

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

**FINANCIAL STATEMENTS, and
AGREED UPON PROCEDURES**

JUNE 30, 2011

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
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June 30, 2011**

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, 2011**

BOARD OF DIRECTORS

| | |
|--------------------|-----------|
| Clifford Kenyon | President |
| Clifford Gunn | Director |
| Terry Rhodes | Director |
| Larry Tibbs | Director |
| Thomas J. Walraven | Director |

ADMINISTRATIVE STAFF

| | |
|------------------------|---------------|
| Carole "Cammy" Mansell | Secretary |
| Alan C. West | Water Manager |

FINANCIAL SECTION

Beckham & Penner, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

SOCORRO, NEW MEXICO 87801

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

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

We have compiled the accompanying financial statements of the business-type activities and each fund of Fort Sumner Irrigation District, Fort Sumner, New Mexico, ("the District"), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. A compilation is limited to representing in the form of financial statements, information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

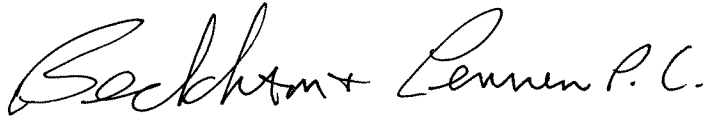
The management of the Fort Sumner Irrigation District is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has omitted the management's discussion and analysis information that is required to be presented for purposes of additional analysis. 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

INDEPENDENT ACCOUNTANT'S REPORT, continued

The schedules and budgetary comparison statements, listed as supplemental information in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information and accordingly, we do not express an opinion or provide any assurance on such supplementary information.

A handwritten signature in cursive script that reads "Beckham & Penner P.C.".

January 12, 2012

Beckham & Penner, P.C.

Certified Public Accountants

STATE OF NEW MEXICO
 FORT SUMNER IRRIGATION DISTRICT
STATEMENT OF NET ASSETS
 June 30, 2011

| | Business Type Activities |
|---|---|
| <u>ASSETS</u> | |
| Cash and cash equivalents | \$ 166,086 |
| Customer accounts receivable | 22,532 |
| Taxes receivable | 7,197 |
| Other receivables | 14,176 |
| Prepaid insurance | 2,477 |
| Temporarily restricted assets: | |
| Cash and cash equivalents | 94,778 |
| Taxes receivable | 3,127 |
| Capital assets not being depreciated: | |
| Land | 500 |
| Right of way | 4,871 |
| Capital assets, net of accumulated depreciation | <u>342,823</u> |
| | |
| Total assets | <u><u>\$ 658,567</u></u> |
| | |
| <u>LIABILITIES</u> | |
| Accounts payable | \$ 22,810 |
| Accrued salaries, wages and related payables | 8,855 |
| Current portion of compensated absences | 2,235 |
| Other liabilities: | |
| Payable within one year | 81,800 |
| Payable in more than one year | <u>624,964</u> |
| Total liabilities | <u>740,664</u> |
| | |
| <u>NET ASSETS</u> | |
| Invested in capital assets, net of related debt | (358,570) |
| Restricted for: | |
| Debt Service | 84,535 |
| Water Master Fee | 5,700 |
| Unrestricted | <u>186,238</u> |
| Total net assets | <u>(82,097)</u> |
| Total liabilities and net assets | <u><u>\$ 658,567</u></u> |

SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT
 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, 2011

| Function/Program: | <u>Expenses</u> | <u>Charges for Services</u> | <u>Capital Grants and Contributions</u> | <u>Net (Expense)/ Revenue</u> |
|-------------------------------------|-----------------|---------------------------------|---|---------------------------------------|
| Business-type activities: | | | | |
| Irrigation | \$ 570,481 | \$ 193,871 | \$ 153,884 | \$ (222,726) |
| General revenues: | | | | - |
| Property taxes and related interest | | | | 265,090 |
| Investment income | | | | <u>2,969</u> |
| Total general revenues | | | | <u>268,059</u> |
| Changes in net assets | | | | 45,333 |
| Net assets, beginning of year | | | | <u>(127,430)</u> |
| Net assets, end of year | | | | <u>\$ (82,097)</u> |

SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT
 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, 2011

| | <u>Maintenance</u> | <u>Sinking</u> | <u>Watermaster</u> | <u>Totals</u> |
|-------------------------------|--------------------|------------------|--------------------|--------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 166,086 | | | \$ 166,086 |
| Customer accounts receivable | 22,532 | | | 22,532 |
| Taxes receivable | 7,197 | | | 7,197 |
| Other receivables | 14,176 | | | 14,176 |
| Due from other funds | - | | | - |
| Prepaid insurance | 2,477 | | | 2,477 |
| Total current assets | <u>212,468</u> | <u>-</u> | <u>-</u> | <u>212,468</u> |
| Restricted current assets: | | | | |
| Cash and cash equivalents | | 82,612 | 12,166 | 94,778 |
| Due from other funds | | - | - | - |
| Taxes receivable | | 1,923 | 1,204 | 3,127 |
| Total restricted assets | <u>-</u> | <u>84,535</u> | <u>13,370</u> | <u>97,905</u> |
| Non-current assets: | | | | |
| Capital assets: | | | | |
| Land | 500 | | | 500 |
| Right of way | 4,871 | | | 4,871 |
| Building | 15,742 | | | 15,742 |
| Irrigation system | 2,964,715 | | | 2,964,715 |
| Machinery and equipment | 355,290 | | | 355,290 |
| | <u>3,341,118</u> | <u>-</u> | <u>-</u> | <u>3,341,118</u> |
| Less accumulated depreciation | <u>(2,992,924)</u> | | | <u>(2,992,924)</u> |
| Net capital assets | <u>348,194</u> | <u>-</u> | <u>-</u> | <u>348,194</u> |
| Total assets | <u>\$ 560,662</u> | <u>\$ 84,535</u> | <u>\$ 13,370</u> | <u>\$ 658,567</u> |

SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT
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, 2011

| | <u>Maintenance</u> | <u>Sinking</u> | <u>Watermaster</u> | <u>Totals</u> |
|--|--------------------|------------------|--------------------|-------------------|
| <u>LIABILITIES</u> | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 15,140 | | \$ 7,670 | \$ 22,810 |
| Accrued salaries, wages and related payables | 8,855 | | | 8,855 |
| Due to other funds | - | | - | - |
| Current portion of compensated absences | 2,235 | | | 2,235 |
| Total current liabilities payable from unrestricted assets | <u>26,230</u> | <u>-</u> | <u>7,670</u> | <u>33,900</u> |
| Current liabilities payable from restricted assets: | | | | |
| Current portion Bureau of Reclamation long-term debt | | 81,800 | | 81,800 |
| Total current liabilities | <u>26,230</u> | <u>81,800</u> | <u>7,670</u> | <u>115,700</u> |
| Noncurrent liabilities payable from restricted assets: | | | | |
| Long-term portion of Bureau of Reclamation debt | | 624,964 | | 624,964 |
| Total long-term liabilities payable from restricted assets | <u>-</u> | <u>624,964</u> | <u>-</u> | <u>624,964</u> |
| Total liabilities | <u>26,230</u> | <u>706,764</u> | <u>7,670</u> | <u>740,664</u> |
| <u>NET ASSETS</u> | | | | |
| Invested in capital assets, net of related debt | 348,194 | (706,764) | | (358,570) |
| Restricted for: | | | | |
| Debt Service | | 84,535 | | 84,535 |
| Water Master Fee | | | 5,700 | 5,700 |
| Unrestricted | 186,238 | | | 186,238 |
| Total net assets | <u>534,432</u> | <u>(622,229)</u> | <u>5,700</u> | <u>(82,097)</u> |
| Total liabilities and net assets | <u>\$ 560,662</u> | <u>\$ 84,535</u> | <u>\$ 13,370</u> | <u>\$ 658,567</u> |

SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT
The Accompanying Notes Are An Integral Part Of These Financial Statements

