9,713
Gas & Oil	-	606
Small Tools	-	137
Supplies - Operating	220	29
Travel - Ditch Rider	5,573	2,400
Capital	-	7,335
Interest	363	-
Total District and System Operations	<u>59,324</u>	<u>63,863</u>
 Program Revenues		
Charges for Service	<u>45,144</u>	<u>46,385</u>
 Changes in Net Assets		
Net (Expense) Revenue	<u>(14,180)</u>	<u>(17,478)</u>
 General Revenues		
Unrestricted Interest Income	28	27
Miscellaneous Income	<u>41</u>	<u>418</u>
Total General Revenues	<u>69</u>	<u>445</u>
 Change in Net Assets	(14,111)	(17,033)
 Net Assets - Beginning of Year	<u>784,686</u>	<u>801,719</u>
 Net Assets - End of Year	<u><u>770,575</u></u>	<u><u>784,686</u></u>

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

**STATE OF NEW MEXICO
ANTELOPE VALLEY IRRIGATION DISTRICT
COMPARATIVE BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009 and 2008**

	2,009	2,008
ASSETS		
Cash	7,852	11,893
Assessments Receivable	743	495
Due From the State	122	-
Prepaid Expenses	192	282
Total Assets	8,909	12,670
 LIABILITIES		
Accounts Payable	-	-
Payroll Taxes Payable	1,035	774
Total Liabilities	1,035	774
 FUND BALANCE		
Unreserved Undesignated	7,874	11,896
Total Fund Balance	7,874	11,896
Total Liabilities and Fund Balance	8,909	12,670

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

**STATE OF NEW MEXICO
 ANTELOPE VALLEY IRRIGATION DISTRICT
 COMPARATIVE RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF
 NET ASSETS
 GOVERNMENTAL FUNDS
 June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Total Fund Balances for the Governmental Funds	<u>7,874</u>	<u>11,896</u>
 Amounts reported for governmental activities in the statement of net assets are different because:		
 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land, land improvements, buildings and equipment	900,193	900,193
Accumulated depreciation	<u>(124,286)</u>	<u>(112,903)</u>
Total Net Capital Assets	<u>775,907</u>	<u>787,290</u>
 Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:		
Note Payable	<u>(13,206)</u>	<u>(14,500)</u>
 Net assets of Governmental Activities	 <u>770,575</u>	 <u>784,686</u>

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

**STATE OF NEW MEXICO
 ANTELOPE VALLEY IRRIGATION DISTRICT
 COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Years Ended June 30, 2009 and 2008**

	2,009	2,008
REVENUES		
Water Assessments	45,144	46,385
Operational Loan	-	14,500
Investment Interest Income	28	27
Miscellaneous Income	41	418
Total Revenues	45,213	61,330
EXPENDITURES		
Current:		
District Operations:		
Administrative		
Salaries	2,800	2,400
Payroll Taxes	229	210
Insurance - Workman's Comp.	347	376
Advertising	-	106
Audit Fees	3,234	2,857
Bank Charges	-	-
Contracts & Warranties	-	-
County Assessment Fees	449	453
Election Fees	-	367
Insurance - Bond	150	200
Miscellaneous Expense	106	-
Office and Postage	73	-
Office Supplies	435	751
Rent	1,600	3,994
Schools	-	115
Tax Assessments	14,047	5,844
Telephone	335	465
Travel	-	24
Total Administrative Expenditures	23,805	18,162
System Operations		
Salaries	7,426	11,263
Payroll Taxes	608	985
Insurance - Workman's Comp	919	1,763
Equipment Repairs and Supplies	9,027	9,713
Gas & Oil	-	606
Small Tools	-	137
Supplies - Operating	220	29
Travel - Ditch Rider	5,573	2,400
Total System Operations Expenditures	23,773	26,896
Capital Outlay:	-	7,335
Debt Service: Principal	1,294	-
Interest	363	-
	1,657	-
Total District Operations Expenditures	49,235	52,393
Net Changes in Fund Balances	(4,022)	8,937
FUND BALANCE: Beginning of Year	11,896	2,959
FUND BALANCE: End of Year	7,874	11,896

The accompanying notes are an integral part of this financial statement.

