

**STATE OF NEW MEXICO**  
**FORT SUMNER IRRIGATION DISTRICT**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

## **INTRODUCTORY SECTION**

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FORT SUMNER IRRIGATION DISTRICT  
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**INTRODUCTORY SECTION**

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FORT SUMNER IRRIGATION DISTRICT  
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**STATE OF NEW MEXICO  
FORT SUMNER IRRIGATION DISTRICT  
OFFICIAL ROSTER  
June 30, 2007**

**BOARD OF DIRECTORS**

|                  |           |
|------------------|-----------|
| Leslie Armstrong | President |
| Alan West        | Director  |
| Larry Tibbs      | Director  |

**ADMINISTRATIVE STAFF**

|                        |               |
|------------------------|---------------|
| Carole “Cammy” Mansell | Secretary     |
| Jeffrey Schneider      | Water Manager |

## **FINANCIAL SECTION**

*Beckham & Penner, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

103 6TH ST. N.E., P.O. BOX 179

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**INDEPENDENT AUDITORS' REPORT**

Mr. Hector Balderas, State Auditor,  
and

Members of the Board of Directors  
Fort Sumner Irrigation District  
Fort Sumner, New Mexico

We have audited the accompanying financial statements of the business-type activities and each major fund of Fort Sumner Irrigation District, Fort Sumner, New Mexico, (the "District") as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. We have also audited the budgetary comparison statements for each of the District's business-type funds as presented as supplementary information. These financial statements are the responsibility of the district's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as 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 also 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 business-type activities and each major fund of Fort Sumner Irrigation District, as of June 30, 2007, and the respective changes in financial position and cash flows, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements present fairly, in all material respects, the respective budgetary comparisons of Fort Sumner Irrigation District for the year ended June 30, 2007 in conformity with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITOR'S REPORT, continued

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2008, 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 Fort Sumner Irrigation District has not presented the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the budgetary comparisons of the Fort Sumner Irrigation District. The schedules listed as supplemental information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Beckham & Penner P.C.*

December 22, 2008  
Beckham & Penner, P.C.  
Certified Public Accountants



STATE OF NEW MEXICO  
 FORT SUMNER IRRIGATION DISTRICT  
**STATEMENT OF NET ASSETS**  
 June 30, 2007

|   | <b>Business<br/>Type<br/>Activities</b> |
|---|---|
| <b><u>ASSETS</u></b>                            |   |
| Cash and cash equivalents                       | \$ 76,924                               |
| Customer accounts receivable                    | 6,965                                   |
| Taxes receivable                                | 6,793                                   |
| Other receivables                               | 36,799                                  |
| Prepaid insurance                               | 1,541                                   |
| Temporarily restricted assets:                  |   |
| Cash and cash equivalents                       | 87,107                                  |
| Taxes receivable                                | 2,498                                   |
| Capital assets not being depreciated:           |   |
| Land  | 500                                     |
| Construction work in progress                   | 135,443                                 |
| Right of way                                    | 4,871                                   |
| Capital assets, net of accumulated depreciation | <u>97,246</u>                           |
| <br>  |   |
| Total assets                                    | <u>\$ 456,687</u>                       |
| <br>  |   |
| <b><u>LIABILITIES</u></b>                       |   |
| Accounts payable                                | \$ 22,739                               |
| Accrued salaries, wages and related payables    | 2,108                                   |
| Current portion of compensated absences         | 758                                     |
| Other liabilities:                              |   |
| Payable within one year                         | 81,800                                  |
| Payable in more than one year                   | <u>843,098</u>                          |
| <br>  |   |
| Total liabilities                               | <u>950,503</u>                          |
| <br>  |   |
| <b><u>NET ASSETS</u></b>                        |   |
| Invested in capital assets, net of related debt | (686,838)                               |
| Restricted for:                                 |   |
| Debt Service                                    | 83,831                                  |
| Water Master Fee                                | 4,489                                   |
| Unrestricted                                    | <u>104,702</u>                          |
| <br>  |   |
| Total net assets                                | <u>(493,816)</u>                        |
| <br>  |   |
| Total liabilities and net assets                | <u>\$ 456,687</u>                       |

SEE INDEPENDENT AUDITORS' REPORTS  
 The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO  
 FORT SUMNER IRRIGATION DISTRICT  
**STATEMENT OF ACTIVITIES**  
 For the Year Ended June 30, 2007

| Function/Program:                   | <u>Expenses</u> | <u>Charges for<br/>Services</u> | <u>Capital Grants<br/>and Contributions</u> | <u>Net<br/>(Expense)/<br/>Revenue</u> |
|-------------------------------------|-----------------|---------------------------------|---|---------------------------------------|
| Business-type activities:           |                 |                                 |   |                                       |
| Irrigation                          | \$ 283,156      | 88,225                          | 53,789                                      | (141,142)                             |
| Forbearance                         | <u>187,930</u>  | <u>203,923</u>                  | <u>53,789</u>                               | <u>15,993</u>                         |
|                                     | <u>471,086</u>  | <u>292,148</u>                  | <u>53,789</u>                               | <u>(125,149)</u>                      |
| General revenues:                   |                 |                                 |   |                                       |
| Property taxes and related interest |                 |                                 |   | 265,355                               |
| Investment income                   |                 |                                 |   | <u>2,490</u>                          |
| Total general revenues              |                 |                                 |   | <u>267,845</u>                        |
| Changes in net assets               |                 |                                 |   | 142,696                               |
| Net assets, beginning of year       |                 |                                 |   | <u>(636,512)</u>                      |
| Net assets, end of year             |                 |                                 |   | \$ <u><u>(493,816)</u></u>            |