EXHIBIT 3

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, 2011

| | <u>Enterprise Funds</u> | | | <u>Totals</u> |
|--|-------------------------|---------------------|--------------------|--------------------|
| | <u>Maintenance</u> | <u>Sinking</u> | <u>Watermaster</u> | |
| Operating revenues: | | | | |
| Property taxes | \$ 178,970 | \$ 55,099 | \$ 30,700 | \$ 264,769 |
| Water tolls | 146,809 | - | - | 146,809 |
| Irrigation for farmers | 44,778 | - | - | 44,778 |
| Interest from delinquent taxes | 246 | 75 | - | 321 |
| Miscellaneous | 2,284 | - | - | 2,284 |
| Total operating revenue | <u>373,087</u> | <u>55,174</u> | <u>30,700</u> | <u>458,961</u> |
| Operating expenses: | | | | |
| Ditches labor | 211,961 | - | - | 211,961 |
| Depreciation | 38,054 | - | - | 38,054 |
| Ditches supplies | 58,079 | - | - | 58,079 |
| Equipment supplies | 79,394 | - | - | 79,394 |
| Insurance expense | 51,049 | - | - | 51,049 |
| Legal and accounting | 44,970 | - | - | 44,970 |
| Water master contract | - | - | 31,504 | 31,504 |
| Secretary's salary | 16,484 | - | - | 16,484 |
| Other operating expense | 38,145 | 540 | 301 | 38,986 |
| Total operating expenses | <u>538,136</u> | <u>540</u> | <u>31,805</u> | <u>570,481</u> |
| Operating income (loss) | <u>(165,049)</u> | <u>54,634</u> | <u>(1,105)</u> | <u>(111,520)</u> |
| Non-operating revenue (expenses): | | | | |
| Interest from investments | 2,969 | - | - | 2,969 |
| State grants | 43,884 | - | - | 43,884 |
| Federal grants | 110,000 | - | - | 110,000 |
| Total non-operating revenue (expenses) | <u>156,853</u> | <u>-</u> | <u>-</u> | <u>156,853</u> |
| Change in total assets | (8,196) | 54,634 | (1,105) | 45,333 |
| Total net assets, beginning of year | <u>542,628</u> | <u>(676,863)</u> | <u>6,805</u> | <u>(127,430)</u> |
| Total net assets, end of year | <u>\$ 534,432</u> | <u>\$ (622,229)</u> | <u>\$ 5,700</u> | <u>\$ (82,097)</u> |

SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT
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, 2011

| | <u>Enterprise Funds</u> | | | <u>Totals</u> |
|--|-------------------------|------------------|--------------------|-------------------|
| | <u>Maintenance</u> | <u>Sinking</u> | <u>Watermaster</u> | |
| Cash flows from operating activities: | | | | |
| Property tax received | \$ 175,621 | \$ 54,066 | \$ 30,080 | \$ 259,767 |
| Cash received from customers and others | 192,888 | - | - | 192,888 |
| Cash paid to suppliers for goods and services | (266,892) | (540) | (31,721) | (299,153) |
| Cash payments to and on behalf of employees | (228,664) | - | - | (228,664) |
| Net cash flows from operating activities | <u>(127,047)</u> | <u>53,526</u> | <u>(1,641)</u> | <u>(75,162)</u> |
| Cash flows from noncapital financing activities: | | | | |
| Increase (decrease) interfund receivables / payables | - | - | - | - |
| Net cash flows from noncapital financing activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Cash flows from capital and related financing activities: | | | | |
| Purchases of property, plant and equipment | (95,145) | - | - | (95,145) |
| Principal payments | - | (54,533) | - | (54,533) |
| State grants received | 33,615 | - | - | 33,615 |
| Federal grants received | 110,000 | - | - | 110,000 |
| Net cash flows from capital and related financing activities | <u>48,470</u> | <u>(54,533)</u> | <u>-</u> | <u>(6,063)</u> |
| Cash flows from investing activities: | | | | |
| Interest received | 2,969 | - | - | 2,969 |
| Net cash flows from investing activities | <u>2,969</u> | <u>-</u> | <u>-</u> | <u>2,969</u> |
| Increase(decrease) in cash and cash equivalents | (75,608) | (1,007) | (1,641) | (78,256) |
| Cash and cash equivalents, beginning of year | <u>241,694</u> | <u>83,619</u> | <u>13,807</u> | <u>339,120</u> |
| Cash and cash equivalents, end of year | <u>\$ 166,086</u> | <u>\$ 82,612</u> | <u>\$ 12,166</u> | <u>\$ 260,864</u> |

RECONCILIATION OF OPERATING INCOME TO
NET CASH FLOWS FROM OPERATING
ACTIVITIES

| | | | | |
|---|---------------------|------------------|-------------------|--------------------|
| Operating income (loss) | \$ (165,049) | \$ 54,634 | \$ (1,105) | \$(111,520) |
| Adjustments to reconcile operating income to net cash flows from operating activities | | | | |
| Depreciation | 38,054 | - | - | 38,054 |
| (Increase) decrease in operating assets: | | | | |
| Accounts receivable | (983) | - | - | (983) |
| Taxes receivable | (3,595) | (1,108) | (619) | (5,322) |
| Prepaid insurance | 705 | - | - | 705 |
| Other Receivables | - | - | - | - |
| Increase (decrease) in operating liabilities: | | | | |
| Accounts payable | 3,472 | - | 83 | 3,555 |
| Payroll taxes expense and withholding | 1,395 | - | - | 1,395 |
| Accrued expenses | (1,046) | - | - | (1,046) |
| Net cash flows from operating activities | <u>\$ (127,047)</u> | <u>\$ 53,526</u> | <u>\$ (1,641)</u> | <u>\$ (75,162)</u> |

SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT
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, 2011**

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**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2011**

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**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

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, 2011.

