

**State of New Mexico  
Fort Sumner Irrigation District**

**Report of Independent  
Accountants  
on the Application of Agreed-Upon  
Procedures**

**For the Fiscal Year Ended  
June 30, 2017**



**STATE OF NEW MEXICO  
FORT SUMNER IRRIGATION DISTRICT**

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**STATE OF NEW MEXICO  
FORT SUMNER IRRIGATION DISTRICT**

**Official Roster**

**As of June 30, 2017**

**Board of Directors**

<b>Name</b>	<b>Title</b>
Clifford Kenyon	President
Clifford Gunn	Director
Terry Rhodes	Director
Larry Don Tibbs	Director
Thomas J. Walraven	Director

**Administrative Staff**

<b>Name</b>	<b>Title</b>
Carole "Cammy" Mansell	Secretary
Wade Holdeman	Water Manager

**REPORT OF INDEPENDENT ACCOUNTANTS ON THE  
APPLICATION OF AGREED-UPON PROCEDURES**

To the Board of Directors  
Fort Sumner Irrigation District  
Fort Sumner, New Mexico  
and  
Mr. Wayne Johnson  
New Mexico State Auditor  
Santa Fe, New Mexico

We have performed the procedures enumerated below, which were agreed to by Fort Sumner Irrigation District (the "District") and New Mexico State Auditor (the specified parties), solely to assist the users in evaluating the District's financial reporting to the State Auditor relating to its Cash, Capital Assets, Debt, Revenue, Expenditures, Journal Entries, Budget and Capital Outlay Appropriations information and its compliance with Section 12-6-3B (6) NMSA 1978 and Section 2.2.2.16 NMAC as of and for the year ended June 30, 2017. The District is responsible for its financial reporting to the State Auditor as described above. The sufficiency of these procedures is solely the responsibility of those specified parties. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

In accordance with Tier 6 of the Audit Act – Section 12-6-3(B)(6) NMSA 1978 and Section 2.2.2.16 NMAC, we performed the following procedures:

- 1. Verify the local public body's revenue calculation and tier determination documented on the form provided at [www.osanm.org](http://www.osanm.org) under "Tiered System Reporting Main Page."**

**Results of Procedure 1**

We verified the District's revenue calculation for 2017 and resulting tier 6 determination documented on the form provided at [www.osanm.org](http://www.osanm.org). As a result of performing procedure 1, we agreed that the District's revenue did fall into the tier 6 determination, although the revenue verified by Axiom compared to that documented on the form by the District was slightly different as the District's revenue calculation was performed prior to year-end and was an estimate. This did not have an effect on the tier determination for the District, as such, no instances of noncompliance were noted as a result of performing procedure 1.

**2. Cash**

- a.) Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand. For purposes of performing our procedures "timely" means completion of the bank reconciliations within one month after the last day of the reporting month and "complete" means that statements for bank and investment accounts are all accounted for by the District.
- b.) Determine whether the local public body's financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

### Results of Procedures 2(a) – 2(c)

A list from management of all bank and investment accounts, and the corresponding statements for the fiscal year ended June 30, 2017 as described below:

<u>Account No.</u>	<u>Description</u>	<u>GL Balance</u>
292236606	The Citizens Bank of Clovis	\$ 300,913

The bank reconciliations for September 2016, December 2016, April 2017, and June 2017 were compared to supporting documentations such as bank statements and general ledger, noting outstanding checks of \$8,085 as of June 30, 2017. We were able to re-perform the reconciliation without exception.

Inquiries of management were made and supporting documentation was reviewed to determine whether the District's financial institution provided it with 50% of pledged collateral on uninsured deposit balances. The District bank deposits are fully covered by FDIC insurance limit of \$250,000 and pledged collateral.

### 3. Capital Assets

Verify that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978.

#### Results of Procedure 3

We verified that the local public body is performing a yearly inventory as required by Section 12-6-10 NMSA 1978. No instances of noncompliance were noted as a result of performing procedure 3.

### 4. Debt

If the local public body has any debt, verify that the required payments were made during the year. If the debt agreement requires reserves, verify that the local public body is in compliance with those requirements.

#### Results of Procedures 4

We ensured that the District made the required payments in the current fiscal year. We also reviewed the debt agreement and verified that the District did not have reserve requirement for the debt. No instances of noncompliance were noted as a result of performing the procedures described in 4(a) and 4(b).

### 5. Revenues

Identify the nature and amount of revenue from sources by reviewing the budget, agreements, rate schedules, and underlying documentation.

- a) Perform an analytical review; test actual revenue compared to budgeted revenue for the year for each type of revenue. For purposes of performing our analytical procedures, we inquired of District management for explanations of all variances of budget to actual of more than 10% for each revenue type.

Select a sample of revenues equal to at least 30% of the total dollar amount and test the following attributes:

- b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement.
- c) Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

### **Results of Procedures 5(a) – 5(c)**

As a result of performing the analytical review procedures in 5(a), we noted variances between budget and actual of more than 10%. We obtained explanations for the variances and the explanations appeared reasonable.

The procedures 5(b) – 5(c) were performed revenue transactions in order to gain coverage of at least 30% of revenue. No instances of noncompliance were noted as a result of performing the procedures described in 5(b) – 5(c).

