

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY DATA**

**For the Year Ended JUNE 30, 2012
With Independent Auditors' Reports**

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, 2012**

BOARD OF DIRECTORS

| | |
|--------------------|-----------|
| Clifford Kenyon | President |
| Clifford Gunn | Director |
| Terry Rhodes | Director |
| Larry Don 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

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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 fund of Fort Sumner Irrigation District, Fort Sumner, New Mexico, ("the District"), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons statement of the District, presented as supplementary information for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the standards applicable to financial statement audits contained in the New Mexico State Audit Rule 2.2.2 NMAC. 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 the internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each fund of Fort Sumner Irrigation District, as of June 30, 2012, and the respective changes in financial position, and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparisons of the Fort Sumner Irrigation District for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT, continued

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2012, on our consideration of Fort Sumner Irrigation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Fort Sumner Irrigation District has omitted the *Management's Discussion and Analysis (MD&A)* which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board (GASB) 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. Our opinion on the basis financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the basis financial statements, each fund, and the budgetary comparisons. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The additional information, as listed in the table of contents as "Supporting Schedules", are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



November 29, 2012
Beckham & Penner P.C.
Certified Public Accountants

STATE OF NEW MEXICO
 FORT SUMNER IRRIGATION DISTRICT
STATEMENT OF NET ASSETS
 June 30, 2012

| | Business Type Activities |
|---|---|
| <u>ASSETS</u> | |
| Cash and cash equivalents | \$ 216,942 |
| Customer accounts receivable, net | 15,192 |
| Taxes receivable | 3,217 |
| Other receivables | 6,718 |
| Prepaid insurance | 2,743 |
| Temporarily restricted assets: | |
| Cash and cash equivalents | 99,879 |
| Taxes receivable | 1,260 |
| Capital assets not being depreciated: | |
| Land | 500 |
| Right of way | 4,871 |
| Capital assets, net of accumulated depreciation | <u>342,923</u> |
| Total assets | <u><u>\$ 694,245</u></u> |
| <u>LIABILITIES</u> | |
| Accounts payable | \$ 24,040 |
| Accrued salaries, wages and related payables | 5,154 |
| Accrued compensated absences | 1,708 |
| Other liabilities, debt: | |
| Debt payable within one year | 81,800 |
| Debt payable in more than one year | <u>570,431</u> |
| Total liabilities | <u><u>683,133</u></u> |
| <u>NET ASSETS</u> | |
| Invested in capital assets, net of related debt | (303,937) |
| Restricted for: | |
| Debt Service | 84,664 |
| Water Master Fee | 9,295 |
| Unrestricted | <u>221,090</u> |
| Total net assets | <u><u>11,112</u></u> |
| Total liabilities and net assets | <u><u>\$ 694,245</u></u> |

SEE INDEPENDENT AUDITORS' 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, 2012

| Function/Program: | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Net (Expense)/ Revenue</u> |
|-------------------------------------|------------------|---------------------------------|---|---------------------------------------|
| Business-type activities: | | | | |
| Irrigation | \$ 544,142 | \$ 191,492 | \$ 138,068 | \$ (214,582) |
| Forbearance | 871,165 | - | 915,793 | 44,628 |
| | <u>1,415,307</u> | <u>191,492</u> | <u>1,053,861</u> | <u>(169,954)</u> |
| General revenues: | | | | |
| Property taxes and related interest | | | | 260,818 |
| Investment income | | | | <u>2,345</u> |
| Total general revenues | | | | <u>263,163</u> |
| Changes in net assets | | | | 93,209 |
| Net assets, beginning of year | | | | <u>(82,097)</u> |
| Net assets, end of year | | | | <u>\$ 11,112</u> |

