

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

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

OCTOBER 31, 2008

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

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

OFFICIAL ROSTER
OCTOBER 31, 2008

Board of Directors

<u>Name</u>	<u>Title</u>
<i>James Salopek</i>	<i>President</i>
<i>Robert Faubion</i>	<i>Vice President</i>
<i>Willie Koenig</i>	<i>Secretary</i>
<i>Jerry Franzoy</i>	<i>Director</i>
<i>Bill Gary</i>	<i>Director</i>
<i>Robert Sloan</i>	<i>Director</i>
<i>Joe Nelson</i>	<i>Director</i>
<i>Thomas C. Simpson</i>	<i>Director</i>
<i>Ramon Alvarez</i>	<i>Director</i>

District Officials

<i>Gary Esslinger</i>	<i>Treasurer/Manager</i>
<i>Gail Norvell</i>	<i>Controller</i>
<i>Henry Magallanez</i>	<i>District Engineer</i>
<i>James Narvaez</i>	<i>Hydrology Director</i>
<i>Richard Bejarano</i>	<i>Water Master</i>
<i>Leo Barrett</i>	<i>Maintenance Project Manager</i>
<i>Valerie Beversdorf</i>	<i>CGRS Director</i>

INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas, State Auditor and
The Board of Directors
Elephant Butte Irrigation District
Las Cruces, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Elephant Butte Irrigation District (the "District"), as of and for the year ended October 31, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the District's nonmajor governmental, and nonmajor enterprise funds presented as supplementary information in the accompanying individual fund financial statements as of and for the year ended October 31, 2008, 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 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Elephant Butte Irrigation District, as of October 31, 2008, the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position and cash flows of each enterprise fund of the Elephant Butte Irrigation District, as of October 31, 2008, and the budgetary comparisons for the enterprise funds and the nonmajor governmental fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mr. Hector H. Balderas, State Auditor and
The Board of Directors
Elephant Butte Irrigation District
Las Cruces, New Mexico
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In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2009 on our consideration of the Elephant Butte Irrigation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 9 is 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 consist 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.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and individual fund financial statements presented as supplementary information. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The additional schedules listed as other supplementary information in the table of contents are presented for purposes of additional analysis and are also not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kriegel/Gray/Shaw & Co., P.C.

March 24, 2009

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2008

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, 2008. 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 \$51,265,867 (*net assets*). Of this amount, \$2,718,893 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$435,832. The governmental activities increased by \$23,701 (5%); while the business-type activities decreased by \$459,533 (105%).
- As of the close of the current fiscal year, Elephant Butte Irrigation District's governmental funds reported combined ending net assets of \$523,947, an increase of \$23,701 or 4.52% 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 assets* represents information on all of Elephant Butte Irrigation District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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).

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 11 and 12 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, local governments and special districts, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Elephant Butte Irrigation District can be divided into two categories: governmental funds and proprietary funds.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2008

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 reloan operations fund, which is considered to be a nonmajor fund. Data from the governmental fund is combined into a single, aggregated presentation. Individual fund data for the nonmajor governmental fund is provided in the form of *individual statements* elsewhere in this report.

Elephant Butte Irrigation District adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for the operations and maintenance, water conservation reloan and local improvement district funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 and 14 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.

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 15 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 35 of this report.

Other information. Individual fund statements and schedules can be found on pages 37 through 40 of this report.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2008

Government-wide Financial Analysis

As noted earlier, net assets 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 \$51,265,867 at the close of the most recent fiscal year.

By far the largest portion of Elephant Butte Irrigation District's net assets (95 percent) reflect its investment in capital assets (e.g., land, buildings, machinery, equipment, water 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 land owners; 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.

Elephant Butte Irrigation District
Summary of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets:						
Current assets and other assets	\$523,947	\$500,246	\$2,751,994	\$3,469,374	\$3,275,941	\$3,969,620
Capital assets, net	0	0	48,856,539	49,055,414	48,856,539	49,055,414
Total assets	\$523,947	\$500,246	\$51,608,533	\$52,524,788	\$52,132,480	\$53,025,034
Liabilities:						
Long-term liabilities outstanding	\$0	\$0	\$641,441	\$1,017,059	\$641,441	\$1,017,059
Other liabilities	0	0	225,182	168,424	225,172	168,424
Total liabilities	0	0	866,613	1,185,483	866,613	1,185,483
Net Assets:						
Invested in capital assets, net of related debt	0	0	48,546,974	46,683,291	48,546,974	46,683,291
Unrestricted	523,947	500,246	2,194,946	2,656,014	2,718,893	3,156,260
Total net assets	523,947	500,246	50,741,920	51,339,305	51,265,867	51,839,551
Total liabilities and net assets	\$523,947	\$500,246	\$51,608,533	\$52,524,788	\$52,132,480	\$53,025,034

The remaining balance of *unrestricted net assets* (\$2,718,893) may be used to meet the government's ongoing obligations to constituents and creditors.

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

There was a decrease of \$198,875 in capital assets reported in connection with Elephant Butte Irrigation District's business-type activities. The majority of this decrease was the recording of current year depreciation. Elephant Butte Irrigation District's governmental activities do not maintain capital assets.

The government's net assets decreased \$892,554 during the current fiscal year. This decrease represents the increase in personnel costs and related benefits due in part to previously vacant positions being filled.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2008

Governmental activities. Governmental activities increased Elephant Butte Irrigation District net assets by \$23,701, Governmental activities comprise an extremely limited function within Elephant Butte Irrigation District ongoing operating activities, which are primarily conducted as business-type activities.

- Charges for services remained unchanged as a result of maximum assessment rate of \$5.00 per acre currently assessed and the volume of acres subject to local improvement district assessment remained unchanged as compared to the prior fiscal year.

