

**STATE OF NEW MEXICO
POJOAQUE VALLEY IRRIGATION DISTRICT**

**Financial Statements
June 30, 2009**

(With Independent Auditor's Report Thereon)

**STATE OF NEW MEXICO
 POJOAQUE VALLEY IRRIGATION DISTRICT
 June 30, 2009**

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**STATE OF NEW MEXICO
POJOAQUE VALLEY IRRIGATION DISTRICT
June 30, 2009**

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**STATE OF NEW MEXICO
POJOAQUE VALLEY IRRIGATION DISTRICT
June 30, 2009**

Official Roster

J. David Ortiz.....Chairman
Flavio Gurule Vice-Chairman
Horace Roybal.....Secretary-Treasurer

Administrative

Patsy SandovalOffice Manager

Garcia and Associates, CPA, LLC
Certified Public Accountant and Business Consultants

Raymond J. Garcia, CPA
Partner

Paul Lucero, MBA
Partner

2060 Main Street NE, Suite C
Los Lunas, NM 87031
Phone: (505) 865-7001
Fax: (505) 865-9444

INDEPENDENT AUDITOR'S REPORT

Mr. J. David Ortiz, Chairman
Members of the Board of Directors
Pojoaque Valley Irrigation District
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparison of the State of New Mexico, Pojoaque Valley Irrigation District (District), as of and for the year ended June 30, 2009, which collectively comprise the State of New Mexico, Pojoaque Valley Irrigation District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of New Mexico, Pojoaque Valley Irrigation 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 a 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 and each major fund of the State of New Mexico, Pojoaque Valley Irrigation District, as of June 30, 2009, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Member of the American Institute of Certified Public Accountants
Member of the New Mexico Society of Certified Public Accountants

In accordance with Government Auditing Standards, we have also issued our report dated November 24, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages vii through x 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.

Garcia and Associates, CPA, LLC

Garcia and Associates, CPA, LLC
Los Lunas, New Mexico
November 24, 2009

STATE OF NEW MEXICO
Pojoaque Valley Irrigation District
Management's Discussion and Analysis
June 30, 2009

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

FINANCIAL HIGHLIGHTS

- The liabilities of the Pojoaque Valley Irrigation District exceeded assets at the close of the most recent fiscal year by \$(26,794) (net assets). The liability which is due to the U. S. Bureau of Reclamation of \$85,100 is responsible for the negative net assets. That liability is not payable in the current period but will be funded by future revenues as the note matures. (See Exhibit A, page 1).
- The District's total net assets increased by \$3,115 compared to the prior year. (See page x).
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$72,223 an increase of \$1,344 in comparison with the prior year. \$18,325 of that balance is reserved for major unforeseen costs of operation and maintenance of unit works.(See page 5)
- The substantial majority of the District's long-term liabilities are comprised of amounts due to the U. S Bureau of Reclamation for the District's share of the construction costs of the Nambe dam and reservoir. The District does not have any ownership rights in the dam. The liability is repayable in 50 equal annual installments of \$3,700. No interest accrues on the liability.

USING THIS ANNUAL REPORT

The financial report includes the sections described below.

Management's Discussion and Analysis

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

STATE OF NEW MEXICO
Pojoaque Valley Irrigation District
Management's Discussion and Analysis
June 30, 2009

Budgetary Comparisons

GASB 34 requires budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedules should present both the original and the final appropriated budgets for the reporting period as well as the actual inflows, outflows and balances, stated on the government's budgetary basis. As required by the Office of the State Auditor, the budgetary comparison statement is presented as part of the basic financial statements (see Exhibit G, page 7). This information is provided at the approved budget level to demonstrate compliance with legal requirements.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 8 through 16 of this report.

STATE OF NEW MEXICO
Pojoaque Valley Irrigation District
Management's Discussion and Analysis
June 30, 2009

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Assets: Below is a summary of the District's net assets for the fiscal years ending 2009 and 2008. There have not been any significant changes to assets, liabilities and net assets as compared to the prior year. See page 1 for a more detailed look at the Statement of Net Assets.