**STATE OF NEW MEXICO
ANTELOPE VALLEY IRRIGATION DISTRICT
COMPARATIVE RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
ACTIVITIES
GOVERNMENTAL FUNDS
For The Years Ended June 30, 2009 and 2008**

	2009	2008
Net Change in Fund Balances - Governmental Funds	(4,022)	8,937
Amounts reported for governmental activities in the statement of activities are different because:		
Loans are reported for governmental funds whereas they are treated as liabilities in governmental activities:	-	(14,500)
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	-	-
Depreciation expense	(11,383)	(11,470)
Excess of capital outlay over depreciation expense	(11,383)	(11,470)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Activities.		
Debt Service - principal payments	1,294	-
Change in Net Assets of Governmental Activities	(14,111)	(17,033)

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

**STATE OF NEW MEXICO
ANTELOPE VALLEY IRRIGATION DISTRICT
BUDGETARY COMPARISON STATEMENT
GENERAL FUND
For the Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Water Assessments	45,486	45,486	44,897	(589)
Operating Loan			-	
Investment Interest	25	25	28	3
Miscellaneous Income	-	-	41	41
Total Revenues and Sources	<u>45,511</u>	<u>45,511</u>	<u>44,966</u>	<u>(545)</u>
Budgeted Cash Balance	<u>11,299</u>	<u>11,299</u>		
 Total Revenues and Cash	<u>56,810</u>	<u>56,810</u>		
 EXPENDITURES				
Current:				
District Operations:				
Administrative				
Salaries	2,400	2,400	2,800	(400)
Payroll Taxes	387	387	191	196
Insurance - Workman's Comp.	445	445	336	109
Audit Fees	3,575	3,575	3,234	341
Bank Charges	-	-	-	-
Contracts & Warranties	-	-	-	-
County Assessment Fees	455	455	449	6
Election Fees	600	600	-	600
Insurance - Bond	100	100	100	-
Legal	500	500	-	500
Miscellaneous Expense	-	-	106	(106)
Office and Postage	-	-	73	(73)
Office Supplies	3,600	3,600	435	3,165
Rent	-	-	1,600	(1,600)
Schools	-	-	-	-
Tax Assessments	6,000	6,000	14,047	(8,047)
Telephone	-	-	335	(335)
Travel/Mileage	-	-	-	-
System Operations				
Salaries	10,000	10,000	7,426	2,574
Payroll Taxes	1,613	1,613	507	1,106
Insurance - Workman's Comp	1,855	1,855	890	965
Equipment Repairs and Supplies	16,000	16,000	9,027	6,973
Gas & Oil	-	-	-	-
Rent - Equipment	-	-	-	-
Supplies	-	-	220	(220)
Travel/Mileage - Ditchrider	3,250	3,250	5,573	(2,323)
Contingency	3,030	3,030	-	3,030
Capital Outlay	3,000	3,000	-	3,000
Debt Service : Principal	-	-	1,294	(1,294)
Interest	-	-	363	(363)
 Total Expenditures and Uses	<u>56,810</u>	<u>56,810</u>	<u>49,006</u>	<u>7,804</u>

The accompanying notes are an integral part of this statement.

**STATE OF NEW MEXICO
ANTELOPE VALLEY IRRIGATION DISTRICT
COMPARATIVE BUDGETARY COMPARISON STATEMENT
BUDGET-TO-GAAP RECONCILIATION
GENERAL FUND
For The Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Sources/Inflows of Resources:		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	44,966	61,700
Revenues received during the year ended June 30, 2009 that were measurable and available at June 30, 2008.	(495)	(473)
Revenues to be received during the year ending June 30, 2010 that were measurable and available at June 30, 2009.	742	495
Clearance of Prior Year Checks		<u>(392)</u>
Total revenues and other financing sources as reported in the statement of revenues expenditures and changes in fund balance-governmental.	<u>45,213</u>	<u>61,330</u>
Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	49,006	53,559
Expenditures incurred before June 30, 2008 but paid during the year ended June 30, 2009.	(774)	(4,108)
Expenditures incurred before June 30, 2009 but paid during the year ended June 30, 2010.	1,035	774
(Increase) /Decrease in prepaid expense accrual.	90	(286)
Overpayment of Payroll Expenses to the State	(122)	
Net payroll expenses incurred in 2009 but not paid until 2010.	-	-
Adjustment for Rounding.	-	4
Reclassify.		<u>2,450</u>
Total expenditures and other financing uses as reported in the statement of revenues, expenditures and changes in fund balance-governmental funds.	<u>49,235</u>	<u>52,393</u>