Elephant Butte Irrigation District
Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
<u>Program Revenues:</u>						
Charges for services	\$20,910	\$20,881	\$7,891,656	\$7,512,471	\$7,912,566	\$7,533,352
Operating grants and contributions	0	0	0	0	0	0
Capital grants and contributions	0	0	555,128	1,134,476	555,128	1,134,476
<u>General Revenues:</u>						
Unrestricted investment earnings	12,925	20,799	152,021	219,985	164,946	240,784
Other income	0	0	106,585	0	106,585	0
Gain (loss) on disposal of capital assets	0	0	79,661	100,395	79,661	100,395
<i>Total revenue</i>	33,835	41,680	8,785,051	8,967,327	8,818,886	9,009,007
Expenses:						
Local improvement district operations	10,134	8,161	0	0	10,134	8,161
Water system operations and maintenance	0	0	9,244,584	7,778,540	9,244,584	7,778,540
<i>Total expenses</i>	10,134	8,161	9,244,584	7,778,540	9,254,718	7,786,701
Net increase (decrease) in net assets	\$23,701	\$33,519	(\$459,533)	\$1,188,787	(\$435,832)	\$1,222,306

For the most part, increases in expenses were attributable to expenditures of grant funds for conservation efforts and irrigation distribution system improvements.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2008

Business-type activities. Enterprise activities decreased Elephant Butte Irrigation District net assets by \$459,533 thereby accounting for all of the decline in the net assets of the District. Key elements of this decrease are as follows:

- Charges for services increased \$379,185 (5 percent) to \$7,891,656 during the year. This increase is a result of a change in the method of assessments to include conserved water.
- Ongoing capital grant awards decreased \$579,348 (51%) to \$555,128 as grant projects to support improvements to Elephant Butte Irrigation District's water distribution system were winding down to completion.
- Total revenues decreased \$182,276 (2 percent) during the year. This change is the product of a decrease in federal grants and special use fees.
- Decreases in the District's operating and capital grants which decreased \$579,348 over the prior year. Construction activity funded by ongoing grant awards furnished resources to support water distribution system improvements discussed above.

Operations and Maintenance Fund Budgetary Highlights

Elephant Butte Irrigation District's original budget was amended during the current period due to following:

Revenue:

- A decrease in special use fees.
- A decrease in anticipated interest income.
- A decrease in the reimbursable costs originally anticipated for the Energy and Water Development Appropriation Act and decreases in various BOR federal grants.
- Increase in auction revenues.

Ongoing drought conditions have decreased Elephant Butte Irrigation District's historical annual allotment from Bureau of Reclamation reservoir water resulting in reduced availability of water to landowner constituents. During the year however, as a result of reservoir water volume improvements, reservoir allocations on a per acre-foot water allocation to individual landowner-constituents were 30", 24" and 14" for fiscal years ending October 31, 2008, 2007 and 2006, respectively.

Expenditures:

- Increase in legal and consulting costs due to on going litigation/mediation.
- Bureau and reservoir fee increases for extraordinary maintenance.
- Fuel cost increases.
- Utility increases.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2008

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, 2008, amounts to \$48,856,539 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, equipment and furnishings and the water distribution delivery system. The total decrease in Elephant Butte Irrigation District's investment in capital assets for the current fiscal year was less than one percent.

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

- Water distribution system improvements were completed (or remain in process) totaling \$744,747, consisting of canals, laterals, drains and waste ways.
- Purchases of machinery and equipment of \$1,001,683 of which approximately \$500,000 was paid for by grant funding.

	Business-type Activities
Capital Assets:	October 31, 2008
Land and land improvements	\$38,459,774
Buildings and system	712,956
Machinery and equipment	5,797,016
Furniture and fixtures	375,081
Water distribution system	20,533,931
Construction in process	185,504
	\$66,064,262

Long-term debt. At the end of the current fiscal year, the Elephant Butte Irrigation District had total outstanding debt of \$397,551. Elephant Butte Irrigation District made a substantial principal payment on the meter reloan funds note payable since few constituents borrowed funds for meter installations.

Elephant Butte Irrigation District's total debt decreased \$375,618 (37 percent) during the current fiscal year. The key factor in this change was accelerated repayments of outstanding obligations.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2008

Economic Factors

- Reservoir capacity and actual storage, in acre feet:

	Capacity	October 31, 2008	October 31, 2007
Elephant Butte	2,210,208	576,180	325,550
Caballo	343,990	25,620	20,620
	2,554,198	601,800	346,170

- Of Elephant Butte Irrigation District's 90,640 total irrigable acres, approximately 75,000 acres are irrigated in typical conditions. Crop irrigation acres as of October 31, 2008 and 2007 are as follows:

Acres Irrigated	68,038	67,235
Acres Fallowed	16,130	16,130
Total Acres	84,168	83,365

- Elephant Butte Irrigation District's annual assessments remained the same for the 2008 budget year. The rates remain at \$65.00 per water righted acre for one acre feet of water per acre and \$10.00 per acre foot for conserved water. The rates remain the same for the 2008 budget year but the pricing structure changed.

During the current fiscal year, unrestricted net assets in the Water Distribution Operations fund decreased to \$2,194,946. Elephant Butte Irrigation District's unrestricted net assets are available for expenditure in the 2009 fiscal year.

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 Controller, 530 S. Melendres, Las Cruces, New Mexico 88005.

