



KRIEGEL/GRAY/SHAW & CO., P.C.

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

OCTOBER 31, 2011

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

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

OFFICIAL ROSTER
OCTOBER 31, 2011

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>Scott Adams</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>
<i>Delyce Maciel</i>	<i>HR – Safety 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, 2011, 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, nonmajor enterprise funds, and the budgetary comparisons for the major enterprise fund and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended October 31, 2011, 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 consideration of internal control over financial reporting as basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. 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, 2011, 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 of each nonmajor governmental and nonmajor enterprise fund of the District as of October 31, 2011, and the respective changes in financial position and cash flows where applicable thereof and the respective 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 15, 2012 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 10 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements and budgetary comparisons presented as supplementary information. The additional schedules listed as other supplementary information in the table of contents are presented for purposes of additional analysis and are 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.

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

March 15, 2012

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2011

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, 2011. 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 \$53,302,726 (*net assets*). Of this amount, \$5,238,203 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$1,588,756. The governmental activities increased by \$8,938 (1.6%); and the business-type activities increased by \$1,579,818 (3.1%).
- As of the close of the current fiscal year, Elephant Butte Irrigation District's governmental funds reported combined ending net assets of \$552,263, an increase of \$8,938 or 1.6% 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.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2011

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.

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 36 of this report.

Other information. Individual fund statements and schedules can be found on pages 38 through 46 of this report.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2011

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 \$51,713,970 at the close of the most recent fiscal year.

By far the largest portion of Elephant Butte Irrigation District's net assets (90 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	
	2011	2010	2011	2010	2011	2010
Assets:						
Current assets and other assets	\$552,263	\$543,325	\$5,292,566	\$3,426,533	\$5,844,829	\$3,969,858
Capital assets, net	0	0	48,333,099	48,554,838	48,554,099	48,554,838
Total assets	\$552,263	\$543,325	\$53,625,665	\$51,981,371	\$54,177,928	\$52,524,696
Liabilities:						
Long-term liabilities outstanding	\$0	\$0	\$692,426	\$592,560	\$692,426	\$592,560
Other liabilities	0	0	182,776	218,166	182,776	218,166
Total liabilities	0	0	875,202	810,726	875,202	810,726
Net Assets:						
Invested in capital assets, net of related debt	0	0	48,064,523	48,334,745	48,064,523	48,334,745
Unrestricted	552,263	543,325	4,685,940	2,835,900	5,238,203	3,379,225
Total net assets	552,263	543,325	52,750,463	51,170,645	53,302,726	51,713,970
Total liabilities and net assets	\$552,263	\$543,325	\$53,625,665	\$51,981,371	\$54,177,928	\$52,524,696

The remaining balance of *unrestricted net assets* \$5,238,203 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 \$270,222 in capital assets reported in connection with Elephant Butte Irrigation District's business-type activities. The majority of this decrease was the depreciation of assets. Elephant Butte Irrigation District's governmental activities do not maintain capital assets.

The government's net assets increased \$1,588,756 during the current fiscal year. This increase represents an increase in cash and temporary investments as a result of a decrease in expenses.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2011

Governmental activities: Governmental activities increased Elephant Butte Irrigation District net assets by \$12,893; Governmental activities comprise an extremely limited function within Elephant Butte Irrigation District. Ongoing operating activities are primarily conducted as business-type activities.

- Charges for services 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	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for services	\$20,763	\$20,919	\$7,695,692	\$7,730,968	\$7,716,455	\$7,751,887
Operating grants and contributions	0	0	297,044	219,451	297,044	219,451
Capital grants and contributions	0	0	735,224	647,433	735,224	647,433
General Revenues:						
Unrestricted interest earnings	1,068	769	45,320	43,217	46,388	43,986
Other income	0	0	0	0	0	0
Gain (loss) on disposal of capital assets	0	0	0	0	0	0
<i>Total revenue</i>	21,831	21,688	8,773,280	8,641,069	8,795,111	8,662,757
Expenses:						
Local improvement district operations	12,893	5,797	0	0	12,893	5,797
Water system operations and maintenance	0	0	7,193,462	8,143,128	7,193,462	8,143,128
<i>Total expenses</i>	12,893	5,797	7,193,462	8,143,128	7,206,355	8,148,925
Net increase (decrease) in net assets	\$8,938	\$15,891	\$1,579,818	\$497,941	\$1,588,756	\$513,832

For the most part, decreases in expenses were attributable to payroll expenses and operating/maintenance expenses due to a reduction in grant expenditures and related grant funding.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2011

Business-type activities. Enterprise activities increased Elephant Butte Irrigation District net assets by \$1,579,818 thereby accounting for the entire decline in the net assets of the District. Key elements of this decrease are as follows:

- Charges for services increased \$35,276 (.46%) to \$7,695,692 during the year. This increase is a result of collections on delinquent assessments.
- Grant awards increased \$165,384 (19%) to \$1,032,268 as grant projects to support improvements to Elephant Butte Irrigation District's water distribution system, water conservation, and hydro-electric power development were increased.
- Total revenues increased \$130,108 (1.5%) during the year. This change is the product of additional grant funds from New Mexico Finance Authority.
- Decreases in the District's operating and maintenance expenses were \$949,666. This decrease resulted from decreased payroll expenses and decreased operating/maintenance expenses due to The District's efforts to reduce expenditures as well as the fiscal budget.