SEE INDEPENDENT AUDITORS' REPORTS  
 The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO  
 FORT SUMNER IRRIGATION DISTRICT  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
 June 30, 2007

|                               | <u>Maintenance</u> | <u>Sinking</u> | <u>Watermaster</u> | <u>Totals</u>      |
|-------------------------------|--------------------|----------------|--------------------|--------------------|
| <b><u>ASSETS</u></b>          |                    |                |                    |                    |
| Current assets:               |                    |                |                    |                    |
| Cash and cash equivalents     | \$ 76,924          |                |                    | 76,924             |
| Customer accounts receivable  | 6,965              |                |                    | 6,965              |
| Taxes receivable              | 6,793              |                |                    | 6,793              |
| Other receivables             | 36,799             |                |                    | 36,799             |
| Due from other funds          | 21,900             |                |                    | 21,900             |
| Prepaid insurance             | 1,541              |                |                    | 1,541              |
| Total current assets          | <u>150,922</u>     |                |                    | <u>150,922</u>     |
| Restricted current assets:    |                    |                |                    |                    |
| Cash and cash equivalents     |                    | 53,975         | 33,132             | 87,107             |
| Due from other funds          |                    | 28,272         |                    | 28,272             |
| Taxes receivable              |                    | 1,584          | 914                | 2,498              |
| Total restricted assets       |                    | <u>83,831</u>  | <u>34,046</u>      | <u>117,877</u>     |
| Non-current assets:           |                    |                |                    |                    |
| Capital assets:               |                    |                |                    |                    |
| Land                          | 500                |                |                    | 500                |
| Construction work in progress | 135,443            |                |                    | 135,443            |
| Right of way                  | 4,871              |                |                    | 4,871              |
| Building                      | 15,742             |                |                    | 15,742             |
| Irrigation system             | 2,601,975          |                |                    | 2,601,975          |
| Machinery and equipment       | 340,625            |                |                    | 340,625            |
|                               | <u>3,099,156</u>   |                |                    | <u>3,099,156</u>   |
| Less accumulated depreciation | <u>(2,861,096)</u> |                |                    | <u>(2,861,096)</u> |
| Net capital assets            | <u>238,060</u>     |                |                    | <u>238,060</u>     |
| Total assets                  | <u>\$ 388,982</u>  | <u>83,831</u>  | <u>34,046</u>      | <u>506,859</u>     |

SEE INDEPENDENT AUDITORS' REPORTS  
 The Accompanying Notes Are An Integral Part of These Financial Statements

STATE OF NEW MEXICO  
 FORT SUMNER IRRIGATION DISTRICT  
**STATEMENT OF NET ASSETS**  
 PROPRIETARY FUNDS, continued  
 June 30, 2007

|  | <u>Maintenance</u> | <u>Sinking</u>   | <u>Watermaster</u> | <u>Totals</u>    |
|--|--------------------|------------------|--------------------|------------------|
| <b><u>LIABILITIES</u></b>                                  |                    |                  |                    |                  |
| Current liabilities:                                       |                    |                  |                    |                  |
| Accounts payable   | \$ 15,082          |                  | 7,657              | 22,739           |
| Accrued salaries, wages and related payables               | 2,108              |                  |                    | 2,108            |
| Due to other funds   | 28,272             |                  | 21,900             | 50,172           |
| Current portion of compensated absences                    | 758                |                  |                    | 758              |
| Total current liabilities payable from unrestricted assets | <u>46,220</u>      |                  | <u>29,557</u>      | <u>75,777</u>    |
| Current liabilities payable from restricted assets:        |                    |                  |                    |                  |
| Current portion Bureau of Reclamation long-term debt       |                    | <u>81,800</u>    |                    | <u>81,800</u>    |
| Total current liabilities                                  | <u>46,220</u>      | <u>81,800</u>    | <u>29,557</u>      | <u>157,577</u>   |
| Noncurrent liabilities payable from restricted assets:     |                    |                  |                    |                  |
| Long-term portion of Bureau of Reclamation debt            |                    | <u>843,098</u>   |                    | <u>843,098</u>   |
| Total long-term liabilities payable from restricted assets |                    | <u>843,098</u>   |                    | <u>843,098</u>   |
| Total liabilities  | <u>46,220</u>      | <u>924,898</u>   | <u>29,557</u>      | <u>1,000,675</u> |
| <br><b><u>NET ASSETS</u></b>                               |                    |                  |                    |                  |
| Invested in capital assets, net of related debt            | 238,060            | (924,898)        |                    | (686,838)        |
| Restricted for:  |                    |                  |                    |                  |
| Debt Service   |                    | 83,831           |                    | 83,831           |
| Water Master Fee   |                    |                  | 4,489              | 4,489            |
| Unrestricted   | <u>104,702</u>     |                  |                    | <u>104,702</u>   |
| Total net assets   | <u>342,762</u>     | <u>(841,067)</u> | <u>4,489</u>       | <u>(493,816)</u> |
| Total liabilities and net assets                           | <u>\$ 388,982</u>  | <u>83,831</u>    | <u>34,046</u>      | <u>506,859</u>   |