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

STATEMENT OF NET ASSETS

OCTOBER 31, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and temporary investments	\$517,555	\$1,526,208	\$2,043,763
Receivables, net	6,392	679,079	685,471
Inventories	0	245,018	245,018
Prepays	0	184,122	184,122
Notes receivable	0	117,567	117,567
Capital assets, net	0	48,856,539	48,856,539
<i>Total assets</i>	<i>523,947</i>	<i>51,608,533</i>	<i>52,132,480</i>
LIABILITIES			
Accounts payable and other current liabilities	0	225,172	225,172
Noncurrent liabilities:			
Due within one year	0	90,451	90,451
Due in more than one year	0	307,100	307,100
Compensated absences	0	243,890	243,890
<i>Total liabilities</i>	<i>0</i>	<i>866,613</i>	<i>866,613</i>
NET ASSETS			
Invested in capital assets, net of related debt	0	48,546,974	48,546,974
Unrestricted	523,947	2,194,946	2,718,893
<i>Total net assets</i>	<i>\$523,947</i>	<i>\$50,741,920</i>	<i>\$51,265,867</i>

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Irrigation District							
Governmental Activities:							
Operation and maintenance	\$10,134	\$20,910	\$0	\$0	\$10,776	\$0	\$10,776
<i>Total governmental activities</i>	10,134	20,910	0	0	10,776	0	10,776
Business-type Activities:							
Water distribution operations	9,244,584	7,891,656	0	555,128	0	(797,800)	(797,800)
<i>Total business-type activities</i>	9,244,584	7,891,656	0	555,128	0	(797,800)	(797,800)
Total irrigation district	\$9,254,718	\$7,912,566	\$0	\$555,128	# \$10,776	(\$797,800)	(\$787,024)

General Revenues

Unrestricted investment earnings	\$12,925	\$152,021	\$164,946
Other income	0	106,585	106,585
Gain on sale of capital assets	0	79,661	79,661
<i>Total general revenues</i>	12,925	338,267	351,192
Change in net assets	23,701	(459,533)	(435,832)
Net assets, beginning of year, as previously stated	500,246	51,339,305	51,839,551
Restatements	0	(137,852)	(137,852)
Net assets, beginning of year, as restated	500,246	51,201,453	51,701,699
Net assets, end of year	\$523,947	\$50,741,920	\$51,265,867

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT

NONMAJOR GOVERNMENTAL FUND

BALANCE SHEET

OCTOBER 31, 2008

	<u>Local Improvement District</u>
ASSETS	
Cash and temporary investments	\$517,555
Receivables:	
Accounts	6,392
<i>Total assets</i>	<i>\$523,947</i>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$0
<i>Total liabilities</i>	<i>0</i>
FUND BALANCE	
Unreserved:	
Undesignated, reported in:	
Special revenue fund	523,947
<i>Total fund balances</i>	<i>523,947</i>
<i>Total liabilities and fund balance</i>	<i>\$523,947</i>

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT

NONMAJOR GOVERNMENTAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2008

	<u>Local Improvement District</u>
REVENUES	
Charges for services	\$20,910
Interest	12,925
<i>Total revenues</i>	<u>33,835</u>
EXPENDITURES	
Current:	
Operations and maintenance	10,134
Contractual services	0
<i>Total expenditures</i>	<u>10,134</u>
<i>Net change in fund balance</i>	23,701
Fund balance, beginning of year	500,246
<i>Fund balance, end of year</i>	<u>\$523,947</u>

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 OCTOBER 31, 2008

	Business-type Activities - Enterprise Funds			
	Water Distribution Operations	Water Meter Reloan	Nonmajor Fund	
			Water Conservation Reloan	Totals Current Year
ASSETS				
Current Assets:				
Cash and temporary investments	\$1,490,944	\$165	\$35,099	\$1,526,208
Accounts receivables, net of allowance (\$6,006)				
Accounts	242,044	0	0	242,044
Grant revenue receivable	304,469	0	0	304,469
Other	132,566	0	0	132,566
Notes receivable - current maturities	8,920	26,194	9,500	44,614
Inventory	245,018	0	0	245,018
Prepaid expenses	184,122	0	0	184,122
Due from other funds	0	0	0	0
<i>Total current assets</i>	<i>2,608,083</i>	<i>26,359</i>	<i>44,599</i>	<i>2,679,041</i>
Noncurrent Assets:				
Notes receivable - net of current maturities	0	55,736	17,217	72,953
Capital Assets:				
Land	38,459,774	0	0	38,459,774
Building and improvements	712,956	0	0	712,956
Equipment and vehicles	5,797,016	0	0	5,797,016
Furniture and fixtures	375,081	0	0	375,081
Irrigation distribution system	20,533,931	0	0	20,533,931
Construction in process	185,504	0	0	185,504
	66,064,262	0	0	66,064,262
Less: accumulated depreciation	(17,207,723)	0	0	(17,207,723)
<i>Total capital assets</i>	<i>48,856,539</i>	<i>0</i>	<i>0</i>	<i>48,856,539</i>
<i>Total noncurrent assets</i>	<i>48,856,539</i>	<i>55,736</i>	<i>17,217</i>	<i>48,929,492</i>
Total assets	\$51,464,622	\$82,095	\$61,816	\$51,608,533

The Notes to Financial Statements are an integral part of these statements.

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

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

OCTOBER 31, 2008

	Business-type Activities - Enterprise Funds			
	Water Distribution Operations	Water Meter Reloan Fund	Nonmajor Fund	
			Water Conservation Reloan	Totals Current Year
LIABILITIES AND NET ASSETS				
Current liabilities:				
Notes payable - current maturities	\$61,630	\$28,821	\$0	\$90,451
Accounts payable	111,658	0	0	111,658
Accrued expenses	111,454	2,060	0	113,514
Deferred revenue	0	0	0	0
Due to other funds	0	0	0	0
<i>Total current liabilities</i>	284,742	30,881	0	315,623
Noncurrent Liabilities:				
Notes payable - net of current maturities	247,935	59,165	0	307,100
Compensated absences	243,890	0	0	243,890
<i>Total noncurrent liabilities</i>	491,825	59,165	0	550,990
<i>Total liabilities</i>	776,567	90,046	0	866,613
Net Assets:				
Invested in capital assets, net of related debt	48,546,974	0	0	48,546,974
Unrestricted	2,141,081	(7,951)	61,816	2,194,946
<i>Total net assets</i>	50,688,055	(7,951)	61,816	50,741,920
<i>Total liabilities and net assets</i>	\$51,464,622	\$82,095	\$61,816	\$51,608,533

The Notes to Financial Statements are an integral part of these statements.