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

**STATE OF NEW MEXICO
ANTELOPE VALLEY IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 and 2008**

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**STATE OF NEW MEXICO
ANTELOPE VALLEY IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 and 2008**

NOTE 1. FUNCTION OF THE ENTITY

The Antelope Valley Irrigation District (the District) was created by the Conservancy Act of New Mexico, Ch. 77-2701 through 77-2928 and the Conservancy District Reclamation Contract Act, Ch. 77-3101 through 77-3124, New Mexico Statutes annotated, 1941 Compilation, as amended. The District operates under a Board of Directors. The purpose of the agency is to operate and maintain the irrigation system within the Antelope Valley Irrigation District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

In June, 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*. This Statement provides for the most significant change in financial reporting in over twenty years and is scheduled for a phased implementation based on the size of the government.

In June, 2001, the GASB unanimously approved Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38 *Certain Financial Statement Note Disclosures*. Statement 37 clarifies and modifies Statements 34 and should be implemented simultaneously with Statement 34. Statement 38 modifies, establishes and rescinds certain financial statement disclosure requirements.

The District implemented the provisions of GASB Statement No. 34, 37 and 38 effective July 1, 2003. As part of this Statement, there is a new reporting requirement regarding the government's infrastructure (roads, bridges, etc.).

The District implemented the statutory change in the capitalization threshold from \$1,000 to \$5,000, effective June 17, 2005. However, inventory items acquired prior to July 1, 2005, that do not meet the new capitalization threshold, remain on the inventory list and continue to be depreciated. See Note G.3.

**STATE OF NEW MEXICO
ANTELOPE VALLEY IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 and 2008**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

A. REPORTING ENTITY

The District is a special-purpose government created pursuant to statute and is comprised of an elected Board of Directors. The officers of the District are elected annually. The District is a governmental subdivision of the State of New Mexico and a body with all the powers of a public or quasi-municipal corporation and these financial statements include all funds and activities over which the District officers have oversight responsibility. The officers of the District have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The District is not included in any other governmental reporting entity as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. The District does not have any component units.

B. BASIC FINANCIAL STATEMENTS-GOVERNMENT –WIDE STATEMENTS

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The new reporting model focus is on either the District as a whole or major individual funds (within the fund financial statements). The District is a single-program government that engages in only governmental activities and has no component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental activities. In the government-wide Statement of Net Assets, the governmental activities are presented on the full accrual basis, economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, restricted net assets (of which none are present) and unrestricted net assets.

The government-wide Statement of Activities reports the gross and net cost of the District's function. The function is also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. The District includes only one function (district operations), and has no operating or capital grants. The District does not have an internal service fund, but all internal activities have been eliminated to avoid "doubling up" revenues and expenses.

The net cost (by function) is normally covered by program revenue (special assessments).

This government-wide measurement focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

**STATE OF NEW MEXICO
ANTELOPE VALLEY IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 and 2008**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the District are reported in one fund in the fund financial statements. The fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The District does not have any proprietary or fiduciary funds.

The single fund of the District is described below.

General Fund – The General Fund, the only major fund, is the general operating fund for the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The governmental fund statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the District's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the government-wide presentation.

GASB Statement No. 34 eliminated the presentation of account groups, but provides for these records to be maintained and incorporates the information into the government-wide Statement of Net Assets.

Generally, private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed in government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

D. BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

ACCRUAL

Governmental activities in the government-wide financial statement are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Property taxes (water assessments) are recognized as revenues in the year for which they are levied.

**STATE OF NEW MEXICO
ANTELOPE VALLEY IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 and 2008**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

MODIFIED ACCRUAL

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers revenues to be available if they are collected within sixty days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Water assessments are susceptible to accrual. In accordance with GASB Statement 33, estimated assessments that are not available are recorded as both accounts receivable and deferred revenue. Since all water assessments were available, no deferred revenues were established. Grant revenues are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual, because they are usually not measurable until payment is actually received.

E. USE OF 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 the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

G. FINANCIAL STATEMENTS AMOUNTS

1. Cash

For the purpose of the Statement of Net Assets, "cash" includes all petty cash, demand accounts, savings accounts and certificates of deposit of the District.