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 include the following individual funds:

Maintenance
Sinking
Watermaster

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2011**

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, 2011**

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, and property taxes. 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 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, 2011**

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 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 |

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2011**

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, 2011, the District did not have interfund transfers.

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2011**

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 affects 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 two budget amendments during the fiscal year.

STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2011

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, 2011**

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, 2011.

| | | |
|--|----|-----------|
| Total of deposits in bank | \$ | 262,019 |
| Less FDIC coverage | | (250,000) |
| Uninsured public funds | \$ | 12,019 |
| Pledged Collateral held by the pledging banks trust department or agent but not in the District's name | | (86,819) |
| Uninsured and uncollateralized | \$ | - |

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2011**

3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, continued

A. CASH AND INVESTMENTS-COLLATERALIZATION, continued

The amount above identified as uninsured \$12,019 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 that exceeded the FDIC insurance amount were collateralized as shown in the following schedule:

| | |
|---|--------------------|
| <u>Citizens Bank of Clovis</u> | |
| Deposits (per bank) | \$ 262,019 |
| Less FDIC Insurance: | |
| Demand deposit | <u>(250,000)</u> |
| Net uninsured balance | <u>12,019</u> |
| Required collateralization at 50% of uninsured, per statute | 6,010 |
| Pledge Collateral held by the pledging bank's trust department but not in the District's name | <u>86,819</u> |
| Pledge Collateral (over) under the requirement | <u>\$ (80,809)</u> |

The District did not have any investments, as defined in GASB 40, at any time during the year ended June 30, 2011, 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, 2011**

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 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 \$22 per acre. A minimum charge of \$75 is assessed when irrigated acreage is less than 3.41 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, 2011, 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 | \$ 26.70 |
| Sinking | 8.22 |
| Watermaster | <u>4.58</u> |
| Total | \$ <u>39.50</u> |

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2011**

3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, continued

D. TAXES RECEIVABLE, continued

At June 30, 2011 property taxes unpaid for the tax year 2010 were as follows:

| | |
|-------------|------------------|
| Maintenance | \$ 7,197 |
| Sinking | 1,923 |
| Watermaster | <u>1,204</u> |
| Total | \$ <u>10,324</u> |

E. OTHER RECEIVABLES

The District had the following other receivables for the fiscal year ending June 30, 2011:

| | <u>Receivable</u> |
|--------------------------------|-------------------|
| Maintenance Fund: | |
| State Grant: | |
| Acequia & Community Ditch Fund | \$ 14,176 |
| Sinking Fund: | |
| None | |
| Watermaster Fund: | |
| None | |
| Total | \$ <u>14,176</u> |

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2011**

3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, continued

F. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2011, was as follows:

| | Balance at June 30, 2010 | Additions | Deletions | Balance at June 30, 2011 |
|---|-----------------------------|------------------|-------------|-----------------------------|
| Capital Assets: | | | | |
| Not being depreciated: | | | | |
| Land | \$ 500 | \$ - | \$ - | \$ 500 |
| Water Rights | 4,871 | - | - | 4,871 |
| | <u>5,371</u> | <u>-</u> | <u>-</u> | <u>5,371</u> |
| Being depreciated: | | | | |
| Buildings | 15,742 | - | - | 15,742 |
| Irrigation Systems | 2,869,571 | 95,144 | - | 2,964,715 |
| Machinery and equipment | 355,290 | - | - | 355,290 |
| | <u>3,240,603</u> | <u>95,144</u> | <u>-</u> | <u>3,335,747</u> |
| Less accumulated depreciation: | | | | |
| Buildings | (15,742) | - | - | (15,742) |
| Irrigation Systems | (2,598,285) | (34,167) | - | (2,632,452) |
| Machinery and equipment | (340,843) | (3,887) | - | (344,730) |
| | <u>(2,954,870)</u> | <u>(38,054)</u> | <u>-</u> | <u>(2,992,924)</u> |
| Total capital assets being depreciated, net | <u>285,733</u> | <u>57,090</u> | <u>-</u> | <u>342,823</u> |
| Business-type capital assets, net | <u>\$ 291,104</u> | <u>\$ 57,090</u> | <u>\$ -</u> | <u>\$ 348,194</u> |