Operations and Maintenance Fund Budgetary Highlights

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

Revenue:

- Reduction in State of New Mexico Grant funding cancelled due to state fund deficits.
- Reduction in special use fees now being amortized over the life of the agreement.

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 4", 8", and 24" for fiscal years ending October 31, 2011, 2010 and 2009, respectively.

Expenditures:

- Reduction in payroll expenses.
- Increase in legal and consulting expenses due to litigations and grant projects.
- Reduction in canal, heavy equipment and fleet expenses due in part to reduced fuel costs.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2011

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, 2011, amounts to \$48,333,099 (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 .46%.

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

- Water distribution system improvements were completed (or remain in process) totaling \$387,174, consisting of canals, laterals, drains and waste ways.
- Purchases of machinery and equipment of \$254,487 all of which was paid for by grant funding.

	Business-type Activities
Capital Assets:	October 31, 2011
Land	\$38,489,805
Buildings and system	725,640
Equipment and vehicles	6,294,557
Furniture and fixtures	440,104
Irrigation distribution system	21,967,157
Construction in process	126,175
	\$68,043,438

Long-term debt. At the end of the current fiscal year, the Elephant Butte Irrigation District had total outstanding debt of \$268,576. Elephant Butte Irrigation District made substantial principal payments on notes payable.

Elephant Butte Irrigation District's total debt increased \$18,644 (7.4%) during the current fiscal year. The key factor in this change was new borrowing with the New Mexico Finance Authority – Water Trust Board of \$65,000 and the repayment of \$29,839 to New Mexico Interstate Steam Commission on the Water Meter Reloan debt.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
OCTOBER 31, 2011

Economic Factors

- Reservoir capacity and actual storage, in acre feet:

	Capacity	October 31, 2011	October 31, 2010
Elephant Butte	2,210,208	207,750	372,460
Caballo	343,990	10,158	18,380
	2,554,198	217,908	390,840

- Elephant Butte Irrigation District's boundaries include 90,640 total irrigable acres. Crop irrigation acres as of October 31, 2011 and 2010 are as follows:

Acres Irrigated	34,093	59,506
Acres Fallowed	41,505	23,150
Total Acres	75,598	82,656

- Elephant Butte Irrigation District's annual assessments remained the same for the 2011 budget year. The rates remain at \$80.00 per water righted acre/per acre foot of water.

During the current fiscal year, unrestricted net assets in the Water Distribution Operations fund increased to \$4,685,940. Elephant Butte Irrigation District's unrestricted net assets are available for expenditure in the 2012 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, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and temporary investments	\$544,975	\$4,487,645	\$5,032,620
Investments	0	6,463	6,463
Receivables, net	7,288	454,115	461,403
Inventories	0	173,411	173,411
Prepays	0	160,135	160,135
Notes receivable	0	10,797	10,797
Capital assets, net	0	48,333,099	48,333,099
<i>Total assets</i>	552,263	53,625,665	54,177,928
LIABILITIES			
Accounts payable and other current liabilities	0	182,776	182,776
Noncurrent liabilities:			
Due within one year	0	23,574	23,574
Due in more than one year	0	245,266	245,266
Deferred revenue	0	209,518	209,518
Compensated absences	0	214,068	214,068
<i>Total liabilities</i>	0	875,202	875,202
NET ASSETS			
Invested in capital assets, net of related debt	0	48,064,523	48,064,523
Unrestricted	552,263	4,685,940	5,238,203
<i>Total net assets</i>	\$552,263	\$52,750,463	\$53,302,726

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, 2011

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	\$12,893	\$20,763	\$0	\$0	\$7,870	\$0	\$7,870
<i>Total governmental activities</i>	12,893	20,763	0	0	7,870	0	7,870
Business-type Activities:							
Water distribution operations	7,193,462	7,695,692	297,044	735,224	0	1,534,498	1,534,498
<i>Total business-type activities</i>	7,193,462	7,695,692	297,044	735,224	0	1,534,498	1,534,498
Total Irrigation district	\$7,206,365	\$7,716,455	\$297,044	\$735,224	\$7,870	\$1,534,498	\$1,542,368

General Revenues

Unrestricted interest income	\$1,068	\$45,320	\$46,388
Other income	0	0	0
Gain on sale of capital assets	0	0	0
<i>Total general revenues</i>	1,068	45,320	46,388
<i>Change in net assets</i>	8,938	1,579,818	1,588,756
Net assets, beginning of year	543,325	51,170,645	51,713,970
Net assets, end of year	\$552,263	\$52,750,463	\$53,302,726