SEE INDEPENDENT AUDITORS' 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, 2012

| | <u>Maintenance</u> | <u>Sinking</u> | <u>Watermaster</u> | <u>Totals</u> |
|---------------------------------------|--------------------|------------------|--------------------|-------------------|
| ASSETS | | | | |
| Current assets, Unrestricted: | | | | |
| Cash and cash equivalents | \$ 216,942 | | | \$ 216,942 |
| Customer accounts receivable, net | 15,192 | | | 15,192 |
| Taxes receivable | 3,217 | | | 3,217 |
| Other receivables | 6,718 | | | 6,718 |
| Due from other funds | - | | | - |
| Prepaid insurance | 2,743 | | | 2,743 |
| Total current unrestricted assets | <u>244,812</u> | <u>-</u> | <u>-</u> | <u>244,812</u> |
| Restricted current assets: | | | | |
| Cash and cash equivalents | | 83,943 | 15,936 | 99,879 |
| Due from other funds | | - | - | - |
| Taxes receivable | | 721 | 539 | 1,260 |
| Total current restricted assets | <u>-</u> | <u>84,664</u> | <u>16,475</u> | <u>101,139</u> |
| Capital assets not being depreciated: | | | | |
| Land | 500 | | | 500 |
| Right of ways | 4,871 | | | 4,871 |
| Capital assets being depreciated: | | | | |
| Building | 15,742 | | | 15,742 |
| Irrigation system | 2,988,050 | | | 2,988,050 |
| Machinery and equipment | 358,735 | | | 358,735 |
| Total Capital Assets | 3,367,898 | - | - | 3,367,898 |
| Less accumulated depreciation | (3,019,604) | | | (3,019,604) |
| Net capital assets | <u>348,294</u> | <u>-</u> | <u>-</u> | <u>348,294</u> |
| Total assets | <u>\$ 593,106</u> | <u>\$ 84,664</u> | <u>\$ 16,475</u> | <u>\$ 694,245</u> |

SEE INDEPENDENT AUDITORS' 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, 2012

| | <u>Maintenance</u> | <u>Sinking</u> | <u>Watermaster</u> | <u>Totals</u> |
|--|--------------------|------------------|--------------------|-------------------|
| <u>LIABILITIES</u> | | | | |
| Current liabilities, payable from unrestricted assets: | | | | |
| Accounts payable | \$ 16,860 | | \$ 7,180 | \$ 24,040 |
| Accrued salaries, wages and related payables | 5,154 | | | 5,154 |
| Due to other funds | - | | - | - |
| Accrued compensated absences | 1,708 | | | 1,708 |
| Total current liabilities payable from unrestricted assets | <u>23,722</u> | <u>-</u> | <u>7,180</u> | <u>30,902</u> |
| Current liabilities payable from restricted assets: | | | | |
| Current portion Bureau of Reclamation long-term debt | | 81,800 | | 81,800 |
| Total current liabilities | <u>23,722</u> | <u>81,800</u> | <u>7,180</u> | <u>112,702</u> |
| Noncurrent liabilities payable from restricted assets: | | | | |
| Long-term portion of Bureau of Reclamation debt | | 570,431 | | 570,431 |
| Total long-term liabilities payable from restricted assets | <u>-</u> | <u>570,431</u> | <u>-</u> | <u>570,431</u> |
| Total liabilities | <u>23,722</u> | <u>652,231</u> | <u>7,180</u> | <u>683,133</u> |
| <u>NET ASSETS</u> | | | | |
| Invested in capital assets, net of related debt | 348,294 | (652,231) | | (303,937) |
| Restricted for: | | | | |
| Debt Service | | 84,664 | | 84,664 |
| Water Master Fee | | | 9,295 | 9,295 |
| Unrestricted | 221,090 | | | 221,090 |
| Total net assets | <u>569,384</u> | <u>(567,567)</u> | <u>9,295</u> | <u>11,112</u> |
| Total liabilities and net assets | <u>\$ 593,106</u> | <u>\$ 84,664</u> | <u>\$ 16,475</u> | <u>\$ 694,245</u> |