### **6. Expenditures**

Select a sample of cash disbursements equal to at least 30% of the total dollar amount and test the following attributes:

- a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and cancelled check, as appropriate.
- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures. Disbursements will be considered authorized and approved in compliance with the budget, legal requirements and established policies and procedures if there is evidence of review such as sign off on invoices or approval through correspondence.
- c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

### **Results of Procedures 6(a) – 6(c)**

The procedures described in 6(a) – 6(c) above were performed on 30% of total cash disbursements. It was noted that the District does not have procedures in place for approving expenditures. See finding 2006-001 as documented in the Schedule of Findings and Responses. The District did not enter into any new contract or awards during this fiscal year that exceeded \$60,000.

### **7. Journal Entries**

Test all non-routine journal entries, adjustments, and reclassifications, are posted to the general ledger for the following attributes:

- a) Journal entries appear reasonable and have supporting documentation. A journal entry is considered reasonable if: Explanation is consistent with the nature of the adjustment, and the general ledger accounts affected, ii. Supporting documentation (invoices, contracts, correspondences, calculations, etc.) agrees with the journal entry details.
- b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

### **Results of Procedures 7(a) – 7(b)**

The procedures described in 7(a) and 7(b) were performed on all adjusting journal entries. Noncompliance was noted as the District does not have a procedure in place where journal entries are reviewed. See finding 2006-001 included in the Schedule of Findings and Responses.

## 8. Budget

Obtain the original fiscal year budget and all budget amendments made throughout the fiscal year and perform the following:

- a) Verify, through a review of the minutes and correspondence, that the original budget and subsequent budget adjustments were approved by the local public body's governing body and DFA-LGD.
- b) Determine if the total actual expenditures exceeded the final budget at the legal level of budgetary control; if so, report a compliance finding.
- c) From the original and approved budgets and general ledger, prepare a Budget to Actual Schedule (cash basis) used by the local public body (cash, accrual, or modified accrual basis) for each individual fund.

### Results of Procedures 8(a) – 8(c)

We reviewed budget and noted that it was approved by the Board and by DFA-LGP. We compared budget to actual expenditures and did not note any instances of noncompliance.

## 9. Capital Outlay Appropriations

The scope of the agreed-upon procedures engagement shall encompass any and all state-funded capital outlay appropriations of the New Mexico Legislature that meet Tier 6 criteria. Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the fiscal year that meet Tier 6 criteria. Perform the following tests on all state-funded capital outlay expenditures:

- a) Determine that the amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the purchase order, contract, vendor's invoice and canceled check, as appropriate.
- b) Determine that the cash disbursements were properly authorized and approved in accordance with the budget, legal requirements and established policies and procedures.
- c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code and State Purchasing Regulations (Section 13-1-28 through 13-1-199 NMSA 1978 and 1.4.1 NMAC).
- d) Determine the physical existence (by observation) of the capital asset based on expenditures to date.
- e) Verify that status reports were submitted to the state agency per terms of agreement and amounts in the status report agree with the general ledger and other supporting documentation.
- f) If the project was funded in advance, determine if the award balance (and cash balance) appropriately reflects the percentage of completion based on the project schedule and expenditures to date.
- g) If the project is complete, determine if there is an unexpended balance and whether it was reverted per statute and agreement with the grantor.
- h) Determine whether cash received for the award was accounted for in a separate fund or separate bank account that is non-interest bearing if so required by the capital outlay award agreement.
- i) Determine whether reimbursement requests were properly supported by costs incurred by the recipient.

**Results of Procedures 9(a) – 9(i)**

The District did not expend any capital outlay appropriations for the year ended June 30, 2017. Hence, procedures for Capital Outlay Appropriations are not applicable.

**Other**

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10(I)(3)(C) NMAC.

**Results of Procedures - Other**

See Schedule of Findings and Responses.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



Albuquerque, New Mexico  
December 5, 2017



**STATE OF NEW MEXICO  
FORT SUMNER IRRIGATION DISTRICT  
MAINTENANCE FUND  
STATEMENT OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Water tolls	\$ 148,971	148,971	145,915	(3,056)
Equipment and other charges	8,500	8,500	4,600	(3,900)
State operating grants	25,000	25,000	17,131	(7,869)
Federal operating grants	130,000	130,000	122,098	(7,902.00)
Miscellaneous	10,000	10,000	3,765	
Total operating revenues	<u>312,471</u>	<u>322,471</u>	<u>293,509</u>	<u>(22,727)</u>
Operating expenses:				
Ditches labor	236,910	236,910	258,693	(21,783)
Payroll tax expense	21,000	21,000	21,699	(699)
Secretary's salary	26,250	26,250	27,664	(1,414)
Ditches supplies and maintenance	55,000	55,000	37,694	17,306
Equipment supplies and maintenance	65,000	65,000	53,139	11,861
Insurance expense	57,400	57,400	55,526	1,874
Legal and accounting	18,000	18,000	16,160	1,840
Equipment purchases and capital expenditures	15,000	15,000	15,345	(345)
Grant Activity	18,000	18,000	-	18,000
Unemployment Benefits	10,000	10,000	9,200	800
Rent	2,400	2,400	2,200	200
Utilities	12,000	12,000	14,692	(2,692)
Other operating expense	4,298	4,298	3,183	1,115
Total operating expenses	<u>541,258</u>	<u>541,258</u>	<u>515,195</u>	<u>26,063</u>
Operating revenues (under) over expenses	<u>(228,787)</u>	<u>(218,787)</u>	<u>(221,686)</u>	<u>3,336</u>
Non-operating revenues:				
Property taxes	189,256	189,256	192,134	2,878
Interest from delinquent taxes	1,200	1,200	1,372	172
Interest from investments	2,500	2,500	868	(1,632)
Sale of assets and other non-operating revenue	5,000	5,000	-	(5,000)
Total non-operating revenues	<u>197,956</u>	<u>197,956</u>	<u>194,374</u>	<u>(3,582)</u>
Operating revenues and non-operating revenues over (under) operating expenses and non-operating expenses	<u>(30,831)</u>	<u>(20,831)</u>	<u>(27,312)</u>	<u>(246)</u>
<b>Net Change in Fund Balances</b>	<u>\$ (30,831)</u>	<u>(20,831)</u>	<u>(27,312)</u>	<u>(246)</u>
<b>Reconciliation to GAAP Basis:</b>				
Adjustments to Revenues			-	
Adjustments to Expenditures			(53,765)	
<b>NET CHANGE IN FUND BALANCE</b>			<u>\$ (81,077)</u>	