	<u>Governmental Activities</u>		<u>Increase (Decrease)</u>
	<u>2009</u>	<u>2008</u>	
Current assets	\$ 74,880	\$ 72,187	\$ 2,693
Capital assets	<u>0</u>	<u>0</u>	<u>0</u>
Total assets	<u>74,880</u>	<u>72,187</u>	<u>2,693</u>
Current liabilities	12,060	11,240	820
Long-term liabilities	89,614	90,855	(1,241)
Total liabilities	<u>101,674</u>	<u>102,095</u>	<u>(421)</u>
Net assets			
Invested in capital assets	0	0	0
Restricted - U.S. Bureau of Reclamation (note 2-C)	18,213	17,948	265
Unrestricted (deficit)	<u>(45,006)</u>	<u>(47,857)</u>	<u>2,851</u>
Total net assets	<u>\$ (26,794)</u>	<u>\$ (29,909)</u>	<u>\$ 3,115</u>

STATE OF NEW MEXICO
Pojoaque Valley Irrigation District
Management's Discussion and Analysis
June 30, 2009

Statement of Activities: The following represents the revenues and expenses for fiscal years 2009 and 2008. See page 2 for a more detailed look at the Statement of Activities.

	<u>Governmental Activities</u>		Increase
	<u>2009</u>	<u>2008</u>	<u>(Decrease)</u>
Revenues:			
Program revenues:			
Charges for services - assessments	\$ 105,512	\$ 119,950	\$ (14,438)
Grants - operating	49,393	0	49,393
General revenues:			
Interest	376	862	(486)
Miscellaneous	1,043	-	1,043
	<u>156,324</u>	<u>120,812</u>	<u>35,512</u>
Total revenues			
Expenses:			
General government:			
Irrigation	153,208	114,884	38,324
Depreciation	0	0	0
	<u>153,208</u>	<u>114,884</u>	<u>38,324</u>
Total expenses			
Increase (decrease) in net assets	3,115	5,928	(2,813)
Net assets, beginning	<u>(29,909)</u>	<u>(35,837)</u>	<u>5,928</u>
Net assets, ending	<u>\$ (26,794)</u>	<u>\$ (29,909)</u>	<u>\$ 3,115</u>

FUND FINANCIAL ANALYSIS

Governmental Funds: The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. As of year-end, the governmental funds reported a fund balance of \$72,223. Of this amount, \$18,325 is reserved for expenditure in accordance with the terms of the agreement with the U. S Bureau of Reclamation.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, revenues were more than budgetary estimates by \$50,215, and expenditures were more than budgetary estimates by \$33,199. The District's operating budget for the year ended 2009 was \$50,215 more than the previous years' budget, largely due to the receipt of a \$49,393 grant for dam improvements received in 2009.

STATE OF NEW MEXICO
Pojoaque Valley Irrigation District
Management's Discussion and Analysis
June 30, 2009

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The District's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$ -0- (net of accumulated depreciation).

Additional information on the District's capital assets can be found in Note 4.B on page 15 of this report.

Long-Term Debt: At the end of the current fiscal year, the District had total long-term debt outstanding of \$89,614, which consists of amounts due to the U. S. Bureau of Reclamation of \$81,400, and amounts due to employees for accumulated vacation of \$8,214.

The District's total long-term debt decreased by \$1,241. The liability to the U. S Bureau of Reclamation was reduced by the required annual installment of \$3,700, and the liability for compensated absences increased by \$2,459.

Additional information on the District's long-term debt can be found in note 4.C on page 16 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District decreased its per acreage assessment from \$35.44 in fiscal year 2008 to \$33.85 for fiscal year 2009 in anticipation of beginning resources and the costs of operation. The per acreage assessment has been established at \$39.26 for fiscal year 2010.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the Pojoaque Valley Irrigation District's finances for all those with an interest in the district's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Pojoaque Valley Irrigation District
P. O. Box 3511, Pojoaque Station - Santa Fe, New Mexico 87501-0511

STATE OF NEW MEXICO
POJOAQUE VALLEY IRRIGATION DISTRICT
Statement of Net Assets
June 30, 2009

Exhibit A

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash on deposit	\$ 32,685
Assessments (net of allowance for doubtful accounts)	42,083
Accrued interest receivable	112
Capital assets (net of accumulated depreciation)	0
	<hr/>
Total assets	<u>74,880</u>
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	490
Accrued salaries and other employee benefits	2,167
Compensated absences payable	5,703
Due to U.S. Bureau of Reclamation	3,700
Long-term liabilities:	
Compensated absences payable	8,214
Due to U.S. Bureau of Reclamation	81,400
	<hr/>
Total liabilities	<u>101,674</u>
 <u>NET ASSETS</u>	
Invested in capital assets	0
Restricted - U.S. Bureau of Reclamation (note 2-G.7)	18,325
Unrestricted (deficit)	<u>(45,119)</u>
Total net assets	<u><u>\$ (26,794)</u></u>