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, 2011

	Local Improvement District
ASSETS	
Cash and temporary investments	\$544,975
Receivables:	
Accounts, net of allowance (\$565)	7,288
Total assets	\$552,263
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$0
<i>Total liabilities</i>	0
FUND BALANCE	
Restricted for improvements	552,263
<i>Total fund balances</i>	552,263
 <i>Total liabilities and fund balance</i>	 \$552,263

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, 2011

	Local Improvement District
REVENUES	
Charges for services	\$20,763
Interest	1,068
<i>Total revenues</i>	21,831
EXPENDITURES	
Current:	
Operations and maintenance	12,893
Contractual services	0
<i>Total expenditures</i>	12,893
<i>Net change in fund balance</i>	8,938
Fund balance, beginning of year	543,325
<i>Fund balance, end of year</i>	\$552,263

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

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
PROPRIETARY FUND
STATEMENT OF NET ASSETS
OCTOBER 31, 2011

	Business-type Activities - Enterprise Funds		
	Water Distribution Operations	Nonmajor Proprietary Funds	Total
ASSETS			
Current Assets:			
Cash and temporary investments	\$4,440,541	\$47,104	\$4,487,645
Investments	6,463	0	6,463
Accounts receivables, net of allowance (\$24,609)			
Accounts	413,856	0	413,856
Grant revenue receivable	37,309	0	37,309
Other	2,950	0	2,950
Notes receivable - current maturities	0	3,421	3,421
Inventory	173,411	0	173,411
Prepaid expenses	160,135	0	160,135
Due from other funds	0	0	0
<i>Total current assets</i>	5,234,665	50,525	5,285,190
Noncurrent Assets:			
Notes receivable - net of current maturities	0	7,376	7,376
Capital Assets:			
Land	38,489,805	0	38,489,805
Building and improvements	725,640	0	725,640
Equipment and vehicles	6,294,557	0	6,294,557
Furniture and fixtures	440,104	0	440,104
Irrigation distribution system	21,967,157	0	21,967,157
Construction in process	126,175	0	126,175
	68,043,438	0	68,043,438
Less: accumulated depreciation	(19,710,339)	0	(19,710,339)
<i>Total capital assets</i>	48,333,099	0	48,333,099
<i>Total noncurrent assets</i>	48,333,099	7,376	48,340,475
Total assets	\$53,567,764	\$57,901	\$53,625,665

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

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
PROPRIETARY FUND
STATEMENT OF NET ASSETS
OCTOBER 31, 2011

	Business-type Activities - Enterprise Funds		
	Water Distribution Operations	Nonmajor Proprietary Funds	Total
LIABILITIES AND NET ASSETS			
Current liabilities:			
Notes payable - current maturities	\$23,310	\$0	\$23,310
Accounts payable	117,431	0	117,431
Accrued expenses	65,345	0	65,345
Compensated absences - current portion	264	0	264
Deferred revenue	209,518	0	209,518
Due to other funds	0	0	0
<i>Total current liabilities</i>	415,868	0	415,868
Noncurrent Liabilities:			
Notes payable - net of current maturities	245,266	0	245,266
Compensated absences	214,068	0	214,068
<i>Total noncurrent liabilities</i>	459,334	0	459,334
<i>Total liabilities</i>	875,202	0	875,202
Net Assets:			
Invested in capital assets, net of related debt	48,064,523	0	48,064,523
Unrestricted	4,628,039	57,901	4,685,940
<i>Total net assets</i>	52,692,562	57,901	52,750,463
<i>Total liabilities and net assets</i>	\$53,567,764	\$57,901	\$53,625,665

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

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2011

	Business-type Activities - Enterprise Funds		
	Water Distribution Operations	Nonmajor Proprietary Funds	Total
OPERATING REVENUES:			
Charges for services	\$7,695,692	\$0	\$7,695,692
Operating agreements and other	297,044	0	297,044
<i>Total operating revenues</i>	<u>7,992,736</u>	<u>0</u>	<u>7,992,736</u>
OPERATING EXPENSES:			
Personnel services	3,188,983	0	3,188,983
Employee benefits	924,965	0	924,965
Contractual services	677,025	0	677,025
Operations and maintenance	680,586	0	680,586
Administration and other operating	823,484	0	823,484
Depreciation	893,431	0	893,431
<i>Total operating expenses</i>	<u>7,188,474</u>	<u>0</u>	<u>7,188,474</u>
<i>Operating income (loss)</i>	804,262	0	804,262
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental grants	735,224	0	735,224
Interest income	44,650	670	45,320
Insurance recovery	0	0	0
Interest expense	(4,642)	(346)	(4,988)
<i>Total non-operating revenues (expenses)</i>	<u>775,232</u>	<u>324</u>	<u>775,556</u>
<i>Change in net assets</i>	1,579,494	324	1,579,818
Net assets, beginning of year	51,113,068	57,577	51,170,645
<i>Net assets, end of year</i>	<u>\$52,692,562</u>	<u>\$57,901</u>	<u>\$52,750,463</u>