**STATE OF NEW MEXICO  
FORT SUMNER IRRIGATION DISTRICT  
SINKING FUND  
STATEMENT OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Budgeted Amount</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Operating revenues:				
Miscellaneous	\$ -	-	-	-
Total operating revenues	-	-	-	-
Operating expenses:				
Operating expenses	55,115	55,115	565	54,550
Total operating expenses	55,115	55,115	565	54,550
Operating revenues under expenses	(55,115)	(55,115)	(565)	54,550
Non-operating revenues (expenses):				
Property taxes	55,109	55,109	56,069	960
Interest from delinquent taxes	250	250	433	183
Total non-operating revenues (expenses)	55,359	55,359	56,502	1,143
Operating revenues and non-operating revenues over (under) operating expenses and non-operating expenses	244	244	55,937	55,693
<b>Net Change in Fund Balances</b>	<b>\$ 244</b>	<b>244</b>	<b>55,937</b>	<b>55,693</b>
<b>Reconciliation to GAAP Basis:</b>				
Adjustments to Revenues			\$ -	
Adjustments to Expenditures			-	
<b>NET CHANGE IN FUND BALANCE</b>			<b>\$ 55,937</b>	

**STATE OF NEW MEXICO  
FORT SUMNER IRRIGATION DISTRICT  
WATERMASTER FUND  
STATEMENT OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL (NON-GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Budgeted Amount</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Operating revenues:				
Miscellaneous	\$ -	-	-	-
Total operating revenues	-	-	-	-
Operating expenses:				
Operating expenses	32,499	32,499	21,804	10,695
Total operating expenses	32,499	32,499	21,804	10,695
Operating revenues under expenses	(32,499)	(32,499)	(21,804)	10,695
Non-operating revenues:				
Property taxes	32,499	32,499	33,747	1,248
Total non-operating revenues	32,499	32,499	33,747	1,248
Operating revenues and non-operating revenues over (under) operating expenses and non-operating expenses	-	-	11,943	11,943
<b>Net Change in Fund Balances</b>	<b>\$ -</b>	<b>-</b>	<b>11,943</b>	<b>11,943</b>
<b>Reconciliation to GAAP Basis:</b>				
Adjustments to Revenues			\$ -	
Adjustments to Expenditures			-	
<b>NET CHANGE IN FUND BALANCE</b>			<b>\$ 11,943</b>	

**STATE OF NEW MEXICO  
 FORT SUMNER IRRIGATION DISTRICT  
 SCHEDULE OF FINDINGS AND RESPONSES  
 JUNE 30, 2017**

	<u>Status</u>	<u>Current Year Finding Number</u>
<b>Current Year Findings:</b>		
No new findings		
<b>Follow-up on Prior Year Findings:</b>		
Segregation of Accounting Duties	Repeated	2006-001
Travel and Per Diem	Resolved	2016-001
Budgetary Compliance (Other Matters)	Resolved	2016-002

**STATE OF NEW MEXICO  
FORT SUMNER IRRIGATION DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2017**

2006-001 – Segregation of Accounting Duties

**Condition:**

The District has only one office employee. Therefore, this employee is involved in all aspects of the financial transactions of the District; collecting and depositing money; reconciling bank accounts; recording transactions; ordering and receiving goods; preparing payment vouchers and distributing checks to vendors; preparing payroll time and leave records and distributing payroll checks; reporting and reviewing financial information, including journal entries.

The District has not made progress in correcting this issue during the current year, as funding is not available to employ more office employees and segregate accounting duties. The District Directors have continued to review all fiscal records to help mitigate risk.

**Criteria:**

Internal control is best achieved when there is a segregation of accounting duties between personnel that receive, record and report financial transactions.

**Effect:**

Because of the lack of segregation of accounting duties, transactions and reporting could be circumvented and errors or irregularities may occur and go undetected.

**Cause:**

With only one office employee, a segregation of duties is not possible and the directors cannot oversee every actions of the employee.

**Recommendation:**

We recommend the directors continue to review the fiscal records and reconciliations on a routine basis; continue to sign and review all checks; review customer billing, collection and past due accounts; and review grant activity. The District could consider the use of an independent service for the monthly reconciliations, posting of the accounting records and customer billing and receivables.

**Management's Response:**

The District Directors understand the risk of having only one office employee, therefore, the Board will continue to review the fiscal records on a routine basis, including the approval of budgets, the review and signing of all checks, review of bank reconciliations, and will consider the use of an independent service for the monthly posting of the accounting records and customer billing and receivables.

**STATE OF NEW MEXICO  
FORT SUMNER IRRIGATION DISTRICT  
EXIT CONFERENCE  
JUNE 30, 2017**

**Exit Conference**

An exit conference was held on December 5, 2017. Attending were the following:

**In attendance for the District:**

Clifford Gunn, Director  
Carole "Cammy" Mansell, Secretary

**In attendance for Axiom**

Jaime Rumbaoa, Partner

**Financial Statement Presentation**

The financial statements were prepared with the assistance of Axiom Certified Public Accountants and Business Advisors LLC but remain the responsibility of management at Fort Sumner Irrigation District.