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

**STATE OF NEW MEXICO
 POJOAQUE VALLEY IRRIGATION DISTRICT
 Statement of Activities
 For the Year Ended June 30, 2009**

Exhibit B

	<u>Governmental Activities</u>
Expenses:	
General government:	
Irrigation	\$ 153,208
Depreciation	<u>0</u>
Total expenses	<u>153,208</u>
Program revenues:	
Charges for services - assessments	105,512
Grants - operating	<u>49,393</u>
Total program revenue	<u>154,905</u>
Net program expense	<u>1,696</u>
General revenues:	
Interest	376
Miscellaneous	<u>1,043</u>
Total general revenues	<u>1,419</u>
Changes in net assets	3,115
Net assets, beginning of year	<u>(29,909)</u>
Net assets, end of year	<u><u>\$ (26,794)</u></u>

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

STATE OF NEW MEXICO
POJOAQUE VALLEY IRRIGATION DISTRICT
Balance Sheet
Governmental Funds
June 30, 2009

Exhibit C

	General	Reserve Fund	Total Governmental Funds
<u>ASSETS</u>			
Cash on deposit	\$ 14,472	\$ 18,213	\$ 32,685
Assesments receivable	57,483	0	57,483
Allowance for doubtful accounts	(15,400)	0	(15,400)
Accrued interest receivable	0	112	112
Total assets	\$ 56,555	\$ 18,325	\$ 74,880
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities:</u>			
Accounts payable	\$ 490	\$ 0	\$ 490
Accrued payroll and benefits payable	2,167	0	2,167
Total liabilities	2,657	0	2,657
<u>FUND BALANCE</u>			
<u>Fund balances:</u>			
Reserved:			
Reserve fund	0	18,325	18,325
Unreserved - undesignated	53,898	0	53,898
Total fund balances	53,898	18,325	72,223
Total liabilities and fund balances	\$ 56,555	\$ 18,325	\$ 74,880

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

STATE OF NEW MEXICO
POJOAQUE VALLEY IRRIGATION DISTRICT
Reconciliation of the Governmental Fund Balance Sheet
to the Governmental-Wide Statement of Net Assets
June 30, 2009

Exhibit D

Total fund balance for the governmental funds (Exhibit C)	\$	72,223
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Furniture and equipment	\$ 21,971	
Less accumulated depreciation	<u>(21,971)</u>	0

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet.

Compensated absences payable		(13,916)
Due to U.S. Bureau of Reclamation		<u>(85,100)</u>

Net assets of governmental activities (Exhibit A)	\$	<u><u>(26,794)</u></u>
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The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
POJOAQUE VALLEY IRRIGATION DISTRICT
Statement of Revenues, Expenditures and Changes in
Fund Balance - Governmental Funds
For the Year Ended June 30, 2009

Exhibit E

	General Fund	Reserve Fund	Total Governmental Funds
Revenues:			
Charges for services - assessments	\$ 105,512	\$ 0	\$ 105,512
Grant proceeds	49,393	0	49,393
Interest	0	376	376
Miscellaneous revenues	1,043	0	1,043
Total revenues	155,948	376	156,324
Expenditures:			
Irrigation:			
Current:			
Personal services and employee benefits	60,876	0	60,876
Payroll taxes	5,097	0	5,097
Office expense	3,435	0	3,435
Contractual services	2,701	0	2,701
Utilities	5,048	0	5,048
Repairs and maintenance	69,768	0	69,768
Election	433	0	433
Training	-	0	0
Travel	3,070	0	3,070
Supplies	72	0	72
Meeting expense	780	0	780
Debt service -	-		
Principal	3,700	0	3,700
Total expenditures	154,980	0	154,980
Net change in fund balances	967	376	1,343
Fund balances, beginning of year	52,931	17,949	70,880
Fund balances, end of year	\$ 53,898	\$ 18,325	\$ 72,223

The accompanying notes are an intergral part of the financial statements.