2. Assessments Receivable

Assessments receivable consists of revenue earned from assessments for water rights. The District has the option of collecting delinquent assessments by filing a lien against properties with delinquent accounts or filing a civil action against the delinquent property owners. Management has determined that assessments are fully collectible, accordingly, no allowance for doubtful accounts has been recorded.

**STATE OF NEW MEXICO
ANTELOPE VALLEY IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 and 2008**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

G. FINANCIAL STATEMENT AMOUNTS- Continued

The Colfax County Treasurer bills and collects the general property tax (per share water assessments) levy, which is payable in two installments on November 10 and April 10 of each year. Property taxes (water assessments) attach as an enforceable lien on January 1 of each year. Collections are remitted to the District monthly. As of June 30, 2009, all uncollectible taxes are considered delinquent.

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. For capital assets acquired after June 17, 2005, the District increased the capitalization threshold from \$1,000 to \$5,000. Contributed assets are reported at fair market value as of the date received. Additions, improvements, computer software and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis with no salvage value. The estimated useful life for the distribution system is fifty years, and the estimated useful life of equipment is ten years.

GASB Statement No. 34 requires the District to report and depreciate infrastructure assets. Infrastructure assets include roads, bridges, underground pipe, traffic signals, etc.

4. Compensated Absences

The District does not compensate the absences of its employees.

5. Equity Classifications

Government-wide Statements

Equity is classified as net assets. Net assets is the difference between assets and liabilities. Net assets invested in capital assets represents the historical costs of assets or fair value on date of receipt less accumulated depreciation on those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by the District or external restrictions by other governments, creditors or grantors. Unrestricted net assets are all other net assets that do not meet the definition of "restricted" or "invested in capital assets." It is the District's policy to first apply unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved with the unreserved further split between designated and undesignated. Reservations of fund balance are created to either satisfy legal covenants that require that a portion of the fund balance be segregated or identify the fund balance that is not appropriated for future expenditure.

**STATE OF NEW MEXICO
ANTELOPE VALLEY IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 and 2008**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

G. FINANCIAL STATEMENT AMOUNTS- Continued

6. Revenues and Expenditures

The District currently assesses property owners at the rate of \$9.00 per share. Substantially all governmental fund revenues are accrued. Assessments are included as program revenues in the accompanying financial statements.

Expenditures are recognized when the related fund liability is incurred. The exception is that principal on long-term debt is recognized when due.

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a government unit, the District is subject to various laws and contractual regulations. An analysis of the District's compliance with significant laws and demonstration of its stewardship over District resources follows:

A. BUDGETS AND BUDGETARY ACCOUNTING

Irrigation Districts follow procedures that are promulgated by the Department of Finance and Administration, Local Government Division. Those procedures are as follows:

1. Prior to July 1, the Chairman submits to the Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. After the board approves the proposed budget, it is then submitted to the Local Government Division for review and certification.
3. Upon certification the budget becomes a legally binding document which does not allow total expenditures in any fund to exceed the amount budgeted. Appropriations lapse at year-end.
4. The Board is authorized to make budget revisions with the Local Government Division's approval.
5. Formal budgetary integration is employed as a management control device during the year.

**STATE OF NEW MEXICO
ANTELOPE VALLEY IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 and 2008**

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgets are not adopted on a basis consistent with generally accepted accounting principles (GAAP). The budgets are adopted on the non-GAAP basis of cash receipts and disbursements: consequently, certain revenues and the related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. Budgetary comparisons presented in this report are on this non-GAAP Budgetary basis.

The reconciliation of governmental fund revenues and expenses to budget basis revenue and expenses is presented in the Budgetary Comparison Statement - Budget-to-GAAP Reconciliation.

B. LONG-TERM DEBT

The District obtained a \$14,500 loan from the New Mexico Interstate Stream Commission on September 24, 2007 at a rate of 2 ½ per annum. The loan is to be paid back in 10 years. The balance of the note as of June 30, 2009 is \$13,206.

NOTE 4. DETAIL NOTES ON ACCOUNTS AND TRANSACTION CLASSES

A. CASH

Cash deposits are reported at cost, which reasonably estimates fair value. At year-end, the carrying amounts of bank accounts and certificates of deposits were \$7,852, while the bank balances were \$12,991.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2009, the District's account at International Bank was 100% covered by FDIC insurance and no collateral was pledged.