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

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED OCTOBER 31, 2011

	Business-type Activities - Enterprise Funds		
	Water Distribution Operations	Nonmajor Proprietary Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$8,175,380	\$0	\$8,175,380
Payment to vendors	(2,207,622)	0	(2,207,622)
Payments to and on behalf of employees	(4,173,922)	0	(4,173,922)
<i>Net cash provided (used) by operating activities</i>	1,793,836	0	1,793,836
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCIAL ACTIVITIES			
Repayments of advances to/from other funds	30,361	(30,361)	0
Receipts on notes receivable	0	31,314	31,314
Repayment of long-term debt	0	(29,839)	(29,839)
Interest paid on long-term debt	0	(522)	(522)
Interest income	34,584	670	35,254
<i>Net cash provided (used) by noncapital and related financial activities</i>	64,945	(28,738)	36,207
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Intergovernmental capital grants	735,224	0	735,224
Repayment on long-term debt	(16,517)	0	(16,517)
Interest paid on long-term debt	(4,642)	0	(4,642)
Proceeds of long-term debt	65,000	0	65,000
<i>Net cash provided (used) by capital and related financial activities</i>	779,065	0	779,065
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	10,066	0	10,066
Purchase of capital assets	(671,692)	0	(671,692)
<i>Net cash provided by investing activities</i>	(661,626)	0	(661,626)
<i>Net increase (decrease) in cash and temporary investments</i>	1,976,220	(28,738)	1,947,482
Cash and temporary investments, beginning of year	2,464,321	75,842	2,540,163
Cash and temporary investments, end of year	\$4,440,541	\$47,104	\$4,487,645

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

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2011

	Business-type Activities - Enterprise Funds		
	Water Distribution Operations	Nonmajor Proprietary Funds	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$804,262	\$0	\$804,262
<i>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</i>			
Depreciation expense	893,431	0	893,431
Bad debt expense	0	0	0
(Increase) decrease in:			
Accounts receivable	75,163	0	75,163
Inventory	(1,533)	0	(1,533)
Deferred revenue	107,481	0	107,481
Prepaid expenses	(23,495)	0	(23,495)
Increase (decrease) in:			
Accounts payable	(1,499)	0	(1,499)
Accrued expenses	(33,715)	0	(33,715)
Accrued compensated absences	(26,259)	0	(26,259)
<i>Net cash provided (used) by operating activities</i>	\$1,793,836	\$0	\$1,793,836

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, 2011

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, 2011

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.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonmajor Proprietary Funds:

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.

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.

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.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Demand deposits are fully insured under the Temporary Liquidity Guarantee Program. Interest bearing accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate.

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

Receivables

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

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.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 OCTOBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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.

Interfund Transactions

There are transactions that constitute reimbursements to a fund for expenditures initially expended from one fund that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditure in the fund that is reimbursed.

Interfund payables and receivables are reflected in the appropriate fund.

There are no due from/to between funds at October 31, 2011.

<u>Interfund Transfers In (Out)</u>	<u>Transfers Out</u>
Transfer In:	<u>Nonmajor Proprietary Funds</u>
Nonmajor proprietary funds	\$6,174

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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.

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.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 (GAAP). The budgets secure appropriations for only one year. All annual appropriations lapse at fiscal year end. Budgeted amounts are as originally adopted, or as amended by the District's Board of Directors. Budgets adopted for business-type activities or proprietary fund types represent financial plans based on the accrual basis of accounting and are amended as financial information becomes available.

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

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2011

NOTE 3. DEPOSITS AND TEMPORARY INVESTMENTS

Cash and temporary investments as of October 31, 2011, are classified as and comprised of in the accompanying financial statements as follows:

<u>Cash and cash equivalents – unrestricted</u>	<u>\$5,032,620</u>
Cash on hand	\$1,500
Deposits held with financial institutions	231,778
Deposits held with NM State Treasurer	3,787,868
<u>Deposits held by NMFA</u>	<u>1,011,474</u>
	<u>\$5,032,620</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.

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, 2011, of the District's bank balance of \$283,637, \$0 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, 2011, the carrying amount or book balance of these deposits was \$231,778.