**STATE OF NEW MEXICO
 POJOAQUE VALLEY IRRIGATION DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes In Fund Balance of Governmental Funds
 to the Statement of Activities
 June 30, 2009**

Net changes in fund balance - Governmental Funds (Exhibit E) \$ 1,343

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

Capital outlays are reported as expenditures in governmental funds. However in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense

In the current period, these amounts are:

Depreciation expense	0	
Capital outlay	0	
	0	

Excess of depreciation expense over capital outlay		0
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Some items reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in government funds.

These activities consist of:

Increase in compensated absences		(1,928)
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Repayment of long-term debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of activities

Debt service - principal payments		3,700
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Change in net assets in governmental activities (Exhibit B)		\$ 3,115
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The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
POJOAQUE VALLEY IRRIGATION DISTRICT
Statement of Revenues, Expenditures
Budget Basis and Actual
For the Year Ended June 30, 2009

Exhibit G

	General Fund			
	Original Approved Budget	Original Approved Budget	Actual Budgetary Basis	Variance Favorable (Unfavoarable)
Revenues:				
Charges for services - assessments	\$ 111,733	\$ 111,733	\$ 111,512	\$ (221)
Grant proceeds	\$ 0	\$ -	\$ 49,393	49,393
Interest	0	0	0	0
Miscellaneous revenues	0	0	1,043	1,043
Total revenues	<u>111,733</u>	<u>111,733</u>	<u>\$ 161,948</u>	<u>\$ 50,215</u>
Cash balance from prior-period	<u>9,675</u>	<u>9,675</u>		
Total budgetd revenues	<u>\$ 121,408</u>	<u>\$ 121,408</u>		
Expenditures:				
Irrigation:				
Current:				
Personal services and employee t	\$ 61,917	\$ 61,917	\$ 60,506	\$ 1,411
Payroll taxes	4,357	4,357	4,578	(221)
Office expense	4,200	4,200	3,374	826
Contractual services	3,400	3,400	2,701	699
Utilities	4,200	4,200	4,874	(674)
Repairs and maintenance	31,878	31,878	69,768	(37,890)
Election	400	400	433	(33)
Travel	3,600	3,600	2,815	785
Supplies	850	850	72	778
Training	700	700	0	700
Meeting expense	1,200	1,200	780	420
Debt service -			0	
Principal	<u>3,700</u>	<u>3,700</u>	<u>3,700</u>	<u>0</u>
Total expenditures	<u>\$ 120,402</u>	<u>\$ 120,402</u>	<u>\$ 153,601</u>	<u>\$ (33,199)</u>

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

STATE OF NEW MEXICO
Pojoaque Valley Irrigation District
Notes to Financial Statements
June 30, 2009

1. Function of the Entity

The Pojoaque Valley Irrigation District was organized pursuant to Sections 73-10-1 through 7-10-47 NMSA 1978 Compilation. The District is a governmental subdivision of the State of New Mexico and a body with all the powers of a public or quasi-municipal corporation. The District was formed to provide for the irrigation of lands within the area of the District in cooperation with the United States under the Federal Reclamation Laws. The District entered into an agreement with the United States Bureau of Reclamation for the purpose of the construction of irrigation works to maintain the irrigability of lands within the District's boundary. An elected Board of Directors governs the operations of the District.

2. Summary of Significant Accounting Policies

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. Both GASB and FASB pronouncements are applied to the government-wide financial statements.

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

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

The District implemented the provisions of GASB Statement No. 34, 37 and 38 effective July 1, 2001. As part of these Statements, there is a new reporting requirement regarding the government's infrastructure (roads, bridges, etc.) The District does not own any infrastructure assets and therefore is unaffected by this requirement, in addition, the District does not have any fiduciary funds. The more significant District accounting policies are described below:

A. Reporting Entity

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

STATE OF NEW MEXICO
Pojoaque Valley Irrigation District
Notes to Financial Statements
June 30, 2009

2. Summary of Significant Accounting Policies (Cont'd)

B. Basic Financial Statements -Government-wide Statements

The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. The government-wide financial statements, the statement of net assets and the statement of activities, report information on all of the non-fiduciary activities. The District has no fiduciary activities. The reporting model focus is on either the District as a whole, or major individual funds (within the fund financial statements). The District is a single-program government that engages in only governmental activities and has no component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental activities. In the government-wide Statement of Net Assets, the governmental activities are presented on the full accrual basis, economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts invested in capital assets, restricted net assets and unrestricted net assets.