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

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2008

	Business-type Activities - Enterprise Funds			
	Water Distribution Operations	Water Meter Reloan	Nonmajor Fund	
			Water Conservation Reloan	Totals Current Year
OPERATING REVENUES:				
Charges for services	\$7,348,481	\$124,265	\$0	\$7,472,746
Operating agreements and other	418,910	0	0	418,910
<i>Total operating revenues</i>	7,767,391	124,265	0	7,891,656
OPERATING EXPENSES:				
Personnel services	4,121,816	18,250	0	4,140,066
Employee benefits	1,256,799	0	0	1,256,799
Contractual services	780,128	0	0	780,128
Operations and maintenance	1,116,346	106,015	0	1,222,361
Administration and other operating	955,149	0	0	955,149
Depreciation	868,429	0	0	868,429
<i>Total operating expenses</i>	9,098,667	124,265	0	9,222,932
<i>Operating income (loss)</i>	(1,331,276)	0	0	(1,331,276)
NON-OPERATING REVENUES (EXPENSES)				
Intergovernmental grants	555,128	0	0	555,128
Interest income	148,832	1,790	1,399	152,021
Gain on disposal of fixed assts	79,661	0	0	79,661
Insurance recovery	106,585	0	0	106,585
Interest expense	(14,607)	(7,045)	0	(21,652)
<i>Total non-operating revenues (expenses)</i>	875,599	(5,255)	1,399	871,743
<i>Change in net assets</i>	(455,677)	(5,255)	1,399	(459,533)
Net assets, beginning of year, as previously stated	51,281,584	(2,696)	60,417	51,339,305
Restatements	(137,852)	0	0	(137,852)
Net assets, beginning of year, as restated	51,143,732	(2,696)	60,417	51,201,453
<i>Net assets, end of year</i>	\$50,688,055	(\$7,951)	\$61,816	\$50,741,920

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED OCTOBER 31, 2008

	Business-type Activities - Enterprise Funds			
	Water Distribution Operations	Water Meter Reloan	Nonmajor Fund	
			Water Conservation Reloan	Totals Current Year
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$7,731,277	\$124,265	\$0	\$7,855,542
Payment to vendors	(2,813,709)	(106,015)	0	(2,919,724)
Payments to and on behalf of employees	(5,346,836)	(18,250)	0	(5,365,086)
<i>Net cash provided (used) by operating activities</i>	(429,268)	0	0	(429,268)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCIAL ACTIVITIES				
Notes payable	0	0	0	0
Issuance of notes receivable	0	(81,930)	0	(81,930)
Receipts on notes receivable	2,941	0	4,886	7,827
Repayment of long-term debt	(62,558)	(344,839)	0	(407,397)
Interest paid on long-term debt	(14,607)	(7,678)	0	(22,285)
Advance from/(to) other funds	168	(168)	0	0
<i>Net cash provided (used) by noncapital and related financial activities</i>	(74,056)	(434,615)	4,886	(503,785)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital grants	109,536	0	0	109,536
Proceeds from sale of capital assets	79,661	0	0	79,661
Purchase of capital assets	(672,993)	0	0	(672,993)
Proceeds from insurance recoveries	106,585	0	0	106,585
Capital assets expensed (transferred)	3,439	0	0	3,439
<i>Net cash provided (used) by capital and related financial activities</i>	(373,772)	0	0	(373,772)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	148,832	1,790	1,399	152,021
<i>Net cash provided by investing activities</i>	148,832	1,790	1,399	152,021
<i>Net increase (decrease) in cash and temporary investments</i>	(728,264)	(432,825)	6,285	(1,154,804)
Cash and temporary investments, beginning of year	2,219,208	432,990	28,814	2,681,012
<i>Cash and temporary investments, end of year</i>	\$1,490,944	\$165	\$35,099	\$1,526,208

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED OCTOBER 31, 2008

	Business-type Activities - Enterprise Funds			
	Water Distribution Operations	Water Meter Reloan	Nonmajor Fund	
			Water Conservation Reloan	Totals Current Year
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(\$1,331,276)	\$0	\$0	(\$1,331,276)
<i>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</i>				
Depreciation expense	868,429	0	0	868,429
Allowance for uncollectible accounts	(1,761)	0	0	(1,761)
(Increase) decrease in:				
Accounts receivable	(34,353)	0	0	(34,353)
Inventory	(6,386)	0	0	(6,386)
Prepaid expenses	(16,352)	0	0	(16,352)
Increase (decrease) in:				
Accounts payable	24,870	0	0	24,870
Accrued expenses	35,782	0	0	35,782
Accrued compensated absences	31,779	0	0	31,779
<i>Net cash provided (used) by operating activities</i>	(\$429,268)	\$0	\$0	(\$429,268)

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2008

NOTE 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.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government. For the most part, 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. 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 with one major and two nonmajor individual enterprise funds and are reported as separate columns in the fund financial statements.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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.

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 funds:

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.

The *Water Meter Reloan Funds* account for funds advanced from the New Mexico Interstate Stream Commission to be loaned to individual land owners for water meter purchases and installation.

Nonmajor Proprietary Fund:

The *Water Reloan Operations* account for funds advanced from the New Mexico Interstate Stream Commission and loaned to individual landowners for water conservation projects.

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.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, the unrestricted resources as they are needed.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The District has elected not to apply FASB statements and interpretations issued after November 30, 1989.

Assets, Liabilities and Net Assets

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.

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.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

The State Treasurer Local Government Investment Pool is not registered with the Securities and Exchange Commission. Section 6-10-10.1, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment funds in securities that are issued by the United States government or by its departments or agencies and are either backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares; 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 of the fund were invested. Any unrealized gain or loss on the portfolio is distributed through the investment yield on distribution dates. The carrying amount of the portfolio approximates the fair value of all investments at October 31, 2008. The State of New Mexico is the regulatory oversight entity and participation in the pool is voluntary.