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

	<u>Bank of</u> <u>The West</u>
Total of deposit in bank (Schedule I)	\$283,637
Less: FDIC coverage	(283,637)
<u>Total uninsured public funds</u>	<u>\$0</u>
Pledged collateral held by the pledging bank's agent not in the District's name	\$0
<u>Uninsured and uncollateralized</u>	<u>\$0</u>
50% Pledged collateral requirement per statute	\$0
Securities pledged (Schedule II)	0
<u>Pledged collateral (over) under the requirement</u>	<u>\$0</u>

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2011

NOTE 3. DEPOSITS AND TEMPORARY INVESTMENTS (CONTINUED)

<u>Investment Type</u>	<u>Cost Basis</u>	<u>Market Value</u>	<u>Credit Risk- Rating</u>	<u>Weighted Average Maturity Days</u>
State Investment Pool** – LGIP	\$3,787,868	\$3,787,868	AAAm	50
State Investment Pool – Reserve Contingency Fund	7,603	6,463		♦
	3,795,472	3,794,331		
<i>Less investments reported as cash equivalents</i>	<i>(3,787,868)</i>	<i>(3,787,868)</i>		
	\$7,603	\$6,463		

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

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

♦ The Reserve Contingency Fund was established from the State Investment Pool LGIP's remaining position in the Reserve Primary Fund. The Reserve Contingency Fund, which is not rated, is a non-performing asset and, as such, a WAM cannot be calculated. The remaining balance of the fund has been written down to 85% based on the estimated recoverable amount.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2011

NOTE 4. RECEIVABLES

Receivables as of October 31, 2011, 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	\$438,465	\$7,854	\$446,319
Grant revenue	37,309	0	37,309
Other – Dona Ana County	2,950	0	2,950
Gross receivables	478,724	7,854	486,578
Less: allowance for uncollectible accounts	(24,609)	(565)	(25,174)
Net receivables	\$454,115	\$7,288	\$461,403

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, 2011.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2011

NOTE 5. CAPITAL ASSETS

Capital asset activity for the District's enterprise water distribution operations fund consists of the following at October 31, 2011:

	Balance October 31, 2010	Additions	Retirements	Transfers	Balance October 31, 2011
Business-type activities:					
Water Distribution Operations					
Capital assets not being depreciated:					
Land	\$38,459,774	\$30,031	\$0	\$0	\$38,489,805
Construction in progress	61,950	387,174	0	(322,949)	126,175
Total capital assets not being depreciated	38,521,724	417,205	0	(322,949)	38,615,980
Capital assets being depreciated:					
Buildings and system	725,640	0	0	0	725,640
Equipment and vehicles	6,098,699	195,858	0	0	6,294,557
Furniture and fixtures	381,475	58,629	0	0	440,104
Irrigation distribution system	21,644,208	0	0	322,949	21,967,157
Total capital assets being depreciated	28,850,022	254,487	0	322,949	29,427,458
Total capital assets	67,371,746	671,692	0	0	68,043,438
Less: accumulated depreciation					
Buildings and system	(543,538)	(10,560)	0	0	(554,098)
Machinery and equipment	(5,190,792)	(442,893)	0	0	(5,633,685)
Furniture and fixtures	(355,125)	(22,723)	0	0	(377,849)
Irrigation distribution system	(12,727,453)	(417,255)	0	0	(13,144,707)
Total accumulated depreciation	(18,816,908)	(893,431)	0	0	(19,710,339)
Total capital assets, net	\$48,554,838	(\$221,739)	\$0	\$0	\$48,333,099

Depreciation expense of \$893,431 was charged in the District's water distribution operations fund for the fiscal year ended October 31, 2011.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2011

NOTE 6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and other current liabilities as of October 31, 2011 for the District's funds are as follows:

	Water Distribution System	Nonmajor Enterprise Fund	Totals
Accounts Payable	\$117,431	\$0	\$117,431
Accrued Interest	704	0	704
Accrued Payroll Taxes	0	0	0
Deferred Revenue	0	0	0
Accrued Payroll	64,641	0	64,641
Total accounts payable and other current liabilities	\$182,776	\$0	\$182,776

NOTE 7. DEFERRED REVENUE – PERMITS – LAND USE

The District charges various utilities land use fees for access and use of the District's land. These permits entered into by contract have a definite term (five to twenty-five years). Therefore, the District has recorded deferred revenue for these permits that relate to future years. The deferred revenue is amortized into income ratably over the life of the contract. At October 31, 2011 deferred revenue for permits for land use was \$209,518.

NOTE 8. LONG-TERM DEBT

The following summarizes long-term debt and related changes during the year ended October 31, 2011:

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	\$168,426
					(15,033)
					\$153,393
<u>Water Meter Reloan Operations:</u>	\$432,825	1.75%	06/30/2007	06/30/2012	\$0
					0
					\$0

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2011

NOTE 8. LONG-TERM DEBT (CONTINUED)

New Mexico Finance Authority – Water Trust Board:

<u>Water Distribution Operations:</u>	0149	\$37,000	0%	08/20/2010	06/01/2030	\$35,150
		Current maturities				(1,850)
						\$33,300
<u>Water Distribution Operations:</u>	0191	\$65,000	0%	10/21/2011	06/01/2021	65,000
		Current maturities				(6,427)
						\$58,573