SEE INDEPENDENT AUDITORS' REPORTS  
 The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO  
 FORT SUMNER IRRIGATION DISTRICT  
**STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND NET ASSETS**  
 PROPRIETARY FUNDS  
 For the Year Ended June 30, 2007

|  | <u>Enterprise Funds</u> |                  |                    | <u>Totals</u>    |
|--|-------------------------|------------------|--------------------|------------------|
|  | <u>Maintenance</u>      | <u>Sinking</u>   | <u>Watermaster</u> |                  |
| Operating revenues:                    |                         |                  |                    |                  |
| Forbearance program income             | \$ 203,923              |                  |                    | 203,923          |
| Property taxes                         | 186,089                 | 54,532           | 24,252             | 264,873          |
| Water tolls                            | 83,430                  |                  |                    | 83,430           |
| Interest from delinquent taxes         | 361                     | 121              |                    | 482              |
| Miscellaneous                          | 4,795                   |                  |                    | 4,795            |
| Total operating revenue                | <u>478,598</u>          | <u>54,653</u>    | <u>24,252</u>      | <u>557,503</u>   |
| Operating expenses:                    |                         |                  |                    |                  |
| Forbearance expenses                   | 187,930                 |                  |                    | 187,930          |
| Ditches labor                          | 97,024                  |                  |                    | 97,024           |
| Depreciation                           | 25,209                  |                  |                    | 25,209           |
| Ditches supplies                       | 7,917                   |                  |                    | 7,917            |
| Equipment supplies                     | 40,486                  |                  |                    | 40,486           |
| Insurance expense                      | 31,568                  |                  |                    | 31,568           |
| Legal and accounting                   | 17,399                  |                  |                    | 17,399           |
| Water master contract                  |                         |                  | 22,463             | 22,463           |
| Secretary's salary                     | 13,295                  |                  |                    | 13,295           |
| Other operating expense                | 27,315                  | 332              | 148                | 27,795           |
| Total operating expenses               | <u>448,143</u>          | <u>332</u>       | <u>22,611</u>      | <u>471,086</u>   |
| Operating income (loss)                | <u>30,455</u>           | <u>54,321</u>    | <u>1,641</u>       | <u>86,417</u>    |
| Non-operating revenue (expenses):      |                         |                  |                    |                  |
| Interest from investments              | 2,490                   |                  |                    | 2,490            |
| Capital grant                          | 53,789                  |                  |                    | 53,789           |
| Total non-operating revenue (expenses) | <u>56,279</u>           |                  |                    | <u>56,279</u>    |
| Change in total assets                 | 86,734                  | 54,321           | 1,641              | 142,696          |
| Total net assets, beginning of year    | <u>256,028</u>          | <u>(895,388)</u> | <u>2,848</u>       | <u>(636,512)</u> |
| Total net assets, end of year          | <u>\$ 342,762</u>       | <u>(841,067)</u> | <u>4,489</u>       | <u>(493,816)</u> |

SEE INDEPENDENT AUDITORS' REPORTS  
 The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO  
 FORT SUMNER IRRIGATION DISTRICT  
**STATEMENT OF CASH FLOWS**  
 PROPRIETARY FUNDS  
 For the Year Ended June 30, 2007

|  | <u>Enterprise Funds</u> |                 |                    | <u>Totals</u>   |
|--|-------------------------|-----------------|--------------------|-----------------|
|  | <u>Maintenance</u>      | <u>Sinking</u>  | <u>Watermaster</u> |                 |
| Cash flows from operating activities:  |                         |                 |                    |                 |
| Cash received for forbearance payments   | \$ 203,923              |                 |                    | 203,923         |
| Property tax received  | 183,956                 | 55,227          | 24,328             | 263,511         |
| Cash received from customers and others  | 96,928                  |                 |                    | 96,928          |
| Cash paid to suppliers for goods and services  | (110,499)               | (332)           | (23,033)           | (133,864)       |
| Cash payments to and on behalf of employees  | (121,640)               |                 |                    | (121,640)       |
| Cash payments for forbearance  | (187,930)               |                 |                    | (187,930)       |
| Net cash flows from operating activities   | <u>64,738</u>           | <u>54,895</u>   | <u>1,295</u>       | <u>120,928</u>  |
| Cash flows from noncapital financing activities:   |                         |                 |                    |                 |
| Increase (decrease) interfund receivables / payables                                     | (34,750)                | 38,850          | (4,100)            |                 |
| Net cash flows from noncapital financing activities                                      | <u>(34,750)</u>         | <u>38,850</u>   | <u>(4,100)</u>     |                 |
| Cash flows from capital and related financing activities:                                |                         |                 |                    |                 |
| Purchases of property, plant and equipment   | (56,319)                |                 |                    | (56,319)        |
| Principal payments   |                         | (54,533)        |                    | (54,533)        |
| Capital grant received   | 19,394                  |                 |                    | 19,394          |
| Net cash flows from capital and related financing activities                             | <u>(36,925)</u>         | <u>(54,533)</u> |                    | <u>(91,458)</u> |
| Cash flows from investing activities:  |                         |                 |                    |                 |
| Interest received  | 2,490                   |                 |                    | 2,490           |
| Net cash flows from investing activities   | <u>2,490</u>            |                 |                    | <u>2,490</u>    |
| Increase(decrease) in cash and cash equivalents  | (4,447)                 | 39,212          | (2,805)            | 31,960          |
| Cash and cash equivalents, beginning of year   | 81,371                  | 14,763          | 35,937             | 132,071         |
| Cash and cash equivalents, end of year   | <u>\$ 76,924</u>        | <u>53,975</u>   | <u>33,132</u>      | <u>164,031</u>  |
| <br>RECONCILIATION OF OPERATING INCOME TO<br>NET CASH FLOWS FROM OPERATING<br>ACTIVITIES |                         |                 |                    |                 |
| Operating income (loss)  | \$ 30,455               | 54,321          | 1,641              | 86,417          |
| Adjustments to reconcile operating income to<br>net cash flows from operating activities |                         |                 |                    |                 |
| Depreciation   | 25,209                  |                 |                    | 25,209          |
| (Increase) decrease in operating assets:   |                         |                 |                    |                 |
| Accounts receivable  | 8,342                   |                 |                    | 8,342           |
| Taxes receivable   | (2,133)                 | 574             | 76                 | (1,483)         |
| Prepaid insurance  | 2,085                   |                 |                    | 2,085           |
| Other Receivables  | (2,404)                 |                 |                    | (2,404)         |
| Increase (decrease) in operating liabilities:  |                         |                 |                    |                 |
| Accounts payable   | 4,825                   |                 | (422)              | 4,403           |
| Payroll taxes expense and withholding  | 39                      |                 |                    | 39              |
| Accrued expenses   | (1,680)                 |                 |                    | (1,680)         |
| Net cash flows from operating activities   | <u>\$ 64,738</u>        | <u>54,895</u>   | <u>1,295</u>       | <u>120,928</u>  |