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.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

Notes Receivable

Notes receivable are comprised of the District's administration of loans advanced from the New Mexico Interstate Stream Commission on behalf of landowners for the construction and/or renovation of landowner irrigation structures. Repayment terms for the District's reloan fund are generally for five (5) years with interest payable at two and one half percent (2.5%), due semi-annually. Repayment terms for loans advanced to landowners from the District's operations and maintenance fund for similar construction and renovation projects are payable annually and are non-interest bearing. The above 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 cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental 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 FINANCIAL STATEMENTS
OCTOBER 31, 2008

NOTE 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

Deferred Revenue

Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement.

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. The noncurrent balance is reported as long-term debt.

<u>Service Years</u>	<u>Vacation Hours Earned</u>
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

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 assets.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets and Fund Equity

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

- Invested in capital assets, net of related debt - This component of net assets 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 assets 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 assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund financial statements governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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.

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.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2008

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The District's Treasurer/Manager and Controller 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.

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 (GMP). 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.

NOTE 3. DEPOSITS AND TEMPORARY INVESTMENTS

Cash and temporary investments as of October 31, 2008, are classified as and comprised of in the accompanying financial statements as follows:

<u>Cash and cash equivalents – unrestricted</u>	<u>\$2,043,763</u>
Cash on hand	\$1,500
Deposits held with financial institutions	433,045
<u>Deposits held with NM State Treasurer</u>	<u>1,609,218</u>
	<u>\$2,043,763</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 (C)(1) to the financial statements.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2008

NOTE 3. DEPOSITS AND TEMPORARY INVESTMENTS (CONTINUED)

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, 2008, of the District's bank balance of \$534,108, \$298,568 was exposed to custodial credit risk because it was uninsured and the collateral was held by the pledging bank's trust department, not in the District's name. At October 31, 2008, the carrying amount or book balance of these deposits was \$433,045.

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

	<u>Bank of The West</u>
Total of deposit in bank (Schedule I)	\$534,108
Less: FDIC coverage	235,540
Total uninsured public funds	\$298,568
Pledged collateral held by the pledging bank's agent not in the District's name	(\$825,000)
Uninsured and uncollateralized	0
102% Pledged collateral requirement per statute	\$304,539
50% Pledged collateral requirement per statute	0
Securities pledged (Schedule II)	(825,000)
Pledged collateral (over) under the requirement	(\$520,461)

October 31, 2008:	Rating	Value at October 31, 2008
New Mexico GROW LGIP	AAA	\$2,528,002 – 37.48 day WAM

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2008

NOTE 4. RECEIVABLES

Receivables as of October 31, 2008, 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 Fund	Totals
Receivables:			
Accounts	\$248,050	\$6,392	\$254,442
Grant revenue	304,469	0	304,469
Other – Dona Ana County	132,566	0	132,566
<hr/>			
Gross receivables	685,085	6,392	691,477
Less: allowance for uncollectible accounts	(6,006)	0	(6,006)
<hr/>			
Net receivables	\$679,079	\$6,392	\$685,471
<hr/>			

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, 2008.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2008

NOTE 5. CAPITAL ASSETS

Capital asset activity for the District's enterprise water distribution operations fund consists of the following at October 31, 2008:

	Balance October 31, 2007	Additions	Retirements	Transfers	Balance October 31, 2008
Business-type activities:					
Water Distribution Operations					
Capital assets not being depreciated:					
Land	\$38,459,774	\$0	\$0	\$0	\$38,459,774
Construction in progress	109,765	145,549	0	(69,810)	185,504
Total capital assets not being depreciated	38,569,539	145,549	0	(69,810)	38,645,278
Capital assets being depreciated:					
Buildings and system	712,956	0	0	0	712,956
Machinery and equipment	5,962,254	239,558	(404,796)	0	5,797,016
Furniture and fixtures	368,141	14,560	(7,620)	0	375,081
Irrigation distribution system	20,194,234	273,326	0	66,371	20,533,931
Total capital assets being depreciated	27,237,585	527,444	(412,416)	66,371	27,418,984
Total capital assets	65,807,124	672,993	(412,416)	(3,439)	66,064,262
Less: accumulated depreciation					
Buildings and system	(508,455)	(11,405)	0	0	(519,860)
Machinery and equipment	(4,506,830)	(410,919)	(404,796)	0	(4,512,953)
Furniture and fixtures	(275,375)	(34,396)	7,620	0	(302,151)
Irrigation distribution system	(11,461,050)	(411,709)	0	0	(11,872,759)
Total accumulated depreciation	(16,751,710)	(868,429)	412,416	0	(17,207,723)
Total capital assets, net	\$49,055,414	(\$195,436)	\$0	(\$3,439)	\$48,856,539

Depreciation expense of \$868,429 was charged in the District's water distribution operations fund for the fiscal year ended October 31, 2008.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2008

NOTE 6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and other current liabilities as of October 31, 2008 for the District's funds are as follows:

	Water Distribution System	Nonmajor Enterprise Fund	Totals
Accounts Payable	\$111,658	\$0	\$111,658
Accrued Interest	883	2,060	2,943
Accrued Payroll Taxes	36,451	0	36,451
Deferred Revenue	0	0	0
Accrued Payroll	74,120	0	74,120
Total accounts payable and other current liabilities	\$223,112	\$2,060	\$225,172

NOTE 7. LONG-TERM DEBT

The following summarizes long-term debt and related changes during the year ended October 31, 2008:

Business-type activities

New Mexico Interstate Stream Commission:

	Face	Rate	Dated	Maturity	Amount
<u>Water Distribution Operations:</u>	\$300,000	2.50%	12/05/2001	08/31/2020	\$211,362
	Current maturities				(13,980)
					\$197,382

<u>Water Meter Reloan Operations:</u>	\$432,825	1.75%	06/30/2007	06/30/2012	\$87,986
	Current maturities				(28,821)
					\$59,165

Compass Bank:

<u>Water Distribution Operations:</u>	\$225,000	7.00%	10/28/2005	11/28/2020	\$98,203
	Current maturities				(47,650)
					\$50,553