SEE INDEPENDENT AUDITORS' REPORT
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, 2012

| | <u>Maintenance</u> | <u>Sinking</u> | <u>Watermaster</u> | <u>Totals</u> |
|--|--------------------|---------------------|--------------------|------------------|
| Operating revenues: | | | | |
| Charges for Services: | | | | |
| Water tolls | \$ 149,085 | \$ - | \$ - | \$ 149,085 |
| Irrigation for farmers | 31,084 | - | - | 31,084 |
| Equipment and other charges | 11,323 | - | - | 11,323 |
| Total charges for services | <u>191,492</u> | <u>-</u> | <u>-</u> | <u>191,492</u> |
| Other operating revenues: | | | | |
| State operating grants | 28,048 | - | - | 28,048 |
| Federal operating grants | 1,025,813 | - | - | 1,025,813 |
| Total other operating revenues | <u>1,053,861</u> | <u>-</u> | <u>-</u> | <u>1,053,861</u> |
| Total operating revenue | <u>1,245,353</u> | <u>-</u> | <u>-</u> | <u>1,245,353</u> |
| Operating expenses: | | | | |
| Ditches labor | 188,230 | - | - | 188,230 |
| Secretary's salary | 17,183 | - | - | 17,183 |
| Ditches supplies and maintenance | 51,818 | - | - | 51,818 |
| Equipment supplies and maintenance | 67,349 | - | - | 67,349 |
| Insurance expense | 56,882 | - | - | 56,882 |
| Legal and accounting | 44,788 | - | - | 44,788 |
| Water master contract | - | - | 26,572 | 26,572 |
| Forbearance payments to farmers | 871,165 | - | - | 871,165 |
| Depreciation | 45,485 | - | - | 45,485 |
| Other operating expense | 44,967 | 560 | 308 | 45,835 |
| Total operating expenses | <u>1,387,867</u> | <u>560</u> | <u>26,880</u> | <u>1,415,307</u> |
| Net Operating income (loss) | <u>(142,514)</u> | <u>(560)</u> | <u>(26,880)</u> | <u>(169,954)</u> |
| Non-operating revenue (expenses): | | | | |
| Property taxes | 174,489 | 55,026 | 30,475 | 259,990 |
| Interest from delinquent taxes | 632 | 196 | - | 828 |
| Interest from investments | 2,345 | - | - | 2,345 |
| Total non-operating revenue (expenses) | <u>177,466</u> | <u>55,222</u> | <u>30,475</u> | <u>263,163</u> |
| Change in net assets | 34,952 | 54,662 | 3,595 | 93,209 |
| Total net assets, beginning of year | <u>534,432</u> | <u>(622,229)</u> | <u>5,700</u> | <u>(82,097)</u> |
| Total net assets, end of year | <u>\$ 569,384</u> | <u>\$ (567,567)</u> | <u>\$ 9,295</u> | <u>\$ 11,112</u> |

SEE INDEPENDENT AUDITORS' 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, 2012

| | <u>Maintenance</u> | <u>Sinking</u> | <u>Watermaster</u> | <u>Totals</u> |
|--|--------------------|------------------|--------------------|-------------------|
| Cash flows from operating activities: | | | | |
| Cash received from customers and others | \$ 198,832 | \$ - | \$ - | \$ 198,832 |
| Cash received from operating grants | 1,067,225 | - | - | 1,067,225 |
| Cash paid to farmers forbearance | (871,165) | - | - | (871,165) |
| Cash paid to suppliers for goods and services | (265,426) | (560) | (27,370) | (293,356) |
| Cash payments to and on behalf of employees | (214,471) | - | - | (214,471) |
| Net cash flows from operating activities | <u>(85,005)</u> | <u>(560)</u> | <u>(27,370)</u> | <u>(112,935)</u> |
| Cash flows from noncapital financing activities: | | | | |
| Property tax received | <u>178,469</u> | <u>56,228</u> | <u>31,140</u> | <u>265,837</u> |
| Net cash flows from noncapital financing activities | <u>178,469</u> | <u>56,228</u> | <u>31,140</u> | <u>265,837</u> |
| Cash flows from capital and related financing activities: | | | | |
| Purchases of property, plant and equipment | (45,585) | - | - | (45,585) |
| Principal payments | - | (54,533) | - | (54,533) |
| Net cash flows from capital and related financing activities | <u>(45,585)</u> | <u>(54,533)</u> | <u>-</u> | <u>(100,118)</u> |
| Cash flows from investing activities: | | | | |
| Interest received | <u>2,977</u> | <u>196</u> | <u>-</u> | <u>3,173</u> |
| Net cash flows from investing activities | <u>2,977</u> | <u>196</u> | <u>-</u> | <u>3,173</u> |
| Net increase(decrease) in cash and cash equivalents | 50,856 | 1,331 | 3,770 | 55,957 |
| Cash and cash equivalents, beginning of year | <u>166,086</u> | <u>82,612</u> | <u>12,166</u> | <u>260,864</u> |
| Cash and cash equivalents, end of year | <u>\$ 216,942</u> | <u>\$ 83,943</u> | <u>\$ 15,936</u> | <u>\$ 316,821</u> |

RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH FLOWS FROM OPERATING ACTIVITIES

| | | | | |
|---|--------------------|-----------------|--------------------|--------------------|
| Operating income (loss) | \$ (142,514) | \$ (560) | \$ (26,880) | \$(169,954) |
| Adjustments to reconcile operating income to net cash flows from operating activities | | | | |
| Depreciation | 45,485 | - | - | 45,485 |
| (Increase) decrease in operating assets: | | | | |
| Accounts receivable | 7,340 | - | - | 7,340 |
| Prepaid insurance | (266) | - | - | (266) |
| Other Receivables | 7,458 | - | - | 7,458 |
| Increase (decrease) in operating liabilities: | | | | |
| Accounts payable | 1,720 | - | (490) | 1,230 |
| Payroll taxes expense and withholding | (3,701) | - | - | (3,701) |
| Accrued expenses | (527) | - | - | (527) |
| Net cash flows from operating activities | <u>\$ (85,005)</u> | <u>\$ (560)</u> | <u>\$ (27,370)</u> | <u>\$(112,935)</u> |

SEE INDEPENDENT AUDITORS' 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, 2012**

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**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2012**

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**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

A. PROGRAM OF THE DISTRICT

The primary purpose of the Fort Sumner Irrigation District (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.

This summary of significant accounting policies for the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of the District's management who is responsible for their integrity and objectivity. The financial statements of the District have been prepared in conformity with accounting principles accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial principles. The financial statements have incorporated all applicable GASB pronouncements, as well as the Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements and opinions conflict with GASB. For proprietary funds, GASB provides 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.

B. FINANCIAL REPORTING ENTITY

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

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued

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

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. For the most part, the effect of interfund activity has been removed from the government wide financial statements. 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.

The Statement of Net assets and the Statement of Activities were prepared on the economic resources measurement focus and the accrual basis of accounting.

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued

D. BASIS OF ACCOUNTING, continued

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 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.

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.

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued

F. REVENUE AND EXPENSE RECOGNITION

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

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

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, as well as short-term investments with a maturity date within three months of the date acquired by the District.

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. Other receivables include grants and reimbursements due to the District.

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued

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 |

J. UNPAID COMPENSATED ABSENCES

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

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued

K. EQUITY CLASSIFICATIONS

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

Investment in capital assets, net of related debt – This category reflects the portion of net assets that are associated with capital assets that were or are being used for capital assets acquisition or construction.

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

Unrestricted net assets – This category reflects net assets not included in the above two categories.

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 fiscal year the District did not have any interfund transfers.

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.

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued

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 fiscal year.