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, 2011**

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 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 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, 2011 totaled \$2,235 (at June 30, 2010, the amount was \$3,281). Of the total amount \$2,235 is considered current and \$-0- is considered long-term debt. During the year annual leave increased \$4,176 and decreased by \$5,222. 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, 2011.

| | Balance June 30, <u>2010</u> | <u>Increase</u> | <u>(Decrease)</u> | Balance June 30, <u>2011</u> | Current <u>Portion</u> |
|----------------------|------------------------------------|-----------------|-------------------|------------------------------------|---------------------------|
| Compensated Absences | \$ 3,281 | \$ 4,176 | \$ 5,222 | \$ 2,235 | \$ 2,235 |
| BOR Debt - See Below | <u>761,297</u> | | <u>54,533</u> | <u>706,764</u> | <u>81,800</u> |
| | <u>\$ 764,578</u> | <u>\$ 4,176</u> | <u>\$ 59,755</u> | <u>\$ 708,999</u> | <u>\$ 84,035</u> |

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2011**

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 Parity Ration Year | Gross Crop Income Year | |
| BASE CHARGE (X) | <u>Preceding Year of Notice (X)</u> | <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, 2011 was \$706,764 (the amount due at June 30, 2010 was \$761,297). Of that amount \$81,800 was considered current (payable within one year) and \$624,964 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, 2011 becomes the following:

| | |
|---|-----------------|
| Second half payment of installment due August 1, 2011 | \$27,266 |
| Installment due February 1, 2012 | <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 \$624,964 in noncurrent BOR debt.

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2011**

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. 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 \$51,049. 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 ASSETS

Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three components: invested in capital assets, net of related debt; restricted; and unrestricted net assets. Invested in capital assets, net of related debt, consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted net assets consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net assets consist of all other net assets not included in the above categories.

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2011**

4. OTHER NOTES, continued

E. NET ASSETS, continued

There is a deficit in net assets in the amount of \$82,097 for the year ended June 30, 2011. The deficit is the result of the recognition of depreciation expense in accordance with generally accepted accounting principles.

F. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

| | <u>Maintenance</u> | <u>Sinking</u> | <u>Watermaster</u> |
|-------------------------------------|--------------------|------------------|--------------------|
| Budgetary Basis-Operating | | | |
| Revenues and non-operating | | | |
| Revenues over (under) operating | | | |
| Non-operating expenses | \$ (75,608) | \$ (1,007) | \$ (1,641) |
| Increase (decrease) in assets: | | | |
| Accounts receivable | 983 | - | - |
| Taxes receivable | 3,595 | 1,108 | 619 |
| Prepaid insurance | (705) | - | - |
| Other receivables | 10,269 | - | - |
| (Increase) decrease in liabilities: | | | |
| Accounts payable | (3,472) | - | (83) |
| Accrued salaries and benefits | (1,395) | - | - |
| Compensated absences | 1,046 | - | - |
| Other adjustments: | | | |
| Debt service | - | 54,533 | - |
| Capital outlay | 95,145 | - | - |
| Depreciation | (38,054) | - | - |
| GAAP Basis-change in | | | |
| Net Assets | <u>(8,196)</u> | <u>\$ 54,634</u> | <u>\$ (1,105)</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, 2011