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2008

NOTE 7. LONG-TERM DEBT (CONTINUED)

Business-type Activities	Balance October 31, 2007	Additions	Retirements	Balance October 31, 2008	Amount Due Within One Year
Water Distribution Operations:					
Notes payable	\$372,123	\$0	(\$62,558)	\$309,565	\$61,630
Water Meter Reloan Operations:					
Notes payable	432,825	0	(344,839)	87,986	28,821
	804,948	0	(407,397)	397,551	90,451
Water Distribution Operations:					
Compensated absences	212,111	115,514	(83,735)	243,890	0
	\$1,017,059	\$115,514	(\$491,132)	\$641,441	\$90,451

Notes payable debt service requirements to maturity are as follows:

Business-type Activities	Operations and Maintenance		Water Meter Reloan Operations	
Year Ended October 31,	Principal	Interest	Principal	Interest
2009	\$61,202	\$11,190	\$28,821	\$1,540
2010	65,389	7,266	29,326	1,035
2011	19,402	4,606	29,839	522
2012	15,034	4,211	0	0
2013	15,409	3,835	0	0
2014 – 2018	83,001	13,199	0	0
2019 – 2022	50,128	2,771	0	0
	\$309,565	\$47,078	\$87,986	\$3,097

Interest charged to expense for the year ended October 31, 2008 was:

Business-type Activities	Water Distribution System	Water Meter Reloan	Total
Interest expense	\$14,607	\$7,045	\$21,652

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2008

NOTE 8. 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, 2008, the District's required and actual contribution amount of \$12,932 was 7% of its current and 7% of its prior year covered payroll.

NOTE 9. DEFERRED COMPENSATION PLAN

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 avoid 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 \$9,087, for the year ended October 31, 2008.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2008

NOTE 10. PERA PENSION PLAN

The District elected to participate in New Mexico Public Employee Retirement Association effective November 13, 2005, under Municipal Plan I.

Plan Description. Substantially all of the Elephant Butte Irrigation District’s full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA’s website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 7.0% of their gross salary. The Elephant Butte Irrigation District is required to contribute 7% for employees. The contribution requirements of plan members and the Elephant Butte Irrigation District are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Elephant Butte Irrigation District contributions to PERA for the year ending October 31, 2008 were \$195,384 and employee contributions were \$195,384. Total required contributions (both employer and employee) for the year ending October 31, 2008 were \$390,769 equal to the required contributions for each year.

Historical Contribution Data is provided in the schedule below:

Contribution requirements for the year ended:

	EBID	Employee	Total
October 31, 2008	\$195,384	\$195,384	\$390,768
October 31, 2007	\$181,722	\$181,722	\$363,444
October 31, 2006	\$135,638	\$135,638	\$271,276

NOTE 11. RETIREE HEALTH CARE ACT

The District has not elected to participate in New Mexico Public Employee Health Care Act plan and there are no required contributions for fiscal year ending October 31, 2008.

NOTE 12. CONCENTRATIONS

Approximately 68% of the District’s 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.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2008

NOTE 13. 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		Deductible
	Aggregate	Per Occurrence	
Commercial Liability	\$4,000,000	varies per type	\$5,000
Property	\$1,200,000	\$2,000,000	\$2,500
Inland Marine	\$1,141,170	\$1,141,170	\$2,500
Crime	\$100,000	\$100,000	\$10,000
Director and Officer E & O	\$1,000,000	\$1,000,000	\$10,000
Business Auto	\$2,000,000	\$100,000	\$2,500
Workers Compensation	\$500,000	\$500,000	\$0

Total premiums paid for the year were \$451,800.

NOTE 14. 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, 2008, 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.

NOTE 15. OTHER REQUIRED DISCLOSURES

The District incurred a deficit in net assets in the water meter reloan fund during the year of (\$7,951). This deficit will be funded in the future from interest income from constituents upon the loaning and subsequent repayment of funds for water meter installations.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2008

NOTE 16. RESTATEMENTS OF BEGINNING BALANCES

Business-type Activities Net Assets at November 1, 2007	\$51,339,305
Restatements made to the fund financial statements	(137,852)
<hr/>	
	\$51,201,453
<hr/>	
Restatements made to fund financial statements:	
Proprietary Funds	
Water Distribution Operations – to correct November 1, 2007 balance of deferred revenue on the FEMA grant prior year; expenditures incorrectly included non-federal expenditures.	(\$137,852)
<hr/>	

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
OCTOBER 31, 2008

SPECIAL REVENUE FUND

The Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Local Improvement District (NMSA, 4-50-1 to 4-50-9) - To account for special assessment levied on properties to keep lands irrigable with costs estimated and assessments based on proportionate share, i.e., per acre water right.

PROPRIETARY FUNDS

The Proprietary Funds are used to account for fees charged to external users for goods and services to ensure sound financial management.

Water Distribution Operations (NMSA, 73-9-1 to 73-9-62) - To account for all financial resources of the District, except those required to be accounted for in another fund and represent the District's primary operating fund.

Water Conservation Reloan (NMSA, 72-14-29) - To account for funds advanced from the State of New Mexico Interstate Stream Commission loaned to individual landowners for water conservation projects.

Water Meter Reloan (NMSA, 72-14-29) - To account for funds advanced from the State of New Mexico Interstate Stream Commission loaned to individual landowners for water meter installation.