The government-wide Statement of Activities reports the gross and net cost of the District's function. The function is also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. The District includes only one function (irrigation).

The net costs (by function) are normally covered by program revenue (charges for services-special assessments and operating grants).

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

C. Basic Financial Statements -Fund Financial Statements

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

The funds of the District are described below:

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

Special Revenue Funds-Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Reserve Fund was created pursuant to agreement with the United States Bureau of Reclamation and is used to account for expenditures to meet major unforeseen extraordinary costs of operation and maintenance, repairs, betterment and replacement of unit works during periods of special stress such as may be

STATE OF NEW MEXICO
Pojoaque Valley Irrigation District
Notes to Financial Statements
June 30, 2009

2. Summary of Significant Accounting Policies (Cont'd)

C. Basic Financial Statements -Fund Financial Statements

caused by drought, hurricane, storms, or like emergencies. Should the reserve balance fall below \$16,000, the District will be required to make annual deposits to the fund until the balance is restored to \$16,000.

The governmental fund statements are presented on a current financial resources and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the District's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the government-wide presentation GASB Statement No. 34 eliminated the presentation of account groups, but provides for these records to be maintained and incorporates the information into the government-wide Statement of Net Assets.

D. Basis of Accounting

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

Accrual

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

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

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates

STATE OF NEW MEXICO
Pojoaque Valley Irrigation District
Notes to Financial Statements
June 30, 2009

2. Summary of Significant Accounting Policies (Cont'd)

F. Encumbrances

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

G. Financial Statement Amounts

1. Cash on Deposit at Bank

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

2. Assessments Receivable

Assessments receivable consists of revenue earned from assessments for water rights. The District has the option of collecting delinquent assessments by filing a lien against properties with delinquent accounts or filing a civil action against the delinquent property owners. Management has estimated that collection of \$15,400 of receivables is doubtful and has recorded an allowance for doubtful accounts in that amount.

3. Capital Assets

Capital assets of the District include data processing equipment, furniture and fixtures, and equipment. The District does not have any infrastructure. Capital assets are defined in Section 12-6-10 NMSA 1978. Section 12-6-10 NMSA 1978, was amended effective June 19, 2005, changing the capitalization threshold of movable chattels and equipment from items costing more than \$1,000 to Items costing more than \$5,000. The District has adopted this change in an accounting estimate, per Accounting Principles Board (APB) 20. Old inventory Items that do not meet the new capitalization threshold will remain on the inventory list and continue to be depreciated. Any items received after July 1, 2005, will be added to the Inventory only if they meet the new capitalization policy. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Computer software which is purchased with computer equipment is included as part of the capitalized computer equipment in accordance with 2.20.1.9 C (5) NMAC. The District does not develop computer software. The cost of maintenance and repairs that do not add to the asset value or materially extend assets lives are not capitalized. The District does not undertake major capital projects involving interest costs during the construction phase. There is no debt related to the capital assets. Capital assets of the District are depreciated using zero salvage value and the straight-line method over the following estimated useful lives:

STATE OF NEW MEXICO
Pojoaque Valley Irrigation District
Notes to Financial Statements
June 30, 2009

2. Summary of Significant Accounting Policies (Cont'd)

G. Financial Statement Amounts

3. Capital Assets (Cont'd)

<u>Assets</u>	<u>Years</u>
Machinery and equipment	5
Information Technology equipment	5
Furniture and fixtures	7

The District utilizes facilities and buildings that are owned by the United States Bureau of Reclamation. These assets and the related expense are not included in the accompanying financial statements. GASB 34 requires the recording and depreciation of infrastructure assets, such as roads, bridges, etc. The District does not own any infrastructure assets.

4. Deferred Revenues

Deferred revenues represent a liability for the Governmental Funds. Deferred revenues are used to account for amounts identified as assessments receivable that have not been received within 60 days of the end of the fiscal year and are accounted for on the modified accrual basis of accounting in the fund financial statements.

5. Compensated Absences

Permanent employees are granted annual leave according to a preset schedule. Sick leave also accrues to permanent employees according to a preset schedule. Employees are entitled to a preset maximum of accrued vacation leave and a percentage of sick leave upon termination. At June 30, 2009, the liability for unpaid annual and sick leave was \$13,916.