<u>Business-type Activities</u>	Balance October 31, 2010	Additions	Retirements	Balance October 31, 2011	Amount Due Within One Year
<u>Water Distribution Operations:</u>					
Notes payable	\$220,093	\$65,000	\$16,517	\$268,576	\$23,310
<u>Water Meter Reloan Operations:</u>					
Notes payable	29,839	0	29,839	0	0
	249,932	65,000	46,356	268,576	23,310
<u>Water Distribution Operations:</u>					
Compensated absences	240,591	178,696	204,955	214,332	264
	\$490,523	\$243,696	\$251,311	\$482,908	\$23,574

Notes payable debt service requirements to maturity are as follows:

<u>Business-type Activities</u>	<u>Operations and Maintenance</u>	
	Principal	Interest
<u>Year Ended October 31,</u>		
2012	\$23,310	\$4,398
2013	23,702	4,064
2014	24,104	3,659
2015	24,516	3,243
2016	24,936	2,817
2017 – 2021	131,358	7,339
2022 – 2026	9,250	162
2027 – 2031	7,400	46
	\$268,576	\$25,728

Interest charged to expense for the year ended October 31, 2011 was:

<u>Business-type Activities</u>	<u>Water Distribution System</u>
Interest expense	\$4,642

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2011

NOTE 8. LONG-TERM DEBT (CONTINUED)

The New Mexico Finance Authority loan (#WTB-0149) was borrowed in fiscal year 2010 as part of a condition of a grant agreement. The loan has a zero interest rate but charges an administrative fee of .25% over the life of the loan. The balance of the loan as of October 31, 2011 was \$35,150. Interest has not been imputed as the loan is between government entities, which are deemed to set the market and therefore, 0% is the market.

The New Mexico Finance Authority loan (#WTB-0191) was borrowed in fiscal year 2011 as part of a condition of a grant agreement. The loan has a zero interest rate but charges an administrative fee of .25% over the life of the loan. The balance of the loan as of October 31, 2011 was \$65,000. Interest has not been imputed as the loan is between government entities, which are deemed to set the market and therefore, 0% is the market.

NOTE 9. FUND BALANCE CLASSIFICATIONS

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

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

externally imposed by:

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

OR

imposed by law through constitutional provisions or enabling legislation.

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

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2011

NOTE 10. 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, 2011, the District's required and actual contribution amount of \$11,637 was 7% of its current and 7% of its prior year covered payroll.

NOTE 11. 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 delay paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

All contributions withheld from employee/participant's wages by the District have been paid to the Plan Administrator. Employee contributions withheld and remitted to the plan were \$78,545, for the year ended October 31, 2011.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2011

NOTE 12. 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 for the plan. That 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% of their gross salary. The Elephant Butte Irrigation District is required to contribute 7% of the gross covered salary. 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 years ending October 31, 2011, 2010 and 2009 were \$198,613, \$205,886, and \$208,512, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 13. 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, 2011.

NOTE 14. CONCENTRATIONS

Approximately 96% of the District's operating revenues are derived from special assessments and services to landowners. Reduction or interruption of these revenue sources is not expected, however, if reduction or interruption occurred, it would have a material impact on the operations of the District.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 OCTOBER 31, 2011

NOTE 15. 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 expensed for the year were \$219,401.

NOTE 16. CONTINGENT LIABILITIES

The District participates in a number of programs that are fully or partially funded by grants received from other governmental agencies. Expenditures financed by grants are subject to audit by the appropriate grantor agency(s). If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor agency. As of October 31, 2011, 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 17. SUBSEQUENT EVENTS

Subsequent events were evaluated through March 15, 2012, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
OCTOBER 31, 2011

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
NONMAJOR PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
OCTOBER 31, 2011

	Business-type Activities - Enterprise Funds		
	Water Meter Reloan	Water Conservation Reloan	Total
ASSETS			
Current Assets:			
Cash and temporary investments	\$0	\$47,104	\$47,104
Notes receivable - current maturities	0	3,421	3,421
<i>Total current assets</i>	0	50,525	50,525
Noncurrent Assets:			
Notes receivable - net of current maturities	0	7,376	7,376
<i>Total noncurrent assets</i>	0	7,376	7,376
Total assets	\$0	\$57,901	\$57,901
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$0	\$0	\$0
Accrued expenses	0	0	0
<i>Total current liabilities</i>	0	0	0
Noncurrent Liabilities:			
Notes payable - net of current maturities	0	0	0
<i>Total noncurrent liabilities</i>	0	0	0
<i>Total liabilities</i>	0	0	0
Net Assets:			
Invested in capital assets, net of related debt	0	0	0
Unrestricted	0	57,901	57,901
<i>Total net assets</i>	0	57,901	57,901
Total liabilities and net assets	\$0	\$57,901	\$57,901

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

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NONMAJOR PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2011