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

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

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2012**

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

B. DEPOSITS AND INVESTMENTS, LAWS AND REGULATIONS

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

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

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

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

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2012**

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, 2012.

| | | |
|--|----|------------------|
| Total of deposits in bank | \$ | 320,170 |
| Less FDIC coverage | | <u>(250,000)</u> |
| Uninsured public funds | \$ | 70,170 |
| Pledged Collateral held by the pledging banks trust department or agent but not in the District's name | | <u>(603,725)</u> |
| Uninsured and uncollateralized | \$ | <u><u>-</u></u> |

The amount above identified as uninsured \$70,170 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.

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2012**

3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, continued

A. CASH AND INVESTMENTS-COLLATERALIZATION, continued

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) | \$ 320,170 |
| Less FDIC Insurance: | |
| Demand deposit | <u>(250,000)</u> |
| Net uninsured balance | <u>70,170</u> |
| Required collateralization at 50% of uninsured, per statute | 35,085 |
| Pledge Collateral held by the pledging bank's trust department but not in the District's name | <u>603,725</u> |
| Pledge Collateral over (under) the requirement | <u>\$ 568,640</u> |

The District did not have any investments, as defined in GASB 40, at any time during the year ended June 30, 2012, and was therefore, not subject to investment risk as described in that publication.

B. RESTRICTED ASSETS

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

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2012**

3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, continued

C. ACCOUNTS RECEIVABLE

The accounts receivable, customer billed, are water tolls billed annually to irrigated land owners and for services provided to customers. In the event a land owner becomes delinquent in the payment of the water tolls a lien is filed on the land. Irrigation water is denied until the delinquent amount is paid. Total accounts receivable at the fiscal year end were \$28,192. Accounts receivable not considered collectible by management have an allowance for doubtful accounts which has been established in the amount of \$13,000.00. Therefore the net receivables at year end were \$15,192.

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 fiscal year, the mill levy rate (tax per acre of irrigated land) for maintenance, sinking and water master purposes for the District was as follows:

Irrigated Land Tax Rates per acre

| | |
|-------------|-----------------|
| Maintenance | \$ 26.51 |
| Sinking | 8.36 |
| Watermaster | <u>4.63</u> |
| Total | \$ <u>39.50</u> |

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2012**

3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, continued

D. TAXES RECEIVABLE, continued

At June 30, 2012 property taxes unpaid for prior years were as follows:

| | |
|-------------|-----------------|
| Maintenance | \$ 3,217 |
| Sinking | 721 |
| Watermaster | <u>539</u> |
| Total | \$ <u>4,477</u> |

E. OTHER RECEIVABLES

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

| | <u>Receivable</u> |
|--------------------------------|-------------------|
| Maintenance Fund: | |
| State Grant: | |
| Acequia & Community Ditch Fund | \$ 812 |
| Insurance Claim Receivable | 5,906 |
| Sinking Fund: | |
| None | |
| Watermaster Fund: | |
| None | |
| Total | <u>\$ 6,718</u> |

F. FORBEARANCE ACREAGE

The Department of the Interior through the Bureau of Reclamation has contracted with the Fort Sumner Irrigation District to offer compensation to owners of irrigable land within the District in exchange for foregoing water deliveries (Forbearance Water) to specified acres of land within the District. The purpose of this program is to enhance river flows for the Bluntnose Shiner. This District received \$915,793 to pay irrigable landowners within the District \$871,165 to forego water deliveries on certain acres of irrigable land. The difference was retained by the District for administrative costs of the program.

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2012**

3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, continued

G. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2012, was as follows:

| | Balance at June 30, 2011 | Additions | Deletions | Balance at June 30, 2012 |
|---|-----------------------------|-----------------|-----------------|-----------------------------|
| 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 | 2,964,715 | 23,335 | - | 2,988,050 |
| Machinery and equipment | 355,290 | 22,250 | 18,805 | 358,735 |
| | <u>3,335,747</u> | <u>45,585</u> | <u>18,805</u> | <u>3,362,527</u> |
| Less accumulated depreciation: | | | | |
| Buildings | (15,742) | - | - | (15,742) |
| Irrigation Systems | (2,632,452) | (39,740) | - | (2,672,192) |
| Machinery and equipment | (344,730) | (5,745) | (18,805) | (331,670) |
| | <u>(2,992,924)</u> | <u>(45,485)</u> | <u>(18,805)</u> | <u>(3,019,604)</u> |
| Total capital assets being depreciated, net | <u>342,823</u> | <u>100</u> | <u>-</u> | <u>342,923</u> |
| Business-type capital assets, net | <u>\$ 348,194</u> | <u>\$ 100</u> | <u>\$ -</u> | <u>\$ 348,294</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, 2012**