6. Due to U. S. Bureau of Reclamation

The District entered into a contract, number 14-06-500-1986, with the U. S. Bureau of Reclamation on October 30, 1972, to construct, operate and maintain the Nambe Dam and Reservoir. The Dam was constructed at a total cost of \$3,442,600 and was completed in 1974. The District has no ownership rights in the dam.

The cost of construction was allocated among various entities. The District's share of the cost of construction is specified in the agreement as \$285,000. Of this amount, \$100,000 is allocated to Indian land and is deferred and not currently payable. The balance of \$185,000 is payable in 50 equal installments of \$3,700. No interest accrues on the balance due to the U.S. Bureau of Reclamation. The balance at June 30, 2009 was \$85,100.

STATE OF NEW MEXICO
Pojoaque Valley Irrigation District
Notes to Financial Statements
June 30, 2009

2. Summary of Significant Accounting Policies (Cont'd)

G. Financial Statement Amounts (Cont'd)

7. Equity Classifications

Government-wide Statements

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

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with the unreserved further split between designated and undesignated. Reservations of fund balance are created to either satisfy legal covenants, that require that a portion of the fund balance be segregated, or identify the portion of the fund balance that is not appropriated for future expenditure. Reserve for reserve fund represents amounts that may only be expended in accordance with the agreement with the U. S. Bureau of Reclamation.

8. Revenues and Expenditures

The District currently assesses property owners at the rate of \$33.85 per acre for operation and maintenance and \$2.03 per acre for debt service. The assessment is levied during the first month of each fiscal year. Substantially all governmental fund revenues are accrued. Assessments are included as program revenues in the accompanying financial statements.

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

3. Stewardship, Compliance and Accountability

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

STATE OF NEW MEXICO
Pojoaque Valley Irrigation District
Notes to Financial Statements
June 30, 2009

3. Stewardship, Compliance and Accountability(Cont'd)

A. Budgets and Budgetary Accounting

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

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

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

A budget was not adopted for the Reserve Special Revenue Fund since there were no anticipated expenditures for the fiscal year.

B. Long-term Debt

Contract number 14-06-500-1986 with the U. S. Bureau of Reclamation requires the maintenance of a reserve fund in the amount of \$16,000. Whenever the reserve fund is reduced below \$16,000, it shall be restored by the accumulation of annual deposits of \$2,000, commencing with the next year following that in which the fund is reduced below \$16,000. The funds current balance is \$18,213.

4. Detail Notes on Accounts and Transaction Classes

A. Cash

Cash on deposit and certificates of deposit with local banks are reported at cost, which reasonably estimates fair value. At year-end, the carrying amount of cash on deposit in local banks was \$14,472 and the carrying amount of certificates of deposit in local banks was \$18,213 for a total of \$32,685.

At year-end, and throughout the year, all deposits were fully covered by federal depository insurance.

STATE OF NEW MEXICO
Pojoaque Valley Irrigation District
Notes to Financial Statements
June 30, 2009

4. Detail Notes on Accounts and Transaction Classes (Cont'd)

A. Cash (Cont'd)

<u>Credit Risk</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Fully insured (FDIC)	\$ 32,685	\$ 33,136
	<u>Account Type</u>	<u>Amount</u>
First Community Bank		
Financial Statement Balance	Checking	\$ 14,472
Reconciling items		<u>450</u>
Total deposits per bank		14,922
Less: Deposits covered by FDIC		<u>(14,922)</u>
Total		<u>\$ (0)</u>
First National Bank of Sanata Fe		
Financial Statement Balance	CD	\$ 18,213
Reconciling items		<u>0</u>
Total deposits per bank		18,213
Less: Deposits covered by FDIC		<u>(18,213)</u>
Total		<u>\$ 0</u>

B. Capital Assets

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

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
Furniture and equipment	\$ 21,971	\$ 0	\$ 0	\$ 21,971
Less: Acumulated depreciation	<u>(21,971)</u>	<u>0</u>	<u>0</u>	<u>(21,971)</u>
	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**STATE OF NEW MEXICO
Pojoaque Valley Irrigation District
Notes to Financial Statements
June 30, 2009**

4. Detail Notes on Accounts and Transaction Classes (Cont'd)

C. Long-term Liabilities

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Amounts Due</u> <u>in One Year</u>
Due to U.S. Bureau of Reclamation	\$ 88,800	\$ 0	\$ (3,700)	\$ 85,100	\$ 3,700
Compensation absences payable	<u>11,988</u>	<u>4,346</u>	<u>(2,415)</u>	<u>13,919</u>	<u>5,703</u>
	<u>\$ 100,788</u>	<u>\$ 4,346</u>	<u>\$ (6,115)</u>	<u>\$ 99,019</u>	<u>\$ 9,403</u>

Long-term requirements to maturity are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2010	\$ 3,700
2011-2015	18,500
2016-2020	18,500
2021-2025	18,500
2026-2030	18,500
2031-2033	<u>7,400</u>
Due to U.S. Bureau of Reclamation	<u>\$ 85,100</u>

The general fund has been used to liquidate long-term liabilities as they mature.