**State of New Mexico  
Fort Sumner Irrigation District**

**Compilation Report**

**June 30, 2017**



**STATE OF NEW MEXICO  
FORT SUMNER IRRIGATION DISTRICT**

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**COMPILATION REPORT OF INDEPENDENT ACCOUNTANTS**

To the Board of Directors  
Fort Sumner Irrigation District  
Fort Sumner, New Mexico  
and  
Mr. Wayne Johnson  
New Mexico State Auditor  
Santa Fe, New Mexico

Management is responsible for the accompanying financial statements of the business-type activities of Fort Sumner Irrigation District (the "District") as of and for the year ended June 30, 2017, and related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit the related disclosures that are required by accounting principles generally accepted in the United States. If the omitted statements and disclosures were included in the financial statements, they might influence the user's conclusions about the District's financial position and results of operations. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Management has also omitted management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

*Axiom*

Albuquerque, New Mexico  
December 5, 2017

**STATE OF NEW MEXICO  
FORT SUMNER IRRIGATION DISTRICT  
SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES  
REQUIRED BY ACCOUNTING PRINCIPLES GENERALLY ACCEPTED  
IN THE UNITED STATES OF AMERICA ARE NOT INCLUDED  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

	<u>Maintenance</u>	<u>Sinking</u>	<u>Watermaster</u>	<u>Totals</u>
<b><u>ASSETS</u></b>				
Current Assets, Unrestricted:				
Cash and cash equivalents	\$ 180,912	-	-	180,912
Customer accounts receivable, net	5,900	-	-	5,900
Taxes receivable	606	-	-	606
Other receiveables	761	-	-	761
Prepaid insurance	2,907	-	-	2,907
Total current unrestricted assets	<u>191,086</u>	<u>-</u>	<u>-</u>	<u>191,086</u>
Current Assets, Restricted:				
Cash and cash equivalents	-	89,023	60,978	150,001
Taxes receivable	-	184	135	319
Total current restricted assets	<u>-</u>	<u>89,207</u>	<u>61,113</u>	<u>150,320</u>
Capital assets not being depreciated:				
Land	500	-	-	500
Right of ways	4,871	-	-	4,871
Capital assets being depreciated:				
Building	15,742	-	-	15,742
Irrigation system	2,994,917	-	-	2,994,917
Machinery and equipment	462,478	-	-	462,478
Total Capital Assets	<u>3,478,508</u>	<u>-</u>	<u>-</u>	<u>3,478,508</u>
Less accumulated depreciation	<u>(3,183,906)</u>	<u>-</u>	<u>-</u>	<u>(3,183,906)</u>
Net capital assets	<u>294,602</u>	<u>-</u>	<u>-</u>	<u>294,602</u>
Total assets	<u>\$ 485,688</u>	<u>89,207</u>	<u>61,113</u>	<u>636,008</u>

SEE COMPILATION REPORT OF INDEPENDENT ACCOUNTANTS

**STATE OF NEW MEXICO  
FORT SUMNER IRRIGATION DISTRICT  
SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES  
REQUIRED BY ACCOUNTING PRINCIPLES GENERALLY ACCEPTED  
IN THE UNITED STATES OF AMERICA ARE NOT INCLUDED  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

	<u>Maintenance</u>	<u>Sinking</u>	<u>Watermaster</u>	<u>Totals</u>
<b><u>LIABILITIES</u></b>				
Current liabilities, payable from unrestricted assets:				
Accounts payable	\$ 17,865	-	-	17,865
Accrued salaries, wages and related payables	11,629	-	-	11,629
Accrued compensated absences	5,811	-	-	5,811
Total current liabilities payable from unrestricted assets	<u>35,305</u>	<u>-</u>	<u>-</u>	<u>35,305</u>
Current liabilities, payable from restricted assets:				
Accounts payable	-	-	10,260	10,260
Current portion Bureau of Reclamation long-term debt	-	54,534	-	54,534
Total current liabilities	<u>35,305</u>	<u>54,534</u>	<u>10,260</u>	<u>100,099</u>
Noncurrent liabilities payable from restricted assets:				
Long-term portion of Bureau of Reclamation debt	-	325,029	-	325,029
Total long-term liabilities payable from restricted assets	<u>-</u>	<u>325,029</u>	<u>-</u>	<u>325,029</u>
Total liabilities	<u>35,305</u>	<u>379,563</u>	<u>10,260</u>	<u>425,128</u>
<b><u>NET POSITION (DEFICIT)</u></b>				
Net Investment in capital assets	294,602	(379,563)	-	(84,961)
Restricted for:				
Debt Service	-	89,207	-	89,207
Unrestricted	155,781	-	50,853	206,634
Total net position (deficit)	<u>450,383</u>	<u>(290,356)</u>	<u>50,853</u>	<u>210,880</u>
Total liabilities and net position	<u>\$ 485,688</u>	<u>89,207</u>	<u>61,113</u>	<u>636,008</u>

SEE COMPILATION REPORT OF INDEPENDENT ACCOUNTANTS

**STATE OF NEW MEXICO  
FORT SUMNER IRRIGATION DISTRICT  
SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES  
REQUIRED BY ACCOUNTING PRINCIPLES GENERALLY ACCEPTED  
IN THE UNITED STATES OF AMERICA ARE NOT INCLUDED  
STATEMENT OF REVENUES AND EXPENSES AND  
CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2017**