The following schedule presents cash on deposit with International Bank and the collateral pledged by the institution in accordance with Section 6-10-16, NMSA, 1978 Compilation:

	<u>Type</u>	<u>2009</u>	<u>2008</u>
International Bank of Raton 200 S 2 nd , Raton, NM 87740:			
Financial statement balance	Checking	\$7,852	\$11,893
Reconciling items		5,139	(1,756)
Total deposits per bank		<u>12,991</u>	<u>10,137</u>
Less: Deposits covered by FDIC		12,991	10,137
Total		<u><u>-</u></u>	<u><u>-</u></u>

**STATE OF NEW MEXICO
ANTELOPE VALLEY IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 and 2008**

**NOTE 4. DETAIL NOTES ON ACCOUNTS AND TRANSACTION CLASSES
(Continued)**

B. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Capital assets not being Depreciated: Water rights, canals, reservoirs	350,501	-0-	-0-	350,501
Capital assets being Depreciated: Distribution system	542,242	-0-	-0-	542,242
Equipment	7,450	-0-	-0-	7,450
Subtotal	549,692	-0-	-0-	549,692
Accumulated depreciation: Distribution system	103,799	10,593	-0-	114,392
Equipment	9,104	790	-0-	9,894
Subtotal	112,903	11,383	-0-	124,286
Net capital assets being depreciated	436,789	(11,383)	-0-	425,406
Net capital assets	787,290	(11,383)	-0-	775,907

Depreciation expense of \$11,383 was charged to the district operations function of governmental activities.

**STATE OF NEW MEXICO
ANTELOPE VALLEY IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 and 2008**

**NOTE 4. DETAIL NOTES ON ACCOUNTS AND TRANSACTION CLASSES
(Continued)**

C. LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2009.

	Long-Term Debt Payable At June 30, 2008	New Obligations Incurred	Payments Made on Long-Term Debt	Long-Term Debt Payable At June 30, 2009	Due Within One Year
Interstate Stream Commission	14,500	-0-	1,294	13,206	\$1,327
Total	14,500	-0-	1,294	\$13,206	\$1,327

Notes Payable

\$14,500 note payable to New Mexico Interstate Stream Commission on 9-3-2007.

Annual installments of \$1,657, including interest at 2.5% per annum.

13,206

Total

\$13,206

Current year interest expense included as a direct function expense with district operations was \$363.00.

The annual requirement to amortize the principal of all debt outstanding as of June 30, 2009, is as follows:

Year Ended September 24	Principal	Interest
2010	1,327	330
2011	1,360	297
2012	1,394	263
2013	1,429	228
2014	1,464	193
2015-2018	6,232	394
Total	<u>13,206</u>	<u>\$ 1,705</u>

**STATE OF NEW MEXICO
ANTELOPE VALLEY IRRIGATION DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 and 2008**

NOTE 5. OTHER NOTES

A. RISK MANAGEMENT

The District covers its insurance needs through various insurance policies. The coverage includes business and personal property, commercial general liability, non-owned and hired automobiles and worker's compensation. The coverage limits depends on the items being insured. The maximum coverage is generally limited to \$500,000. The premiums paid on the policies during the year were \$1,326. If the District's losses exceed it premiums, there is no supplemental assessment; on the other hand, if the District's losses are low, they will not receive a refund. Therefore, except for deductible amounts, risk has been transferred to the insurance carrier.

B. PENSION PLAN

The District does not offer a pension plan to its employees.

OTHER REPORTS

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

Mr. Hector H. Balderas,
New Mexico State Auditor
And the
Members of the Board of Directors
Antelope Valley Irrigation District
Maxwell, New Mexico

We have audited the financial statements of the governmental activities and the general fund of the Antelope Valley Irrigation District as of and for the year ended June 30, 2009 and 2008, which collectively comprise the Antelope Valley Irrigation District's basic financial statements and have issued our report thereon dated January 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Antelope Valley Irrigation District's internal control over financial reporting as a basis for designing the audit procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control of financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Antelope Valley Irrigation District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the Antelope Valley Irrigation District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting and are listed as 09-1 and 09-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

ROBERT L. MANTZ, CPA, P.C.

CPA

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Antelope Valley Irrigation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 09-1.

The District's responses to the findings identified in our audit are described in the accompanying schedule of audit findings, recommendations and responses. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Antelope Valley Irrigation District, the Office of the State Auditor, the New Mexico Legislature, and the New Mexico Department of Finance Administration, and is not intended to be and should not be used by anyone other than these specified parties.