5. PERA Pension Plan

Plan Description -Substantially all of the 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. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

Funding Policy -Plan members are required to contribute 7.42 percent of their gross salary. The District is required to contribute 16.59 percent of the gross covered salary. The contribution requirements of plan members and the District are established under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District's employer contributions to PERA for the years ending June 30, 2009, 2008 and 2007 were \$4,610, \$4,214, and \$3,854, respectively, equal to the amount of the required contributions for each year.

Garcia and Associates, CPA, LLC
Certified Public Accountant and Business Consultants

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Partner

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**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. J. David Ortiz, Chairman
Members of the Board of Directors
Pojoaque Valley Irrigation District
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, each major fund and the budgetary comparison for the general fund of the State of New Mexico, Pojoaque Valley Irrigation District, (District) as of and for the year ended June 30, 2009, and have issued our report thereon dated November 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financing reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that

adversely affects the department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses (Findings 2005-1, 2009-1) to be a significant deficiencies in internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of New Mexico, Pojoaque Valley Irrigation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

This report is intended solely for the information and use of the District's management, others within the District, the State Auditor, the New Mexico Department of Finance and Administration, the New Mexico Legislature, applicable federal grantors and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Garcia and Associates, CPA, LLC
Los Lunas, New Mexico
November 24, 2009

**STATE OF NEW MEXICO
POJOAQUE VALLEY IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2009**

I. PRIOR-YEAR AUDIT FINDINGS

a.	<u>Repeated in current-year</u>	<u>Prior Year Finding No.</u>
	Surety Bond	2005-1

II. CURRENT-YEAR FINDINGS PERTAINING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED

2005-1 Surety Bond (Repeated)

Condition

The District does not have bonding for board members.

Criteria

New Mexico Statutes (Section 73-10-10, NMSA 1978) requires a bond on each member of the Board of Directors in the amount of \$3,000.

Cause

The District has not been able to find an insurance carrier that can meet the bonding needs within a reasonable fee.

Effect

The District is not in compliance with State Statute and there is an increased risk of loss for Board Members.

Recommendation

The District may be able to find affordable coverage by consulting with other similar entities. Alternatively, the District should consider increasing assessments to cover the increased cost. The District should purchase the necessary bond in order to comply with state statute and to prevent future audit findings relating to bonding of board members.

Entity Response

The District has attempted to obtain affordable coverage, but has been unable to do so. The District will continue searching for coverage.

**STATE OF NEW MEXICO
POJOAQUE VALLEY IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2009**

2009-01 Budgeted Expenditures Exceeded

Condition:

The District exceeded its budget by \$33,199.

Criteria:

The budget provisions as stated in 6-6-6 NMSA 1978 require that expenditures at the fund level cannot exceed budget expenditures.

Cause:

The District did not review and amend the budget as necessary at year end.

Effect:

Noncompliance with New Mexico budgeting statues.

Recommendation:

The District should adopt budgets and monitor and amend those budgets in accordance with New Mexico State Statues.

Management's Response:

The District will review and make year- end budget adjustments in order to be in compliance.

**STATE OF NEW MEXICO
POJOAQUE VALLEY IRRIGATION DISTRICT
June 30, 2009**

Financial Statement Preparation

The financial statements were prepared by the independent certified public accountant performing the audit with the assistance of the District Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are current and in balance. Management has reviewed and approved the financial statements.

Exit Conference

An exit conference was held on November 24, 2009 to discuss the audit. The following Individuals were in attendance:

State of New Mexico -Pojoaque Valley Irrigation District

David Ortiz, Board Chairman
Horace Roybal, Secretary-Treasurer
Patsy Sandoval, Office Manager

Audit Firm (Garcia and Associates, CPA, LLC)

Raymond J. Garcia, CPA