	<u>Maintenance</u>	<u>Sinking</u>	<u>Watermaster</u>	<u>Totals</u>
<b>Operating revenues:</b>				
Charges for services:				
Water tolls	\$ 145,915	-	-	145,915
Equipment and other charges	25,496	-	-	25,496
Total charges for services	<u>171,411</u>	<u>-</u>	<u>-</u>	<u>171,411</u>
Other operating revenues:				
State operating grants	12,098	-	-	12,098
Federal operating grants	110,000	-	-	110,000
Total other operating revenues	<u>122,098</u>	<u>-</u>	<u>-</u>	<u>122,098</u>
<b>Total operating revenue</b>	<u>293,509</u>	<u>-</u>	<u>-</u>	<u>293,509</u>
<b>Operating expenses:</b>				
Ditches labor	280,392	-	-	280,392
Secretary's salary	27,664	-	-	27,664
Ditches supplies and maintenance	37,694	-	-	37,694
Equipment supplies and maintenance	53,139	-	-	53,139
Insurance expense	55,526	-	-	55,526
Legal and accounting	16,160	-	-	16,160
Water master contract	-	-	21,467	21,467
Depreciation	53,765	-	-	53,765
Other operating expense	44,620	565	337	45,522
<b>Total operating expenses</b>	<u>568,960</u>	<u>565</u>	<u>21,804</u>	<u>591,329</u>
<b>Net Operating (loss)</b>	<u>(275,451)</u>	<u>(565)</u>	<u>(21,804)</u>	<u>(297,820)</u>
<b>Non-operating revenue (expenses):</b>				
Property taxes	192,134	56,069	33,747	281,950
Interest from delinquent taxes	1,372	433	-	1,805
Interest from investments	868	-	-	868
<b>Total non-operating revenue (expenses)</b>	<u>194,374</u>	<u>56,502</u>	<u>33,747</u>	<u>284,623</u>
<b>Change in net position</b>	<u>(81,077)</u>	<u>55,937</u>	<u>11,943</u>	<u>(13,197)</u>
Total net position, beginning of year	<u>531,460</u>	<u>(346,293)</u>	<u>38,910</u>	<u>224,077</u>
<b>Total net position, end of year</b>	<u>\$ 450,383</u>	<u>(290,356)</u>	<u>50,853</u>	<u>210,880</u>

SEE COMPILATION REPORT OF INDEPENDENT ACCOUNTANTS

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STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2017**

	<u>Maintenance</u>	<u>Sinking</u>	<u>Watermaster</u>	<u>Totals</u>
Cash flows from operating activities:				
Cash received from customers and others	\$ 185,451	-	-	185,451
Cash received from operating grants	122,098	-	-	122,098
Cash paid to suppliers for goods and services	(207,065)	(565)	(21,804)	(229,434)
Cash paid to and on behalf of employees	(305,047)	-	-	(305,047)
Net cash flows used by operating activities	<u>(204,563)</u>	<u>(565)</u>	<u>(21,804)</u>	<u>(226,932)</u>
Cash flows from noncapital financing activities:				
Property tax received	192,134	56,069	33,746	281,949
Net cash flows provided by noncapital financing activities	<u>192,134</u>	<u>56,069</u>	<u>33,746</u>	<u>281,949</u>
Cash flows from capital and related financing activities:				
Purchases of property, plant, and equipment	-	-	-	-
Principal payments	-	(27,266)	-	(27,266)
Net cash flows used by capital and related financing activities	<u>-</u>	<u>(27,266)</u>	<u>-</u>	<u>(27,266)</u>
Cash flows from investing activities:				
Interest received	2,240	433	-	2,673
Net cash flows provided by investing activities	<u>2,240</u>	<u>433</u>	<u>-</u>	<u>2,673</u>
Net (decrease) increase in cash and cash equivalents	(10,189)	28,671	11,942	30,424
Cash and cash equivalents, beginning of year	191,101	60,352	49,036	300,489
Cash and cash equivalents, end of year	<u>\$ 180,912</u>	<u>89,023</u>	<u>60,978</u>	<u>330,913</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Interest from delinquent taxes				
Operating loss	\$ (275,451)	(565)	(21,804)	(297,820)
Adjustments to reconcile operating income to net cash flows from operating activities				
Depreciation	53,765	-	-	53,765
(Increase) decrease in operating assets:				
Accounts receivable	14,040	-	-	14,040
(Increase) decrease in operating liabilities:				
Accounts payable	74	-	-	74
Accrued expenses	3,009	-	-	3,009
Net cash flows used by operating activities	<u>\$ (204,563)</u>	<u>(565)</u>	<u>(21,804)</u>	<u>(226,932)</u>

SEE COMPILATION REPORT OF INDEPENDENT ACCOUNTANTS

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. PROGRAM OF THE DISTRICT**

The primary purpose of the Fort Sumner Irrigation District (the District) is to manage the effective and efficient delivery of water to farmers residing within its geographical boundaries. To accomplish this, water resources must be managed in order to help prevent flooding or scarcity. A system of canals, ditches, reservoirs and other resources have been developed in order to accomplish this purpose.

Fort Sumner Irrigation District was created on September 5, 1918 under the laws of the State of New Mexico, Chapter 60 of the New Mexico Code of 1915, as amended by Chapter 100 of the laws of New Mexico of 1915 and by Chapter 21 of the laws of New Mexico of 1919.