	Business-type Activities - Enterprise Funds		
	Water Meter Reloan	Water Conservation Reloan	Total
OPERATING REVENUES:			
Charges for services	\$0	\$0	\$0
Operating agreements and other	0	0	0
<i>Total operating revenues</i>	0	0	0
OPERATING EXPENSES:			
Personnel services	0	0	0
Employee benefits	0	0	0
Contractual services	0	0	0
Operations and maintenance	0	0	0
Administration and other operating	0	0	0
Depreciation	0	0	0
<i>Total operating expenses</i>	0	0	0
<i>Operating income (loss)</i>	0	0	0
NON-OPERATING REVENUES (EXPENSES)			
Interest income	81	589	670
Interest expense	(346)	0	(346)
<i>Total non-operating revenues (expenses)</i>	(265)	589	324
Transfers in (out)	6,174	(6,174)	0
<i>Change in net assets</i>	5,909	(5,585)	324
Net assets, beginning of year	(5,909)	63,486	57,577
<i>Net assets, end of year</i>	\$0	\$57,901	\$57,901

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

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NONMAJOR PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2011

	Business-type Activities - Enterprise Funds		
	Water Meter Reloan	Water Conservation Reloan	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$0	\$0	\$0
Payment to vendors	0	0	0
Payments to and on behalf of employees	0	0	0
<i>Net cash provided (used) by operating activities</i>	0	0	0
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCIAL ACTIVITIES			
Repayments of advances to/from other funds	(30,361)	0	(30,361)
Receipts on notes receivable	28,060	3,254	31,314
Repayment of long-term debt	(29,839)	0	(29,839)
Interest paid on long-term debt	(522)	0	(522)
Interest income	81	589	670
Transfers to/from other funds	6,174	(6,174)	0
<i>Net cash provided (used) by noncapital and related financial activities</i>	(26,407)	(2,331)	(28,738)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Intergovernmental capital grants	0	0	0
Repayment a long-term debt	0	0	0
Interest paid on long-term debt	0	0	0
Proceeds of long-term debt	0	0	0
<i>Net cash provided (used) by capital and related financial activities</i>	0	0	0
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash from sale of Investments	0	0	0
Interest income	0	0	0
Gain on disposal	0	0	0
Purchase of capital assets	0	0	0
<i>Net cash provided by investing activities</i>	0	0	0
<i>Net increase (decrease) in cash and temporary investments</i>	(26,407)	(2,331)	(28,738)
Cash and temporary investments, beginning of year	26,407	49,435	75,842
Cash and temporary investments, end of year	\$0	\$47,104	\$47,104

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

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
NONMAJOR PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2011

	Business-type Activities - Enterprise Funds		
	Water Meter Reloan	Water Conservation Reloan	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$0	\$0	\$0
<i>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</i>			
Depreciation expense	0	0	0
Bad debt expense	0	0	0
(Increase) decrease in:			
Accounts receivable	0	0	0
Inventory	0	0	0
Deferred revenue	0	0	0
Prepaid expenses	0	0	0
Increase (decrease) in:			
Accounts payable	0	0	0
Accrued expenses	0	0	0
Accrued compensated absences	0	0	0
<i>Net cash provided (used) by operating activities</i>	\$0	\$0	\$0

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

**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, 2011

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Charges for services	\$20,983	\$20,983	\$20,763	(\$220)
Interest	0	0	1,068	1,068
<i>Total revenues</i>	20,983	20,983	21,831	848
EXPENDITURES:				
Current:				
Operations and maintenance	20,983	20,983	12,893	8,090
<i>Total expenditures</i>	20,983	20,983	12,893	8,090
<i>Excess (deficiency) of revenue over expenditures</i>	\$0	\$0	\$8,938	\$8,938

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)	<u>\$8,938</u>
Excess (deficiency) of revenue over expenditures (GAAP Basis)	<u>\$8,938</u>

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, 2011

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES:				
Charges for services	\$7,701,269	\$7,701,269	\$7,695,692	(\$5,577)
Operating agreements and other	330,500	255,250	297,044	41,794
<i>Total operating revenues</i>	<u>8,031,769</u>	<u>7,956,519</u>	<u>7,992,736</u>	<u>36,217</u>
OPERATING EXPENSES:				
Personnel services and employee benefits	5,000,000	4,250,000	4,113,948	136,052
Contractual services	500,111	686,110	677,025	9,085
Operations and maintenance	1,797,958	1,741,270	1,504,070	237,200
Capital outlay	2,148,104	667,950	671,692	(3,742)
Debt service	20,000	20,000	16,517	3,483
<i>Total operating expenses</i>	<u>9,466,173</u>	<u>7,365,330</u>	<u>6,983,252</u>	<u>382,078</u>
<i>Operating income (loss)</i>	(1,434,404)	591,189	1,009,484	418,295
Non-Operating Revenues (Expenses)				
Intergovernmental	1,405,404	163,450	735,224	571,774
Interest income	35,000	45,000	44,650	(350)
Gain on sale of fixed assets	0	0	0	0
Interest expense	(6,000)	(5,000)	(4,642)	358
<i>Total non-operating revenues (expenses)</i>	<u>1,434,404</u>	<u>203,450</u>	<u>775,232</u>	<u>571,782</u>
Operating transfers in	0	30,361	0	(30,361)
<i>Change in net assets</i>	0	825,000	1,784,716	<u>\$959,716</u>
Reconciling Items:				
Depreciation	0	0	(893,431)	
Capital additions	0	0	671,692	
Debt principal payments	0	0	16,517	
<i>Change in net assets (GAAP basis)</i>	<u>\$0</u>	<u>\$0</u>	<u>\$1,579,494</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, 2011