SEE INDEPENDENT AUDITORS' REPORTS  
 The Accompanying Notes Are An Integral Part Of These Financial Statements

**STATE OF NEW MEXICO  
FORT SUMNER IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007**

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**STATE OF NEW MEXICO  
FORT SUMNER IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
June 30, 2007**

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**STATE OF NEW MEXICO  
FORT SUMNER IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES**

**A. PROGRAM OF THE DISTRICT**

The primary purpose of the Fort Sumner Irrigation District is to manage the effective and efficient delivery of water to farmers and ranchers 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.

**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 in GASB #14. There were no component units of Fort Sumner Irrigation District during the year ended June 30, 2007.

**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 includes the following individual funds / projects:

Maintenance  
Sinking  
Watermaster

STATE OF NEW MEXICO  
FORT SUMNER IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, *continued*

D. BASIS OF ACCOUNTING

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses. Fiduciary funds are also excluded from the government-wide financial statements as are component units that are fiduciary in nature.

Fort Sumner Irrigation District does not have any governmental, internal service or fiduciary funds.

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 Assets.

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

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.

STATE OF NEW MEXICO  
FORT SUMNER IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, *continued*

E. FUND FINANCIAL STATEMENTS

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 Assets. 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 Districts long-term debt and the Watermaster fund is used to pay for the watermaster.

F. REVENUE AND EXPENSE RECOGNITION

The statement of net assets and the statement of activities were prepared on the economic resources measurement focus and the accrual basis of accounting.

The District distinguishes between 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 funds principal ongoing operations. The principal operating revenues of all the District's funds are charges to customers for sales and service, property taxes and Bureau of Reclamation forbearance. 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 revenues of the current fiscal period. Grants and similar items (including revenues associated with the forbearance program) 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.

G. CASH AND CASH EQUIVALENTS

Amounts reflected as "cash and cash equivalents" on the Statement of Net Assets include amounts on hand and in demand deposits as well as a negotiable order of withdrawal (NOW) account.

STATE OF NEW MEXICO  
FORT SUMNER IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, *continued*

H. 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 Assets.

I. 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 streets, traffic signals and signs 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   |

STATE OF NEW MEXICO  
FORT SUMNER IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
June 30, 2007

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, *continued***

J. **UNPAID COMPENSATED ABSENCES**

Accrued compensated absences of the Enterprise 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.

K. **FASB PRONOUNCEMENTS - PROPRIETARY FUND ACCOUNTING**

Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements in which case, GASB prevails. For enterprise funds, GASB Statement No.'s 20 and 34 provided the District the option of electing to apply FASB pronouncements issued after November 30, 1989. The District has elected not to apply FASB pronouncements issued after November 30, 1989.

L. **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.

M. **INTERFUND ACTIVITIES**

Interfund activity may occur as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are eliminated in the Government-wide financial statements. 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.

During the year ended June 30, 2007, the District had interfund transfers. The details of interfund receivables/payables are shown in Note 3.E.

STATE OF NEW MEXICO  
FORT SUMNER IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, *continued*

N. 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.

O. MANAGEMENT ESTIMATES AND ASSUMPTIONS

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGET

Formal budget integration is employed as a management control device during the 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. 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 are considered expenditures and 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. There were no budget amendments during the year ended June 30, 2007.

STATE OF NEW MEXICO  
FORT SUMNER IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
June 30, 2007

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

B. DEPOSITS AND INVESTMENTS, LAWS AND REGULATIONS

The Fort Sumner Irrigation District is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978 to deposit its money in banks, savings and loan associations, and/or credit unions where accounts are insured by an agency of the United States.

All monies not immediately necessary for the public uses of the District may be invested in:

- (a) Bonds or negotiable securities of the United States, the state or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars (\$1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or
- (b) Securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government; or
- (c) Contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment.

STATE OF NEW MEXICO  
 FORT SUMNER IRRIGATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 June 30, 2007

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

B. DEPOSITS AND INVESTMENTS, LAWS AND REGULATIONS, *continued*

If the District is unable to receive payment on public money at the rate of interest set forth by the State Board of Finance (which is not less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of the deposit) from financial institutions within the geographic boundaries of the governmental unit, the District may invest its money with the New Mexico State Treasurer's short-term investment pool for a period no greater than 181 days, or in banks, savings and loans or credit unions. The State Treasurer's short-term investment pool shall be invested as provided for state funds under Section 6-10-10 NMSA 1978.