The Board of Directors consists of five members elected by the qualified voters for four year terms. The Board hires qualified personnel to manage the operations of the District. The Board has oversight responsibility, approves the budget, all major contracts, capital outlay, and other matters involving the District.

The financial statements and notes are the representation of the District's management who is responsible for their integrity and objectivity. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial principles. GASB periodically updates its codifications of the existing Governmental Accounting and Financial Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

**B. FINANCIAL REPORTING ENTITY**

The Fort Sumner Irrigation District's basic financial statements include the accounts of all of its operations. In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board (GASB). There were no component units of Fort Sumner Irrigation District during the fiscal year.

**C. BASIS OF PRESENTATION**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The District's funds are grouped into a single fund type (proprietary funds) and operate in three individual funds: Maintenance, Sinking and Watermaster. Fort Sumner Irrigation District does not have any governmental, internal service or fiduciary funds. The Statement of Net Position and the Statement of Activities were prepared on the economic resources measurement focus and the accrual basis of accounting.

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. BASIS OF PRESENTATION (CONTINUED)**

Major individual enterprise funds are normally reported as separate columns in the fund financial statements. However, because Fort Sumner Irrigation District had 3 major funds and did not have any non-major funds, each fund is presented in separate columns on the Statement of Revenues, Expenses and Changes in Net Position. The major funds are Maintenance, Sinking and Watermaster. The Maintenance Fund is used for the general operations and maintenance of the district. The Sinking fund is used to pay for the District's long-term debt and the Watermaster Fund is used to pay for the Watermaster.

**D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position.

Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing.

**E. REVENUE AND EXPENSE RECOGNITION**

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. The principal operating revenues of all the District's funds are charges to customers for sales and service, water tolls, and operating grants from state and federal agencies. Operating expenses include the cost of sales and service, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are treated as non-operating revenues and expenses.

Ad valorem taxes (property taxes) and interest associated with the current fiscal period are all considered susceptible to accrual and have been recognized as non-operating revenues of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Grants and similar items are classified as operating or non-operating based on their purpose and restrictions.

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

F. CASH AND CASH EQUIVALENTS

Amounts reflected as cash and cash equivalents on the Statement of Net Position include amounts on hand and in demand deposits as well as a negotiable order of withdrawal (NOW) account, as well as short-term investments with a maturity date within three months of the date acquired by the District.

G. RECEIVABLES

All funds have receivables from property tax assessments. These assessments are received by the County Treasurer from the affected land owners and remitted to the District in the month following collection.

The maintenance fund also collects a water toll from District participants. Annual billings are mailed in March and any amount unpaid at June 30 is presented as a customer receivable on the Statement of Net Position. Other receivables include grants and reimbursements due to the District.

H. CAPITAL ASSETS AND DEPRECIATION

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Infrastructure such as canals, ditches and reservoirs are capitalized. The minimum capitalization threshold is any individual item with a total cost greater than \$5,000. Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated. Construction period interest is capitalized.

The District does not develop any "internal use" software. Software purchased with computer hardware is capitalized. Software purchased separately with a cost greater than \$5,000 is also capitalized.

Depreciation of all exhaustible capital assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method.

The estimated useful lives are as follows:

Irrigation System:

Diversion dam	60 years
System additions	15 years
Machinery and Equipment	5-15 years
Building	20 years

I. UNPAID COMPENSATED ABSENCES

Accrued compensated absences of the Proprietary Funds are recorded on the Statement of Net Assets. In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, a liability has been recognized for all employees who have unused annual leave.



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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

J. EQUITY CLASSIFICATIONS

Equity is classified as net position and displayed in three components:

Net investment in capital assets -This category reflects the portion of net position that are associated with capital assets that were or are being used for capital assets acquisition or construction, net of related outstanding debt.

Restricted net position - This category reflects the portion of net position that have third party limitations on their use.

Unrestricted net position - This category reflects net position not included in the above two categories.

K. OPERATING REVENUES AND EXPENSES

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

L. INTERFUND ACTIVITIES

Interfund activity may occur as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

M. EXPENDITURES OF RESTRICTED SOURCES

It is the District's policy to expend restricted sources prior to unrestricted sources when both sources are available for expenditure.

N. MANAGEMENT ESTIMATES AND ASSUMPTIONS

The accompanying financial statements include estimates and assumptions by management that affects certain reported amounts and disclosures. Accordingly, actual results could differ from those estimated.

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

A. BUDGET

Formal budget integration is employed as a management control device during the fiscal year.

The budget for the District is adopted on the modified cash basis, because the Local Government Division of the New Mexico Department of Finance and Administration requires this method.

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**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

A. BUDGET (CONTINUED)

This method does not conform to generally accepted accounting principles, which require the use of the accrual basis as described above. Under the budgetary basis of accounting, principal payments on debt and capital purchases are considered expenditures while depreciation is not recognized as an expense. The Board approves the original budget at a public meeting for which legal notices are published. The public is invited to comment at the meeting. The original budget approved by the District's Board and the Local Government Division may be subsequently amended. Local Government Division approval is required for any revisions that alter the total budgeted expenditures. Actual expenditures may not legally exceed the appropriations in total.

The District submitted its budget, as required by Section 73-21-52, NMSA 1978, to the Local Government Division of the Department of Finance and Administration of the State of New Mexico for approval and the budget was duly adopted.

B. DEPOSITS AND INVESTMENTS, LAWS AND REGULATIONS

Deposits of funds may be made in interest or non-interest bearing accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the state board of finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of the deposit.