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Miscellaneous income	\$0	\$0	\$0	\$0
<i>Total revenues</i>	0	0	0	0
EXPENSES:				
Current:				
Operations and maintenance	0	0	0	0
<i>Total expenditures</i>	0	0	0	0
NON-OPERATING REVENUES (EXPENSES):				
Debt retirement	(29,000)	(31,000)	(29,839)	1,161
Interest income	30,000	500	81	(419)
Interest expense	(1,000)	(500)	(346)	154
<i>Total non-operating revenues (expenses)</i>	0	(31,000)	(30,104)	896
Operating transfers in	0	31,000	6,174	(24,826)
<i>Change in net assets</i>	0	0	(23,930)	<u>(23,930)</u>
Reconciling Items:				
Debt principal payments not expensed			29,839	
<i>Change in net assets (GAAP Basis)</i>			<u>\$5,909</u>	

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, 2011

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Miscellaneous	\$0	\$0	\$0	\$0
<i>Total revenues</i>	0	0	0	0
EXPENSES:				
Current:				
Operations and maintenance	2,500	0	0	0
<i>Total expenditures</i>	2,500	0	0	0
NON-OPERATING REVENUES (EXPENSES):				
Interest income	10,000	1,000	589	(411)
Interest expense	(5,000)	0	0	0
<i>Total non-operating revenues (expenses)</i>	5,000	1,000	589	(411)
Operating transfers (out)	(2,500)	(31,000)	(6,174)	24,826
<i>Change in net assets</i>	0	(30,000)	(5,585)	<u>(35,585)</u>
Budgeted cash carryover	0	30,000	0	
<i>Change in net assets (GAAP Basis)</i>			\$746	

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, 2011

Name of Depository	Type of Account	Bank Balance October 31, 2010	Reconciling Items	Reconciled Balance October 31, 2011
Depository Accounts:				
<u>Bank of The West</u>				
Operating	Checking	\$236,257	(\$51,859)	\$184,398
Operating	Checking	276	0	276
Operating	Checking	47,104	0	47,104
Operating	Checking	0	0	0
Total		\$283,637	(\$51,859)	231,778
Cash held by NMFA				1,011,474
Cash on Hand:				
Petty and till cash				1,500
Temporary Investments:				
<u>NM State Treasurer</u>				
Investment Pool				3,787,868
				\$5,032,620
Total Cash and Temporary Investments as of October 31, 2011:				
Cash and temporary investments - Governmental activities				\$544,975
Cash and temporary investments - Business-type activities				4,487,645
				\$5,032,620

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, 2011

Name of Depository	Description of Pledged Collateral	Name and Location of Safekeeper	Current PV - Fair Market Value October 31, 2010
Bank of The West	NONE	N/A	\$0

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

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
SCHEDULE OF SPECIAL ASSESSMENT RECEIVABLES
FOR PUBLIC FUNDS
OCTOBER 31, 2011

Assessment Year	Business-type Activities	Governmental Activities
2010	\$240,980	\$1,503
2009	74,316	929
2008	33,045	773
2007	22,759	678
2006	16,145	535
2005	12,707	508
2004	8,536	474
2003	6,480	463
2002	5,700	317
2001	4,194	294
2000 and prior	13,603	1,379
	438,465	7,853
Less allowance for doubtful accounts	(24,609)	(565)
	\$413,856	\$7,288

The Notes to Financial Statements are an integral part of these 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, the aggregate remaining fund information, and the individual funds and related budgetary comparisons presented as supplementary information of the Elephant Butte Irrigation District (the "District") as of and for the year ended October 31, 2011, and have issued our report thereon dated March 15, 2012. 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 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests 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 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.
Kriegel/Gray/Shaw & Co., P.C.

March 15, 2012

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR SIGNIFICANT DEFICIENCIES:

None.

CURRENT STATUS ON PRIOR YEAR FINDINGS:

None.

STATE OF NEW MEXICO
ELEPHANT BUTTE IRRIGATION DISTRICT
EXIT CONFERENCE
OCTOBER 31, 2011

EXIT CONFERENCE:

The exit conference was held March 19, 2012 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

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, 2011.