3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS

A. CASH AND INVESTMENTS-COLLATERALIZATION

The District's policies regarding deposits of cash are discussed in notes 1G and 2B. The table presented below is designed to disclose the level of custodial credit risk assumed by the District based upon how its deposits were insured or secured with collateral at June 30, 2007.

|   |                     |
|---|---------------------|
| Total of deposits in bank   | \$ 158,828          |
| Less FDIC coverage  | <u>(100,000)</u>    |
| Uninsured public funds  | \$ 58,828           |
| Pledged Collateral held by the pledging bank's trust department or agent but not in the District's name | <u>(369,401)</u>    |
| Uninsured and uncollateralized  | \$ <u>(310,573)</u> |



STATE OF NEW MEXICO  
 FORT SUMNER IRRIGATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 June 30, 2007

3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, *continued*

A. CASH AND INVESTMENTS-COLLATERALIZATION, *continued*

The amount above identified as uninsured (\$ 58,828) 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 various bank account balances were collateralized as shown in the following schedule:

|   |                     |
|---|---------------------|
| <u>Citizens Bank of Clovis</u>  |                     |
| Demand deposits (per bank)  | \$ 158,828          |
| Less FDIC Insurance:  |                     |
| Demand deposits   | <u>(100,000)</u>    |
| Net uninsured balances  | <u>58,828</u>       |
| Required collateralization  |                     |
| @ 50% of uninsured, per statute   | 29,414              |
| Pledge Collateral held by the<br>pledging bank's trust department<br>but not in the District's name | <u>369,401</u>      |
| Pledge Collateral (over) under<br>the requirement   | \$ <u>(339,987)</u> |

The District did not have any investments, as defined in GASB 40, at any time during the year ended June 30, 2007, and was therefore, not subject to investment risk as described in that publication.

STATE OF NEW MEXICO  
 FORT SUMNER IRRIGATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 June 30, 2007

3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, continued

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. 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 the land until the delinquent amount is paid. All accounts receivable are considered collectible by management and no allowance for doubtful accounts is deemed necessary.

The amount assessed by acre of irrigable property during the year was \$12 per acre. A minimum charge of \$56 is assessed when irrigated acreage is less than 4.67 acres.

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 year ended June 30, 2007, 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</u> |                 |
|-----------------------|-----------------|
| Maintenance           | \$ 27.70        |
| Sinking               | 8.19            |
| Watermaster           | <u>3.61</u>     |
| Total                 | \$ <u>39.50</u> |

STATE OF NEW MEXICO  
 FORT SUMNER IRRIGATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 June 30, 2007

3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, continued

D. TAXES RECEIVABLE, continued

At June 30, 2007 property taxes unpaid for the tax year 2006 were as follows:

|             |                 |
|-------------|-----------------|
| Maintenance | \$ 6,793        |
| Sinking     | 1,584           |
| Watermaster | <u>914</u>      |
| Total       | \$ <u>9,291</u> |

E. INTERFUND RECEIVABLES AND PAYABLES

The District had the following interfund receivable/ payable balances at June 30, 2007:

|                   | <u>Receivable</u> | <u>Payable</u> |
|-------------------|-------------------|----------------|
| Maintenance Fund: |                   |                |
| Watermaster Fund  | \$ 21,900         |                |
| Sinking Fund      |                   | 28,272         |
| Sinking Fund:     |                   |                |
| Maintenance Fund  | 28,272            |                |
| Watermaster Fund: |                   |                |
| Maintenance Fund  |                   | <u>21,900</u>  |
| Total             | \$ <u>50,172</u>  | <u>50,172</u>  |

The receivables and payables were made for temporary cash needs that are expected to be repaid currently.

STATE OF NEW MEXICO  
 FORT SUMNER IRRIGATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 June 30, 2007

3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, continued

F. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2007, was as follows:

|  | <u>Balance at</u><br><u>June 30, 2006</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at</u><br><u>June 30, 2007</u> |
|--|---|------------------|------------------|---|
| Capital Assets:                                |   |                  |                  |   |
| Not being depreciated:                         |   |                  |                  |   |
| Land   | \$ 500                                    | \$               | \$               | \$ 500                                    |
| Water Rights                                   | 4,871                                     |                  |                  | 4,871                                     |
| Construction in progress                       | <u>88,229</u>                             | <u>47,214</u>    |                  | <u>135,443</u>                            |
|  | <u>93,600</u>                             | <u>47,214</u>    |                  | <u>140,814</u>                            |
| Being depreciated:                             |   |                  |                  |   |
| Buildings                                      | 15,742                                    |                  |                  | 15,742                                    |
| Irrigation Systems                             | 2,601,975                                 |                  |                  | 2,601,975                                 |
| Machinery and equipment                        | <u>331,520</u>                            | <u>9,105</u>     |                  | <u>340,625</u>                            |
|  | <u>2,949,237</u>                          | <u>9,105</u>     |                  | <u>2,958,342</u>                          |
| Less accumulated depreciation:                 |   |                  |                  |   |
| Buildings                                      | (15,742)                                  |                  |                  | (15,742)                                  |
| Irrigation system                              | (2,509,020)                               | (14,742)         |                  | (2,523,762)                               |
| Machinery and equipment                        | <u>(311,125)</u>                          | <u>(10,467)</u>  |                  | <u>(321,592)</u>                          |
|  | <u>(2,835,887)</u>                        | <u>(25,209)</u>  |                  | <u>(2,861,096)</u>                        |
| Total capital assets being<br>depreciated, net | <u>113,350</u>                            | <u>(16,104)</u>  |                  | <u>97,246</u>                             |
| Business-type capital assets, net              | <u>\$ 206,950</u>                         | <u>\$ 31,110</u> | <u>\$</u>        | <u>\$ 238,060</u>                         |

At June 30, 2007 the District had construction in progress for needed improvements and expansions to its system. The construction in progress is funded by grants from the NM Interstate Stream Commission.

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.

STATE OF NEW MEXICO  
 FORT SUMNER IRRIGATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 June 30, 2007

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 schedule:

|   | <u>Annual<br/>Leave</u> | <u>Sick<br/>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 carried over to the following year, but if not taken by the end of that year it is lost. Unused sick leave may be carried over for an unlimited period of time. Unpaid annual leave at June 30, 2007 totaled \$758 (at June 30, 2006, the amount was \$2,438). Of the total amount \$758 is considered current and \$-0- is considered long-term debt. During the year annual leave increased \$1,712 and decreased by \$3,392. These amounts are paid in the maintenance fund.