Excess funds may be temporarily invested in securities which are issued by the state or by the United States Government, or by their departments or agencies, and which are either direct obligations of the state or the United States or are backed by the full faith and credit of those governments. State statutes authorize the investment of the District's funds in a variety of instruments including certificate of deposits and other similar obligations, state investment pool and money market accounts. The District is also allowed to invest in United States Government obligations. All funds of the District must follow the above investment policies.

New Mexico State Statues 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 of the amount on deposit with the institution. According to the Federal Deposit Insurance Authority public unit, deposits are funds owned by the District. Interest bearing accounts of a public unit in an institution in the same state will be insured separate from the public unit's demand deposits at that same institution. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

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**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS**

**A. CASH AND INVESTMENTS-COLLATERALIZATION**

The District’s policies regarding deposits of cash are discussed in notes 1F and 2B. The various bank account balances that exceeded the FDIC insurance amount were collateralized as shown in the following schedule:

<u>Citizens Bank of Clovis</u>	
Deposits (per Bank)	\$ 339,102
Less FDIC Insurance:	
Demand Deposit	<u>(250,000)</u>
Net uninsured balance	<u>89,102</u>
Required Collateralization at 50% of uninsured, per statute	44,551
Pledged Collateral held by the pledging bank’s trust department but not in the District’s name	<u>911,618</u>
Pledged Collateral over (under) the requirement	<u>\$ 867,067</u>

The amount identified as uninsured \$89,102 is subject to custodial credit risk. This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. This amount is, however, collateralized by Citizen's Bank of Clovis with securities held by its agent and under the name of Citizen's Bank of Clovis. All of the District’s funds are on deposit with the Citizens Bank of Clovis.

The District did not have any investments, as defined in GASB 40, at any time during the year ended June 30, 2017, and was therefore, not subject to investment risk as described in that publication.

**B. RESTRICTED ASSETS**

The amounts reported as restricted cash and cash equivalents are amounts held for payment of debt obligations and watermaster restrictions.

**C. ACCOUNTS RECEIVABLE**

The accounts receivable, customer billed, are water tolls billed annually to irrigated land owners and for services provided to customers. In the event a land owner becomes delinquent in the payment of the water tolls a lien is filed on the land. Irrigation water is denied until the delinquent amount is paid. Total accounts receivable at the fiscal year end were \$8,075. Accounts receivable not considered collectible by management have an allowance for doubtful accounts which has been established in the amount of \$2,175. Therefore the net receivables at year end were \$5,900.

The amount assessed by acre of irrigable property during the year was \$22 per acre. A minimum charge of \$75 is assessed when irrigated acreage is less than 3.41 acres.

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**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS (CONTINUED)**

**D. TAXES RECEIVABLE**

The District is responsible for levying property taxes in relation to its annual budgeted needs. The levy is placed on irrigated lands within the District through the De Baca County Treasurers office. The County is responsible for collecting and distributing the assessment of property taxes. The property taxes become a lien against the property from January 1 of the year for which the taxes are imposed. The property taxes may be paid in two equal installments. The first installment is due on or before November 10 and the second installment is due on or before May 10. All such assessments are recognized when billed by the County Treasurer. During the fiscal year, the mill levy rate (tax per acre of irrigated land) for maintenance, sinking and water master purposes for the District was as follows:

<u>Irrigated Land Tax Rates per acre</u>	
Maintenance	\$ 28.71
Sinking	8.36
Watermaster	4.93
Total	\$ <u>42.00</u>

At June 30, 2017 property taxes unpaid for prior years were as follows:

Maintenance	\$ 606
Sinking	184
Watermaster	135
Total	\$ <u>925</u>

**E.. OTHER RECEIVABLES**

The District had the following other receivables at the fiscal year end:

Maintenance Fund:	
State Grant:	
Acequia & Community Ditch Fund	\$ 761
Total	\$ <u>761</u>

**F. FORBEARANCE ACREAGE**

The Department of the Interior through the Bureau of Reclamation has contracted with the Fort Sumner Irrigation District to offer compensation to owners of irrigable land within the District in exchange for foregoing water deliveries (Forbearance Water) to specified acres of land within the District. The purpose of this program is to enhance river flows for the Bluntnose Shiner.

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**NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS (CONTINUED)**

**G. CAPITAL ASSETS**

Capital Asset activity for the year ended June 30, 2017, was as follows:

	Balance at June 30, 2016	Additions	Deletions	Balance at June 30, 2017
Capital Assets:				
Not being depreciated:				
Land	\$ 500	-	-	500
Water rights	4,871	-	-	4,871
Total Capital assets not being depreciated	5,371	-	-	5,371
Being depreciated:				
Buildings	15,742	-	-	15,742
Irrigation systems	2,994,917	-	-	2,994,917
Machinery and equipment	462,475	-	-	462,475
Total Capital assets being depreciated	3,473,134	-	-	3,473,134
Less accumulated depreciation:				
Buildings	(15,742)	-	-	(15,742)
Irrigation systems	(2,779,061)	(27,041)	-	(2,806,102)
Machinery and equipment	(335,335)	(26,724)	-	(362,059)
Total accumulated depreciation	(3,130,138)	(53,765)	-	(3,183,903)
Total capital assets being depreciated, net	342,996	(53,765)	-	289,231
Business-type capital assets, net	\$ 348,367	(53,765)	-	294,602

The irrigation system is comprised of a diversion dam in the Pecos River, a main canal, a highline canal to load lateral canals serving approximately 6,500 acres of district land and drainage canals serving the district lands. The original cost to complete the irrigation system was \$2,386,757 in 1952. All depreciation expense is charged to the maintenance function in the Statement of Activities.