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

LOCAL IMPROVEMENT DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGETARY BASIS AND ACTUAL

FOR THE FISCAL YEAR ENDED OCTOBER 31, 2008

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Charges for services	\$20,883	\$20,883	\$20,910	\$27
Interest	0	0	12,925	12,925
<i>Total revenues</i>	20,883	20,883	33,835	12,952
EXPENDITURES:				
Current:				
Operations and maintenance	20,883	20,883	10,134	10,749
<i>Total expenditures</i>	20,883	20,883	10,134	10,749
<i>Excess (deficiency) of revenue over expenditures</i>	\$0	\$0	\$23,701	\$23,701

Reconciliation of the District's governmental special revenue fund between the Non-GAAP budgetary (cash) basis and the financials on the GAAP basis:

Excess (deficiency) of revenue over expenditures (Budgetary Basis)	\$23,701
Excess (deficiency) of revenue over expenditures (GAAP Basis)	\$23,701

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT

WATER DISTRIBUTION OPERATIONS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET ASSETS

BUDGETARY BASIS AND ACTUAL

FOR THE FISCAL YEAR ENDED OCTOBER 31, 2008

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES:				
Charges for services	\$7,476,480	\$7,476,480	\$7,348,481	(\$127,999)
Operating agreements and other	755,636	1,105,500	418,910	(686,590)
<i>Total operating revenues</i>	<u>8,232,116</u>	<u>8,581,980</u>	<u>7,767,391</u>	<u>(814,589)</u>
OPERATING EXPENSES:				
Personnel services and employee benefits	5,500,000	5,500,000	5,378,615	121,385
Contractual services	674,106	815,278	780,128	35,150
Operations and maintenance	2,091,999	2,124,641	2,071,495	53,146
<i>Total operating expenses</i>	<u>8,266,105</u>	<u>8,439,919</u>	<u>8,230,238</u>	<u>209,681</u>
<i>Operating income (loss)</i>	(33,989)	142,061	(462,847)	(604,908)
Non-Operating Revenues (Expenses)				
Intergovernmental	1,100,459	2,948,448	555,128	(2,393,320)
Interest income	220,000	160,000	148,832	(11,168)
Gain on sale of fixed assets	0	167,161	79,661	(87,500)
Insurance recovery	0	0	106,585	106,585
Interest expense	(23,000)	(20,000)	(14,607)	5,393
<i>Total non-operating revenues (expenses)</i>	<u>1,297,459</u>	<u>3,255,609</u>	<u>875,599</u>	<u>(2,380,010)</u>
<i>Change in net assets</i>	1,263,470	3,397,670	412,752	<u>(\$2,984,918)</u>
Reconciling Items:				
Depreciation			(868,429)	
<i>Change in net assets (GAAP basis)</i>			<u>(\$455,677)</u>	

The Notes to Financial Statements are an integral part of these statements.

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

WATER METER RELOAN

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET ASSETS

BUDGETARY BASIS AND ACTUAL

FOR THE FISCAL YEAR ENDED OCTOBER 31, 2008

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Miscellaneous income	\$0	\$146,500	\$124,265	(\$22,235)
<i>Total revenues</i>	0	146,500	124,265	(22,235)
EXPENDITURES:				
Current:				
Operations and maintenance	0	138,500	124,265	14,235
<i>Total expenditures</i>	0	138,500	124,265	14,235
NON-OPERATING REVENUES (EXPENSES):				
Interest income	0	3,500	1,790	(1,710)
Interest expense	0	(11,500)	(7,045)	4,455
	0	(8,000)	(5,255)	2,745
<i>Change in net assets</i>	0	0	(5,255)	<u>(\$5,255)</u>
<i>Change in net assets (GAAP Basis)</i>			(\$5,255)	

The Notes to Financial Statements are an integral part of these statements.

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

WATER CONSERVATION RELOAN

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET ASSETS

BUDGETARY BASIS AND ACTUAL

FOR THE FISCAL YEAR ENDED OCTOBER 31, 2008

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Interest income	\$10,000	\$10,000	\$1,399	(\$8,601)
<i>Total revenues</i>	10,000	10,000	1,399	(8,601)
EXPENDITURES:				
Current:				
Interest expense	5,000	5,000	0	5,000
Operations and maintenance	5,000	5,000	0	5,000
<i>Total expenditures</i>	10,000	10,000	0	10,000
<i>Change in net assets</i>	0	0	1,399	<u>\$1,399</u>
<i>Change in net assets (GAAP Basis)</i>			<u>\$1,399</u>	

The Notes to Financial Statements are an integral part of these statements.

OTHER SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
SCHEDULE OF DEPOSITS AND TEMPORARY INVESTMENTS
BY DEPOSITORY FOR PUBLIC FUNDS
OCTOBER 31, 2008

Name of Depository	Type of Account	Bank Balance October 31, 2008	Reconciling Items	Reconciled Balance October 31, 2008
Depository Accounts:				
<u>Bank of The West</u>				
Operating	Checking	\$165	\$0	\$165
Operating	Checking	276	0	276
Operating	Checking	200,000	(101,063)	98,937
Operating	Checking	35,099	0	35,099
Operating	Repo-Sweep	298,568	0	298,568
Total		\$534,108	(\$101,063)	433,045
Cash on Hand:				
Petty and till cash				1,500
Temporary Investments:				
<u>NM State Treasurer</u>				
Investment Pool				1,609,218
				\$2,043,763
Total Cash and Temporary Investments as of October 31, 2008:				
Cash and temporary investments - Governmental activities				\$517,555
Cash and temporary investments - Business-type activities				1,526,208
				\$2,043,763

The Notes to Financial Statements are an integral part of these statements.

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

SCHEDULE OF COLLATERAL PLEDGED
BY DEPOSITORY FOR PUBLIC FUNDS
OCTOBER 31, 2008

Name of Depository	Description of Pledged Collateral	Name and Location of Safekeeper	Current PV - Fair Market Value October 31, 2008
Bank of The West	Southern Sandoval NMA (Municipal) CUSIP# - 843789DJ4 Due: 8/1/2018	Wells Fargo Brokerage Services Minneapolis, MN	\$350,000
Bank of The West	Southern Sandoval NMA (Municipal) CUSIP# - 843789DE5 Due: 8/1/2014	Wells Fargo Brokerage Services Minneapolis, MN	200,000
Bank of The West	UNM Gallup (Municipal) CUSIP# - 914684CH6 Due: 8/1/2011	Wells Fargo Brokerage Services Minneapolis, MN	175,000
Bank of The West	Southern Sandoval NMA (Municipal) CUSIP# - 843789DG0 Due: 8/1/2016	Wells Fargo Brokerage Services Minneapolis, MN	100,000
			\$825,000

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
SCHEDULE OF SPECIAL ASSESSMENT RECEIVABLES
FOR PUBLIC FUNDS
OCTOBER 31, 2008

Assessment Year	Business-type Activities	Governmental Activities
2007	\$118,322	\$1,171
2006	45,564	807
2005	22,056	732
2004	14,287	634
2003	11,304	597
2002	8,918	439
2001	7,026	361
2000	5,814	309
1999	4,871	251
1998	2,730	236
1997 and prior	7,158	855
	\$248,050	\$6,392

The Notes to Financial Statements are an integral part of these statements.