B. LONG TERM LIABILITIES

The following schedule details the changes in long-term liabilities during the year ended June 30, 2007.

|                      | Balance<br>June 30,<br><u>2006</u> | <u>Increase</u>   | <u>(Decrease)</u> | Balance<br>June 30,<br><u>2007</u> | Current<br><u>Portion</u> |
|----------------------|------------------------------------|-------------------|-------------------|------------------------------------|---------------------------|
| Compensated Absences | \$ 2,438                           | 1,712             | 3,392             | 758                                | 758                       |
| BOR Debt - See Below | <u>979,431</u>                     | <u>          </u> | <u>54,533</u>     | <u>924,898</u>                     | <u>81,800</u>             |
|                      | <u>\$ 981,869</u>                  | <u>1,712</u>      | <u>57,925</u>     | <u>925,656</u>                     | <u>82,558</u>             |

STATE OF NEW MEXICO  
 FORT SUMNER IRRIGATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 June 30, 2007

4. OTHER NOTES, continued

B. LONG TERM LIABILITIES, continued

The District is obligated to repay a debt to the U.S. 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.

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<br>Parity Ration Year | Gross Crop<br>Income Year                        |
| BASE CHARGE (X) | <u>Preceding Year of Notice</u> (X)         | <u>Preceding Year of Notice</u> = Annual Payment |
| \$31,162        | 0.94  | \$642,000  |
|                 | (Long-term Parity Ratio)                    | (Basic Gross Crop Value)                         |

The amount due on this obligation at June 30, 2007 was \$924,898 (the amount due at June 30, 2006 was \$979,431). Of that amount \$81,800 was considered current (payable within one year) and \$843,098 was considered long term. The principal paid during the year was \$54,533. Since the second half payment is made on August 1st of the following fiscal year it becomes part of the current portion of long-term debt. Next year's installment is calculated by BOR to be \$54,534. The current portion of long-term debt for the fiscal year ended June 30, 2007 becomes the following:

|   |                 |
|---|-----------------|
| Second half payment of installment due August 1, 2007 | \$27,266        |
| Installment due February 1, 2008                      | <u>54,534</u>   |
| Current portion of long term debt                     | <u>\$81,800</u> |

The amount reflected on long-term debt due after one year is made up of \$-0- in noncurrent compensated absences and \$843,097 in noncurrent BOR debt.

STATE OF NEW MEXICO  
FORT SUMNER IRRIGATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
June 30, 2007

4. OTHER NOTES, continued

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.

D. NET ASSETS

There is a deficit in net assets in the amount of \$493,816 for the year ended June 30, 2007. The deficit is the result of the recognition of depreciation expense in accordance with generally accepted accounting principles.

E. FORBEARANCE ACREAGE

The Secretary 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 program started in 2003 and will end in August 2007. The purpose of this program is to enhance river flows for the Bluntnose Shiner. Irrigable landowners within the District have contracted to forego water deliveries on certain acres of irrigable land since the first period in 2003.

STATE OF NEW MEXICO  
 FORT SUMNER IRRIGATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 June 30, 2007

4. OTHER NOTES, continued

F. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

|   | <u>Maintenance</u> | <u>Sinking</u> | <u>Wastewater</u> |
|---|--------------------|----------------|-------------------|
| Budgetary Basis – Operating revenues and non-operating revenues over (under) operating non-operating expenses | \$ 30,303          | 362            | 1,295             |
| Increase (decrease) in assets:  |                    |                |                   |
| Accounts receivable   | (8,342)            |                |                   |
| Taxes receivable  | 2,133              | (574)          | (76)              |
| Prepaid insurance   | (2,085)            |                |                   |
| Other receivables   | 36,799             |                |                   |
| (Increase) decrease in liabilities:   |                    |                |                   |
| Accounts payable  | (4,825)            |                | 422               |
| Accrued salaries and benefits   | (39)               |                |                   |
| Compensated absences  | 1,680              |                |                   |
| Other adjustments:  |                    |                |                   |
| Debt service  |                    | 54,533         |                   |
| Capital outlay  | 56,319             |                |                   |
| Depreciation  | <u>(25,209)</u>    | _____          | _____             |
| GAAP Basis – change in Net Assets   | \$ <u>86,734</u>   | <u>54,321</u>  | <u>1,641</u>      |



**SUPPLEMENTARY INFORMATION**

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, 2007

|  | <u>Budgeted Amount</u> |                 | <u>Actual<br/>(Budgetary<br/>Basis)</u> | <u>Variances</u>             |                            |
|--|------------------------|-----------------|---|------------------------------|----------------------------|
|  | <u>Original</u>        | <u>Final</u>    |   | <u>Positive (Negative)</u>   |                            |
|  |                        |                 |   | <u>Original<br/>To Final</u> | <u>Actual<br/>To Final</u> |
| Operating Revenues:  |                        |                 |   |                              |                            |
| Forbearance program income   | \$ 233,015             | 233,015         | 203,923                                 |                              | (29,092)                   |
| Property taxes   | 186,089                | 186,089         | 183,956                                 |                              | (2,133)                    |
| Water tolls  | 83,203                 | 83,203          | 91,772                                  |                              | 8,569                      |
| Interest from delinquent taxes   | 200                    | 200             | 361                                     |                              | 161                        |
| Miscellaneous  | 1,600                  | 1,600           | 4,795                                   |                              | 3,195                      |
| Total revenues   | <u>504,107</u>         | <u>504,107</u>  | <u>484,807</u>                          |                              | <u>(19,300)</u>            |
| Expenses:  |                        |                 |   |                              |                            |
| Current:   |                        |                 |   |                              |                            |
| Salaries and benefits  | 107,028                | 107,028         | 121,640                                 |                              | (14,612)                   |
| Operating expenses   | 180,564                | 180,564         | 110,499                                 |                              | 70,065                     |
| Forebearance/program expenses  | 218,015                | 218,015         | 187,930                                 |                              | 30,085                     |
| Non-current:   |                        |                 |   |                              |                            |
| Capital outlay   | 60,000                 | 60,000          | 56,319                                  |                              | 3,681                      |
| Total expenses   | <u>565,607</u>         | <u>565,607</u>  | <u>476,388</u>                          |                              | <u>89,219</u>              |
| Revenues over (under) expenditures   | <u>(61,500)</u>        | <u>(61,500)</u> | <u>8,419</u>                            |                              | <u>69,919</u>              |
| Non-operating revenue (expenses):  |                        |                 |   |                              |                            |
| Capital grant  | 60,000                 | 60,000          | 19,394                                  |                              | (40,606)                   |
| Interest from investments  | 1,500                  | 1,500           | 2,490                                   |                              | 990                        |
|  | <u>61,500</u>          | <u>61,500</u>   | <u>21,884</u>                           |                              | <u>(39,616)</u>            |
| Operating revenues and non-operating<br>revenues over (under) operating<br>expenses and non-operating expenses | <u>\$</u>              | <u></u>         | <u>30,303</u>                           |                              | <u>30,303</u>              |