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**NOTE 4. OTHER NOTES**

**A. ANNUAL AND SICK LEAVE**

It is the Board's policy to grant annual leave and sick leave to District employees in accordance with the following:

	<u>Annual Leave</u>	<u>Sick Leave</u>
Employees with less than five years employment	12 days	6 days
Employees with more than five years and less than ten years employment	14 days	6 days
Employees with more than ten years and less than fifteen years employment	16 days	6 days
Employees with more than fifteen years employment	18 days	6 days
Paid upon termination	Yes	No

Unused annual leave for any year may be earned over to the following year, but if not taken by the end of that year it is lost. Unused annual leave is paid upon termination or retirement. Unused sick leave may be carried over for an unlimited period of time. Unused sick leave is forfeited upon termination or retirement. Unpaid annual leave at June 30, 2017 totaled \$5,811. Of the total amount \$5,811 is considered current and \$0 is considered long-term debt.

**B. LONG TERM LIABILITIES**

The following schedule details the changes in long-term liabilities during the year ended June 30, 2017.

	Balance June 30, 2016	Increase	Decrease	Balance June 30, 2017	Current Portion
Compensated Absences	\$ 2,678	6,730	(3,597)	5,811	5,811
BOR Debt – See Below	406,830	-	(27,267)	379,563	54,534
	<u>\$ 409,508</u>	<u>6,730</u>	<u>(30,864)</u>	<u>385,374</u>	<u>60,345</u>

The District is obligated to repay a debt to the US Department of the Interior, Bureau of Reclamation.

The obligation was for an original amount of \$2,432,167 and was entered into on November 5, 1948. That obligation was subsequently amended on September 14, 1949, June 16, 1961 and August 15, 1963. The obligation does not bear interest and requires an annual payment determined by a formula recomputed annually. The maximum amount of the annual payment is \$54,534. This payment is due on February 1 of each year but may be broken up into two payments due on February 1 and August 1.

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**NOTE 4. OTHER NOTES (CONTINUED)**

**B. LONG TERM LIABILITIES (CONTINUED)**

The Regional Director of the Bureau of Reclamation has the responsibility to notify the District on or before May 1 of each year the amount of the annual installment due and payable for the following calendar year. In no event shall any installment be less than 25% of the base charge, nor more than 175% of such base charge. The formula is as follows:

		National Agricultural Parity Ration Year		Gross Crop Income Year	
<u>Base Charge</u>	(X)	<u>Preceding Year of Notice</u>	(X)	<u>Preceding Year of Notice</u>	= Annual Payment
\$ 31,162		.94		\$ 642,000	
		(Long-term Parity Ratio)		(Basic Gross Crop Value)	

The amount due on this obligation at June 30, 2017 was \$379,563 (the amount due at June 30, 2016 was \$406,830). Of that amount \$54,534 was considered current (payable within one year) and \$325,029 was considered long term. The principal paid during the year was \$27,267. Next year’s installment is calculated by BOR to be \$54,534.

The annual requirements to amortize the long term debt using the maximum payments for the year ended June 30:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/2018	\$ 54,534	-	54,534
6/30/2019	54,533	-	54,533
6/30/2020	54,534	-	54,534
6/30/2021	54,533	-	54,533
6/30/2022	54,534	-	54,534
2023-2024	106,895		106,895
<b>Total</b>	<b>\$ 379,563</b>	<b>-</b>	<b>379,563</b>

**C. CONTINGENT LIABILITIES**

The Fort Sumner Irrigation District has been threatened with overt litigation. The litigation involves the Bureau of Reclamation (BOR), the Army Corps of Engineers (ACE), an environmental group called the Forest Guardians, and the State of New Mexico. Forest Guardians sued BOR and ACE. Forest Guardians alleges that BOR and ACE have not been managing the operations on the Pecos River in a manner as to protect the Pecos Bluntnose Shiner. The Shiner is listed as a threatened species under the Endangered Species Act (ESA). It is possible that Fort Sumner Irrigation District diversions could be reduced as a result of ESA requirements and litigation. The Board has directed its attorneys to vigorously defend the District's water supply.

**STATE OF NEW MEXICO  
FORT SUMNER IRRIGATION DISTRICT  
SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES  
REQUIRED BY ACCOUNTING PRINCIPLES GENERALLY ACCEPTED  
IN THE UNITED STATES OF AMERICA ARE NOT INCLUDED  
JUNE 30, 2017  
*SEE COMPILATION REPORT OF INDEPENDENT ACCOUNTANTS.***

**NOTE 4. OTHER NOTES (CONTINUED)**

**D. RISK MANAGEMENT**

The District covers its insurance needs through various insurance policies. The coverage includes worker's compensation, general liability, buildings, personal property, automobiles, directors' and officers' liability and employee bonds. The premiums paid on the policies during the fiscal year were \$55,523. If the District's losses exceed its premiums, there is no supplemental assessment; on the other hand, if the District's losses are low, they will not receive a refund. Therefore, except for deductible amounts, risk has been transferred to the insurance carrier.

**E. NET POSITION**

There is a deficit in net position in the sinking fund of \$290,356 as of June 30, 2017. The deficit is the result of unfunded long term debt.

**F. SUBSEQUENT EVENTS REVIEW**

Fort Sumner Irrigation District has evaluated subsequent events through November 30, which is the date the financial statements were issued.

**G. RELATED PARTY TRANSACTIONS**

The District's board members and District employees are also members of the District and participate in the Forbearance program, just like the other members of the District. In addition, the board members and employees may enter into other related party transactions with the District, in the normal course of business.