| | <u>Budgeted Amount</u> | | <u>Actual (Budgetary Basis)</u> | <u>Variances</u> | |
|--|------------------------|------------------|---|------------------------------|----------------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Positive (Negative)</u> | |
| | | | | <u>Original To Final</u> | <u>Actual To Final</u> |
| Operating Revenues: | | | | | |
| Property taxes | \$ 178,970 | \$ 178,970 | \$ 175,375 | \$ - | \$ (3,595) |
| Water tolls | 146,558 | 146,558 | 145,827 | - | (731) |
| Interest from delinquent taxes | 600 | 600 | 246 | - | (354) |
| Miscellaneous | 30,055 | 30,055 | 47,061 | - | 17,006 |
| Total revenues | <u>356,183</u> | <u>356,183</u> | <u>368,509</u> | <u>-</u> | <u>12,326</u> |
| Expenses: | | | | | |
| Current: | | | | | |
| Salaries and benefits | 244,641 | 244,641 | 228,664 | - | 15,977 |
| Operating expenses | 226,857 | 253,857 | 266,892 | (27,000) | (13,035) |
| Non-current: | | | | | |
| Capital outlay | 95,000 | 95,000 | 95,145 | - | (145) |
| Total expenses | <u>566,498</u> | <u>593,498</u> | <u>590,701</u> | <u>(27,000)</u> | <u>2,797</u> |
| Revenues over (under) expenditures | <u>(210,315)</u> | <u>(237,315)</u> | <u>(222,192)</u> | <u>(27,000)</u> | <u>15,123</u> |
| Non-operating revenue (expenses): | | | | | |
| State grants | 50,000 | 50,000 | 33,615 | - | (16,385) |
| Federal grants | 81,000 | 81,000 | 110,000 | - | 29,000 |
| Interest from investments | 3,600 | 3,600 | 2,969 | - | (631) |
| | <u>134,600</u> | <u>134,600</u> | <u>146,584</u> | <u>-</u> | <u>11,984</u> |
| Cash balance available to balance budget | <u>75,715</u> | <u>102,715</u> | <u>-</u> | <u>27,000</u> | <u>(102,715)</u> |
| Operating revenues and non-operating | | | | | |
| Revenues over (under) operating | | | | | |
| Expenses and non-operating expenses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (75,608)</u> | <u>\$ -</u> | <u>\$ (75,608)</u> |

SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT
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, 2011

| | <u>Budgeted Amount</u> | | <u>Actual (Budgetary Basis)</u> | <u>Variances</u> | |
|--------------------------------------|------------------------|-----------------|---|------------------------------|----------------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Positive (Negative)</u> | |
| | | | | <u>Original To Final</u> | <u>Actual To Final</u> |
| Operating Revenues: | | | | | |
| Property taxes | \$ 55,099 | \$ 55,099 | \$ 53,991 | \$ - | \$ (1,108) |
| Interest from delinquent taxes | 100 | 100 | 75 | - | (25) |
| Total revenues | <u>55,199</u> | <u>55,199</u> | <u>54,066</u> | <u>-</u> | <u>(1,133)</u> |
| Expenses: | | | | | |
| Current: | | | | | |
| Operating expenses | <u>570</u> | <u>570</u> | <u>540</u> | <u>-</u> | <u>30</u> |
| Revenues over (under) expenditures | <u>54,629</u> | <u>54,629</u> | <u>53,526</u> | <u>-</u> | <u>(1,103)</u> |
| Non-operating revenue (expenses): | | | | | |
| Debt service | (54,535) | (54,535) | (54,533) | - | 2 |
| Interest from investments | - | - | - | - | - |
| | <u>(54,535)</u> | <u>(54,535)</u> | <u>(54,533)</u> | <u>-</u> | <u>2</u> |
| Operating revenues and non-operating | | | | | |
| Revenues over (under) operating | | | | | |
| Expenses and non-operating expenses | <u>\$ 94</u> | <u>\$ 94</u> | <u>\$ (1,007)</u> | <u>\$ -</u> | <u>\$ (1,101)</u> |

SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT
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, 2011

| | <u>Budgeted Amount</u> | | <u>Actual (Budgetary Basis)</u> | <u>Variances</u> | |
|--|------------------------|----------------|---|------------------------------|----------------------------|
| | | | | <u>Positive (Negative)</u> | |
| | <u>Original</u> | <u>Final</u> | | <u>Original To Final</u> | <u>Actual To Final</u> |
| Operating Revenues: | | | | | |
| Property taxes | \$ 30,700 | \$ 30,700 | \$ 30,080 | \$ - | \$ (620) |
| Interest from delinquent taxes | - | - | - | - | - |
| Total revenues | <u>30,700</u> | <u>30,700</u> | <u>30,080</u> | <u>-</u> | <u>(620)</u> |
| Expenses: | | | | | |
| Current: | | | | | |
| Operating expenses | <u>30,700</u> | <u>31,750</u> | <u>31,721</u> | <u>1,050</u> | <u>29</u> |
| Revenues over (under) expenditures | <u>-</u> | <u>(1,050)</u> | <u>(1,641)</u> | <u>(1,050)</u> | <u>(591)</u> |
| Non-operating revenue (expenses): | | | | | |
| Interest from investments | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Cash balance available to balance budget | <u>-</u> | <u>1,050</u> | | <u>1,050</u> | <u>(1,050)</u> |
| Operating revenues and non-operating | | | | | |
| Revenues over (under) operating | | | | | |
| Expenses and non-operating expenses | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (1,641)</u> | <u>\$ -</u> | <u>\$ (1,641)</u> |

SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT
 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, 2011

| | <u>Security Number</u> | <u>CUSIP Number</u> | <u>Fair-Market Value</u> | <u>Maturity Date</u> |
|--|----------------------------|-------------------------|------------------------------|--------------------------|
| <u>Citizens Bank of Clovis</u> GNMA II Pool | 80869 | 3625C8F8 | \$ 86,819 | 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 ACCOUNTANT'S COMPILATION 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, 2011

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 | \$ 254,677 | \$ - | \$ - | \$ 254,677 |
| Citizen's Bank of Clovis | 2 | <u>7,342</u> | <u>-</u> | <u>1,155</u> | <u>6,187</u> |
| Total | | <u>\$ 262,019</u> | <u>\$ -</u> | <u>\$ 1,155</u> | <u>\$ 260,864</u> |

Account types:

- 1 Money Market Demand Deposit (MMDA)
- 2 Negotiable Order of Withdrawal (NOW)

| | |
|---|-------------------|
| Cash Reported in Statement of Net Assets: | |
| Cash and Cash Equivalents | \$ 166,086 |
| Restricted Current Assets: | |
| Cash and Cash Equivalents | <u>94,778</u> |
| Total | <u>\$ 260,864</u> |

| | |
|--|-------------------|
| Cash Reported in Financial Statements by Fund: | |
| Maintenance Fund | \$ 166,086 |
| Sinking Fund | 82,612 |
| Watermaster Fund | <u>12,166</u> |
| Total | <u>\$ 260,864</u> |

SEE INDEPENDENT ACCOUNTANT'S COMPILATION REPORT
 The Accompanying Notes Are An Integral Part Of These Financial Statements

AGREED UPON PROCEDURES SECTION

Beckham & Penner, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

SOCORRO, NEW MEXICO 87801

PHONE 575/835-1091 FAX 575/835-1224

bppccpa@sdc.org

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures described in the following Schedule of Procedures, which were agreed to by Fort Sumner Irrigation District and the New Mexico Office of the State Auditor, solely to assist those parties with respect to the Tier 6 requirements of the Audit Act – Section 12-6-3 B (6) NMSA 1978 and Section 2.2.2.16 NMAC, as of and for the fiscal year ending June 30, 2011. Fort Sumner Irrigation District's management is responsible for the District's financial statements and presentation of the Tier 6 requirements. This engagement to apply agreed-upon procedures was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified parties of the report. Consequently, we make no representation regarding the sufficiency of the procedures described in the following Schedule of Procedure either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are described in the following Schedule of Procedures and Results of Procedures.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the financial statements. Accordingly, we do not express such an opinion. 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 Fort Sumner Irrigation District and the New Mexico Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Beckham & Penner P.C.

January 12, 2012

Beckham & Penner, P.C.

Certified Public Accountants

STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
SCHEDULE OF PROCEDURES AND RESULTS OF PROCEDURES
June 30, 2011

Procedure 1: 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.
- b) Perform a random test of bank reconciliations for accuracy. Also trace ending balances to the general ledger, supporting documentation, and the financial reports submitted to DFA-Local Government Division.
- c) Determine whether the local public body's financial institutions have provided it with the 50% of the pledged collateral on all the uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

Results: We obtained all of the bank statements, bank reconciliations, general ledger, DFA financial reports, and bank pledged collateral statements for the fiscal year and performed the above procedures.

- a) The bank reconciliations are being performed in a timely manner and all bank statements for the fiscal year were complete and on-hand. Fort Sumner Irrigation District does not have any investment, thus there were no investment statements.
- b) The bank reconciliations were accurate and agreed to the general ledger and supporting documentation. The ending cash balances are not included on the financial reports submitted to DFA- Local Government Division.
- c) The pledged collateral exceeded the requirements of Section 6-10-17 NMSA 1978, NM Public Money Act.

Procedure 2: Capital Assets

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

Results: We obtained the yearly inventory and determined that the District is performing the yearly inventory as required by Section 12-6-10 NMSA 1978.

STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
SCHEDULE OF PROCEDURES AND RESULTS OF PROCEDURES
June 30, 2011

Procedure 3: 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: We determined the required debt payments were timely made during the fiscal year and there are no debt agreement required reserves.

Procedure 4: Revenue

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.