SEE INDEPENDENT AUDITORS' REPORTS  
The Accompanying Notes Are An Integral Part Of These Financial Statements

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, 2007

|  | <u>Budgeted Amount</u> |                 | <u>Actual<br/>(Budgetary<br/>Basis)</u> | <u>Variances</u>             |                            |
|--|------------------------|-----------------|---|------------------------------|----------------------------|
|  | <u>Original</u>        | <u>Final</u>    |   | <u>Positive (Negative)</u>   |                            |
|  |                        |                 |   | <u>Original<br/>To Final</u> | <u>Actual<br/>To Final</u> |
| Operating Revenues:  |                        |                 |   |                              |                            |
| Property taxes   | \$ 55,020              | 55,020          | 55,106                                  |                              | 86                         |
| Interest from delinquent taxes   | 100                    | 100             | 121                                     |                              | 21                         |
| Total revenues   | <u>55,120</u>          | <u>55,120</u>   | <u>55,227</u>                           |                              | <u>107</u>                 |
| Expenses:  |                        |                 |   |                              |                            |
| Current:   |                        |                 |   |                              |                            |
| Operating expenses   | <u>545</u>             | <u>545</u>      | <u>332</u>                              |                              | <u>213</u>                 |
| Revenues over (under) expenditures   | <u>54,575</u>          | <u>54,575</u>   | <u>54,895</u>                           |                              | <u>320</u>                 |
| Non-operating revenue (expenses):  |                        |                 |   |                              |                            |
| Debt service   | (54,532)               | (54,532)        | (54,533)                                |                              | (1)                        |
| Interest from investments  | 100                    | 100             |   |                              | (100)                      |
|  | <u>(54,432)</u>        | <u>(54,432)</u> | <u>(54,533)</u>                         |                              | <u>(101)</u>               |
| Operating revenues and non-operating<br>revenues over (under) operating<br>expenses and non-operating expenses | \$ <u>143</u>          | <u>143</u>      | <u>362</u>                              |                              | <u>219</u>                 |

SEE INDEPENDENT AUDITORS' REPORTS  
The Accompanying Notes Are An Integral Part Of These Financial Statements

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, 2007

|  | <u>Budgeted Amount</u> |                   | <u>Actual<br/>(Budgetary<br/>Basis)</u> | <u>Variances</u>           |                 |
|--|------------------------|-------------------|---|----------------------------|-----------------|
|  | <u>Original</u>        | <u>Final</u>      |   | <u>Positive (Negative)</u> |                 |
|  |                        |                   |   | <u>To Final</u>            | <u>To Final</u> |
| Operating Revenues:  |                        |                   |   |                            |                 |
| Property taxes   | \$ 24,252              | 24,252            | 24,328                                  |                            | 76              |
| Interest from delinquent taxes   |                        |                   |   |                            |                 |
| Total revenues   | <u>24,252</u>          | <u>24,252</u>     | <u>24,328</u>                           |                            | <u>76</u>       |
| Expenses:  |                        |                   |   |                            |                 |
| Current:   |                        |                   |   |                            |                 |
| Operating expenses   | <u>24,252</u>          | <u>24,252</u>     | <u>23,033</u>                           |                            | <u>1,219</u>    |
| Revenues over (under) expenditures   |                        |                   | <u>1,295</u>                            |                            | <u>1,295</u>    |
| Non-operating revenue (expenses):  |                        |                   |   |                            |                 |
| Operating revenues and non-operating<br>revenues over (under) operating<br>expenses and non-operating expenses | \$ <u>          </u>   | <u>          </u> | <u>1,295</u>                            |                            | <u>1,295</u>    |

SEE INDEPENDENT AUDITORS' REPORTS  
 The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO  
FORT SUMNER IRRIGATION DISTRICT  
**SCHEDULE OF PLEDGED COLLATERAL**  
For the Year Ended June 30, 2007

|   | <u>Security<br/>Number</u> | <u>CUSIP<br/>Number</u> | <u>Fair-Market<br/>Value</u> | <u>Maturity<br/>Date</u> |
|---|----------------------------|-------------------------|------------------------------|--------------------------|
| <u>Citizens Bank of Clovis</u><br>GNMA Pool | 080869                     | 36225C6F8               | \$ 369,401                   | 4/20/2034                |

The collateral is held by The Independent Bankers Bank in Dallas, Texas in the name of Citizens Bank of Clovis.