January 25, 2010

Robert L. Mantz, CPA, P.C.

Robert L. Mantz, CPA, P.C.

**STATE OF NEW MEXICO
ANTELOPE VALLEY IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2009 and 2008**

SUMMARY SCHEDULE OF PRIOR YEAR AUDITING FINDINGS

08-1. CHECKS AND CHECK REGISTER - Item resolved.

08-2. Prior Year Audit Adjustments – Item resolved

SUMMARY SCHEDULE OF CURRENT YEAR AUDITING FINDINGS

09-1. Submission of Late Audit Report

Condition

The 2009 audited financial statement for the Antelope Valley Irrigation District was submitted late to the New Mexico State Auditor's Office (SAO). The "draft" report was mailed to the SAO on January 26, 2010.

Criteria

In accordance with SAO Rule 2.2.9-A(1)(d), the audit for the District should have been completed by December 1, 2009.

Effect

The late report for the District will not cause any monetary impact on the District.

Cause

The auditor, Robert L. Mantz, CPA, P.C. was still gathering data and had not completed the audit on December 1, 2009. The Office Manager was new in 2009 and was not completely familiar with the audit procedures so gathering the audit documents took longer than usual.

Recommendation

The District should try to get the audit data to the auditor sooner in order to expedite the audit.

District's Response

The District will assist the auditor in expediting the audit in 2010.

**STATE OF NEW MEXICO
ANTELOPE VALLEY IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2009 and 2008**

SUMMARY SCHEDULE OF CURRENT YEAR AUDITING FINDINGS (Continued)

09-2. Backups of the Computer Electronic Data

Condition

The computer data is backed up monthly and the backup disk is stored in the office of the Office Manager. If there was a fire at the District's office, all of the District's data would be destroyed.

Criteria

The Board has the responsibility to protect the assets of the District. One of District's most important assets is the data stored in the computer.

Effect

If the computer would fail how long would it take to restore the data? What would be the cost of restoring it? And this does not take into consideration, the inconvenience of not having that information available for immediate analysis, if needed.

Cause

The District felt that a monthly backup was adequate. It was not a consideration that a backup should be stored somewhere else.

Recommendation

In addition, the District should make two backups. A working copy should be stored in the office for convenient use. Another copy should be stored in another location for safe keeping.

Agency Response

The District will begin immediately making two copies of their electronic data. An alternate location will be located as soon as possible. If a good location cannot be arranged, it would be acceptable to store a copy at the auditor's office.

**STATE OF NEW MEXICO
ANTELOPE VALLEY IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2009 and 2008**

FINANCIAL STATEMENT PREPARATION

In accordance with *Government Auditing Standards*, drafting the financial statements is considered to be technical assistance that would not impair independence if certain requirements are met. Although, it would be preferable and desirable for the District to prepare its own GAAP-based financial statements, it is felt that the District's personnel have neither the time nor the expertise to prepare them. Therefore, the outside auditor prepared the GAAP-basis financial statements and footnotes that were included in the annual audit report. Since, the District's management assumed the responsibility for the content of the financial report, and since, the District has the necessary accounting expertise to prevent, detect and correct a potential material misstatement in the financial statements, assisting the District with their financial statement preparation would not result in the conclusion that the District has a control deficiency.

STATE OF NEW MEXICO
ANTELOPE VALLEY IRRIGATION DISTRICT
EXIT CONFERENCE
June 30, 2009

EXIT CONFERENCE

On January 25, 2010, an exit conference was held at the fire house in the French Tract. Present were Board President Jeff Burton, District Manager Christy Casias, and auditor Robert L. Mantz, CPA. The contents of this report were discussed. The meeting was not open to the public.

January 25, 2010

Robert L. Mantz, CPA, P.C.

Robert L. Mantz, CPA, P.C.



CPA

ROBERT L. MANTZ, CPA, P.C.

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Mr. Hector H. Balderas
New Mexico State Auditor

And

Officers and Members of the Board
Antelope Valley Irrigation District
Maxwell, New Mexico

In the course of the audit, we were required to make several journal entries in the various funds maintained by the District to bring them in compliance with Generally Accepted Accounting Principles (GAAP). All the adjustments were included in the audited financial statements and so there were **“no passed adjustments”**.

January 25, 2010



Robert L. Mantz, CPA, P.C.