ADDITIONAL FEDERAL INFORMATION

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2008

Federal Grantor/Program Title	Federal CFDA Number or Agency Prefix	Project Number	Award Amount	Accrued or (Deferred) Revenue at 10/31/2007	Restatement	Receipts	Expenditures	Accrued or (Deferred) Revenue at 10/31/2008
<u>U.S. Department of Interior - Bureau</u>								
Direct:								
Cooperative Agreement Irrigation, Modernizations, Delivery Efficiencies, and Habitat Restoration Activities	15.517	06-FC-40-2541	\$1,802,323	\$0	\$0	(\$97,935)	\$157,124	\$59,189
Cooperative Agreement Water 2025	15.507	05-FC-40-2394	300,000	33,162	0	(33,162)	0	0
<u>Total U.S. Department of Interior</u>			\$2,102,323	\$33,162	\$0	(\$131,097)	\$157,124	\$59,189
<u>U.S. Department of Homeland Security</u>								
Federal Emergency Management Agency:								
Disaster Grants - Public Assistance	97.036		\$1,577,651	(\$3,271)	(\$137,852)	\$0	\$386,403	\$245,280
<u>Total Federal Financial Assistance</u>			\$3,679,974	\$29,891	(\$137,852)	(\$131,097)	\$543,527	\$304,469

Basis of Presentation:

The above schedule of expenditures of federal awards includes the federal grant activity of Elephant Butte Irrigation District and is presented on the accrual basis of accounting. This information in this schedule is presented in accordance with the requirements of OMB Circular A.133, Audits of State, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**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***

Mr. Hector H. Balderas, State Auditor and
The Board of Directors
Elephant Butte Irrigation District
Las Cruces, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the individual funds presented as supplementary information of the Elephant Butte Irrigation District (the “District”), as of and for the year ended October 31, 2008, and have issued our report thereon dated March 24, 2009. 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 Elephant Butte Irrigation District’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Elephant Butte Irrigation District’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Elephant Butte 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 affect the Elephant Butte Irrigation 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 Elephant Butte Irrigation District’s financial statements that is more than inconsequential will not be prevented or detected by the Elephant Butte Irrigation District’s internal control.

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 Elephant Butte Irrigation District’s internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Mr. Hector H. Balderas, State Auditor and
The Board of Directors
Elephant Butte Irrigation District
Las Cruces, New Mexico
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Elephant Butte 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, members of the Board of Directors, others within the entity, the Office of the State Auditor, New Mexico Department of Finance and Administration, the New Mexico Legislature, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kriegel/Gray/Shaw & Co., P.C.

March 24, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mr. Hector H. Balderas, State Auditor and
The Board of Directors
Elephant Butte Irrigation District
Las Cruces, New Mexico

Compliance

We have audited the compliance of the Elephant Butte Irrigation District the (“District”) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended October 31, 2008. The Elephant Butte Irrigation District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Elephant Butte Irrigation District’s management. Our responsibility is to express an opinion on the Elephant Butte Irrigation District’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Elephant Butte Irrigation District’s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Elephant Butte Irrigation District’s compliance with those requirements.

In our opinion, the Elephant Butte Irrigation District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended October 31, 2008.

Internal Control Over Compliance

The management of the Elephant Butte Irrigation District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Elephant Butte Irrigation District’s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Elephant Butte Irrigation District’s internal control over compliance.

Mr. Hector H. Balderas, State Auditor and
The Board of Directors
Elephant Butte Irrigation District
Las Cruces, New Mexico
Page Two

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, members of the Board of Directors, others within the entity, the Office of the State Auditor, New Mexico Department of Finance and Administration, the New Mexico Legislature, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kriegel/Gray/Shaw & Co., P.C.

March 24, 2009

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED OCTOBER 31, 2008

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of Auditor’s Report issued:

Unqualified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal Control Over Major Programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X No

Type of Auditor’s Report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ Yes X No

Identification of Major Programs:

CFDA Number(s)

Name of Federal Program or Cluster

97.036

Disaster Grants – Public Assistance

Dollar threshold used to distinguish between Type A and Type B Programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2008

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR SIGNIFICANT DEFICIENCIES:

None.

CURRENT STATUS ON PRIOR YEAR FINDINGS:

2007-01 No Budget for Water Meter Reloan Fund

Resolved and not repeated.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2008

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**CURRENT YEAR FINDINGS AND QUESTIONED COSTS –
MAJOR FEDERAL AWARD PROGRAM AUDIT:**

None.

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS –
MAJOR FEDERAL AWARD PROGRAM AUDIT:**

None.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
EXIT CONFERENCE
OCTOBER 31, 2008

EXIT CONFERENCE:

The exit conference was held March 27, 2009 and was attended by the following:

From Elephant Butte Irrigation District:

James Salopek, President
Gary Esslinger, Treasurer/Manager
Gail Norvell, Controller

From Kriegel/Gray/Shaw & Co., P.C.:

Debbie Gray, CPA, Shareholder
Vanessa Williams, Auditor

FINANCIAL STATEMENT PREPARATION

The financial statements of Elephant Butte Irrigation District were prepared from original books and records provided by and with assistance from the management of the District and Kriegel/Gray/Shaw & Co., P.C. as of and for the year ended October 31, 2008.