SEE INDEPENDENT AUDITORS' REPORT  
The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO  
 FORT SUMNER IRRIGATION DISTRICT  
**SCHEDULE OF BANK RECONCILIATION**  
 For the Year Ended June 30, 2007

The following schedule is presented to comply with the requirements of New Mexico State Statute 12-6-5 NMSA, 1978, as interpreted by the State Auditor Rule 2.2.2 NMAC.

| <u>Bank Name</u>         | <u>Acct Type</u> | <u>Bank Balance</u> | <u>Deposits in Transit</u> | <u>Outstanding Checks</u> | <u>Book Balance</u> |
|--------------------------|------------------|---------------------|----------------------------|---------------------------|---------------------|
| Citizen's Bank of Clovis | 1                | 157,106             | 5,718                      |                           | 162,824             |
| Citizen's Bank of Clovis | 2                | <u>1,722</u>        |                            | <u>515</u>                | <u>1,207</u>        |
| Total                    |                  | <u>158,828</u>      | <u>5,718</u>               | <u>515</u>                | <u>164,031</u>      |

Account types:

- 1 Demand deposit
- 2 Negotiable Order of Withdrawal (NOW)

|   |                   |
|---|-------------------|
| Cash Reported in the Statement of Net Assets: |                   |
| Cash and Cash Equivalents                     | \$ 76,924         |
| Temporarily Restricted Assets:                |                   |
| Cash and Cash Equivalents                     | <u>87,107</u>     |
| Total   | <u>\$ 164,031</u> |

|  |                   |
|--|-------------------|
| Cash Reported in Financial Statements by Fund: |                   |
| Maintenance Fund                               | \$ 76,924         |
| Sinking Fund                                   | 53,975            |
| Watermaster Fund                               | <u>33,132</u>     |
| Total  | <u>\$ 164,031</u> |

SEE INDEPENDENT AUDITORS' REPORTS  
 The Accompanying Notes Are An Integral Part Of These Financial Statements

## **COMPLIANCE SECTION**

*Beckham & Penner, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

103 6TH ST. N.E., P.O. BOX 179

SOCORRO, NEW MEXICO 87801

PHONE 505/835-1091 FAX 505/835-1224

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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. Hector Balderas, State Auditor,  
and  
Members of the Board of Directors  
Fort Sumner Irrigation District  
Fort Sumner, New Mexico

We have audited the financial statements of the business-type activities and each major fund of Fort Sumner Irrigation District, Fort Sumner, New Mexico (the "District") as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. We have also audited the budgetary comparison statements for each of the District's business-type funds as presented as supplementary information and have issued our report thereon dated December 22, 2008. 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 (GAS)*, 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 financial 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.



**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, continued**

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as item:

2006-01      Segregation of Accounting Duties

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statement 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, of the significant deficiencies described above, we consider item:

2006-01      Segregation of Accounting Duties

to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as item:

2005-02      Timeliness of Audit Report

**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, continued**

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 Board of Directors, the New Mexico State Auditor and management, the New Mexico Legislature, and the New Mexico Department of Finance and Administration and is not intended to be and should not be used by anyone other than these specified parties.

*Beckham & Penner P.C.*

December 22, 2008

Beckham & Penner, P.C.

Certified Public Accountants

**STATE OF NEW MEXICO  
FORT SUMNER IRRIGATION DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2007**

**PRIOR YEAR FINDINGS**

**STATUS**

|         |                                  |          |
|---------|----------------------------------|----------|
| 2005-02 | Timeliness of Audit Report       | Repeated |
| 2006-01 | Segregation of Accounting Duties | Repeated |

**CURRENT YEAR FINDINGS**

|         |                                  |
|---------|----------------------------------|
| 2005-02 | Timeliness of Audit Report       |
| 2006-01 | Segregation of Accounting Duties |

**STATE OF NEW MEXICO  
FORT SUMNER IRRIGATION DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES, continued  
June 30, 2007**

**2005-02      TIMELINESS OF AUDIT REPORT**

**Statement of Condition:**

The New Mexico State Auditor required the audit to be completed and submitted to his office by December 1, 2007. The report was submitted December 22, 2008.

**Criteria:**

Governmental entities, agencies, and committees review the reports and prefer to do so in a timely manner. The SAO Rule, NMAC 2.2.2.9 A (1)(d) establishes a due date of December 1 for the audit reports of special districts.

**Effect:**

The users of the financial statements such as legislators, creditors, bondholders, state and federal grantors, etc., do not have timely audit reports and financial statements for their review.

**Cause:**

The District did not timely engage an auditor until after the due date.

**Recommendation:**

The District should comply with the State Auditor's delivery due date.

**Response:**

We will continue our efforts to comply with the State Auditor's delivery due date.

STATE OF NEW MEXICO  
FORT SUMNER IRRIGATION DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES, continued  
June 30, 2007

2006-01      SEGREGATION OF ACCOUNTING DUTIES

**Statement of 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; 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.

**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 action of the employee.

**Recommendation:**

We recommend the directors continue to review the fiscal records on a routine basis and continue to sign and review all checks. The District could consider the use of an independent service for the monthly posting of the accounting records and customer billing and receivables.

**Response:**

The District directors understand the risk of having only one office employee, therefore, they will continue to review the fiscal records on a routine basis, continue to sign and review all checks, and 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, 2007**

**Preparation of Financial Statements**

The accompanying financial statements were substantially prepared by The Auditors; however, management acknowledges and accepts responsibility for the financial statements.

**EXIT CONFERENCE**

An exit conference was held on December 22, 2008 via teleconference with the Fort Sumner Irrigation District.

In attendance for the District:

|                        |           |
|------------------------|-----------|
| Leslie Armstrong       | President |
| Carole "Cammy" Mansell | Secretary |

In attendance for the Auditor:

|                  |         |
|------------------|---------|
| Rick Penner, CPA | Auditor |
|------------------|---------|