Select a sample of revenue based on auditor judgment and test using 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: We obtained the budget, agreements, rate schedules, underlying documentation, general ledger, and bank statements for the fiscal year and performed the above procedures.

- a) Actual revenue compared to budget is presented as supplementary information in the compilation report.
- b) The sample of revenue was found to be recorded in the general ledger and agreed to the supporting documentation and bank statements.
- c) The sample of revenue was properly classified and recorded in the general ledger and presented in the financial statements on the budgetary basis of accounting which is a modified accrual basis.

STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
SCHEDULE OF PROCEDURES AND RESULTS OF PROCEDURES
June 30, 2011

Procedure 5: Expenditures

Select a sample of cash disbursements based on auditor judgment and test using 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, contact and canceled check, as appropriate.
- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- c) Determine that the bid process (or request for proposal process if applicable), purchase order, 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: We obtained the paid vouchers for the fiscal year and performed the above procedures on a sample of the vouchers.

- a) For the vouchers examined, we determined that the amounts recorded in the accounting records agreed to the supporting documentation and verified that the amount, payee, date and description agreed to the vendor's invoice, purchase order, contract and cancelled check, as appropriate.
- b) For the vouchers examined, we determined that the disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures.
- d) For the vouchers examined, we determined that, when applicable, the bid process or request for proposal process, purchase order, 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).

STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
SCHEDULE OF PROCEDURES AND RESULTS OF PROCEDURES
June 30, 2011

Procedure 6: Journal Entries

If non-routine journal entries, such as adjustments or reclassifications, are posted to the general ledger, test significant items for the following attributes:

- a) Journal entries appear reasonable and have supporting documentation.
- b) The local public body has procedures that require journal entries to be reviewed and there is evidence the reviews are being performed.

Results: We examined the general journal entries posted to the general ledger and performed the above procedures on the significant items.

- a) The journal entries appear reasonable and had supporting documentation.
- c) The District had procedures that require journal entries to be reviewed and there was evidence the reviews were being performed.

Procedure 7: 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 exceed the final budget at the legal level of budgetary control; if so, report a compliance finding.
- c) From the original and final approved budgets and general ledger, prepare a schedule of revenue and expenditures – budget and actual on the budgetary basis used by the local public body (cash, accrual or modified accrual basis) for each individual fund.

STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
SCHEDULE OF PROCEDURES AND RESULTS OF PROCEDURES
June 30, 2011

Procedure 7: Budget, continued

Results: We obtained the original budget, the budget amendment, minutes and budget correspondence, and general ledger for the fiscal year and performed the above procedures.

- a) We verified that the original budget and budget amendment was approved by the District and DFA-LGD.
- b) We determined that the actual expenditures for the fiscal year did not exceed the final budget at the legal level of budgetary control.
- c) We prepared a schedule of revenue and expenditures – budgetary basis for each individual fund and have presented them as supplementary information in the compilation report.

Procedure 8: Capital Outlay Appropriations

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.

Result: The District did not receive or expend any state funded capital outlay appropriations during the fiscal year.

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011**

PRIOR YEAR FINDINGS

STATUS

| | | |
|---------|---|----------|
| 2005-02 | Timeliness of Report Delivered to State Auditor | Repeated |
| 2006-01 | Segregation of Accounting Duties | Repeated |

CURRENT YEAR FINDINGS

| | |
|---------|---|
| 2005-02 | Timeliness of Report Delivered to State Auditor |
| 2006-01 | Segregation of Accounting Duties |

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS, continued
June 30, 2011**

2005-02 TIMELINESS OF REPORT DELIVERED TO STATE AUDITOR

Statement of Condition:

The New Mexico State Auditor required the report to be completed and submitted to his office by December 1, 2011. The report was submitted January 12, 2012.

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 reports and financial statements for their review.

Cause:

The Accountants could not complete the fiscal year end June 2011 audit in a timely manner due to the health issues of a firm member.

Recommendation:

The District and Accountants 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 RECOMMENDATIONS, continued
June 30, 2011**

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, 2011**

Preparation of Financial Statements

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

EXIT CONFERENCE

An exit conference was held on January 12, 2012, at the Fort Sumner Irrigation District.

In attendance for the District:

| | |
|------------------------|---------------|
| Clifford Kenyon | President |
| Carole "Cammy" Mansell | Secretary |
| Alan West | Water Manager |

In attendance for the Accountants:

| | |
|------------------|------------|
| Rick Penner, CPA | Accountant |
|------------------|------------|