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 annual leave is paid upon termination or retirement. Unused sick leave may be carried over for an unlimited period of time. Unused sick leave is forfeited upon termination or retirement. Unpaid annual leave at June 30, 2012 totaled \$1,708 (at June 30, 2011, the amount was \$2,235). Of the total amount \$1,708 is considered current and \$-0- is considered long-term debt. During the year annual leave increased \$4,447 and decreased by \$4,974. 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, 2012.

| | Balance June 30, <u>2011</u> | <u>Increase</u> | <u>(Decrease)</u> | Balance June 30, <u>2012</u> | Current <u>Portion</u> |
|----------------------|------------------------------------|-----------------|-------------------|------------------------------------|---------------------------|
| Compensated Absences | \$ 2,235 | \$ 4,447 | \$ 4,974 | \$ 1,708 | \$ 1,708 |
| BOR Debt - See Below | <u>706,764</u> | | <u>54,533</u> | <u>652,231</u> | <u>81,800</u> |
| | <u>\$ 708,999</u> | <u>\$ 4,447</u> | <u>\$ 59,507</u> | <u>\$ 653,939</u> | <u>\$ 83,508</u> |

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2012**

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, 2012 was \$652,231 (the amount due at June 30, 2011 was \$706,764). Of that amount \$81,800 was considered current (payable within one year) and \$570,431 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, 2012 becomes the following:

| | |
|---|-----------------|
| Second half payment of installment due August 1, 2012 | \$27,266 |
| Installment due February 1, 2013 | <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 \$570,431 in noncurrent BOR debt.

STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2012

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 \$56,882. 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, 2012**

4. OTHER NOTES, continued

E. NET ASSETS, continued

There is a deficit in net assets in the Sinking Fund in the amount of \$567,567 for the year ended June 30, 2012. The deficit is the result of unfunded long term debt.

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 | \$ 50,856 | \$ 1,331 | \$ 3,770 |
| Increase (decrease) in assets: | | | |
| Accounts receivable | (7,340) | - | - |
| Taxes receivable | (3,980) | (1,202) | (665) |
| Prepaid insurance | 266 | - | - |
| Other receivables | (7,458) | - | - |
| (Increase) decrease in liabilities: | | | |
| Accounts payable | (1,720) | - | 490 |
| Accrued salaries and benefits | 3,701 | - | - |
| Compensated absences | 527 | - | - |
| Other adjustments: | | | |
| Debt service | - | 54,533 | - |
| Capital outlay | 45,585 | - | - |
| Depreciation | (45,485) | - | - |
| GAAP Basis-change in | | | |
| Net Assets | <u>34,952</u> | <u>\$ 54,662</u> | <u>\$ 3,595</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, 2012

| | <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: | | | | | |
| Water tolls | \$ 148,971 | \$ 148,971 | \$ 149,085 | \$ - | \$ 114 |
| Irrigation for farmers | 39,000 | 39,000 | 31,084 | - | (7,916) |
| Equipment and other charges | 7,700 | 7,700 | 18,663 | - | 10,963 |
| State operating grants | 52,225 | 52,225 | 41,412 | - | (10,813) |
| Federal operating grants | 110,000 | 1,025,793 | 1,025,813 | 915,793 | 20 |
| Total revenues | <u>357,896</u> | <u>1,273,689</u> | <u>1,266,057</u> | <u>915,793</u> | <u>(7,632)</u> |
| Expenses: | | | | | |
| Current: | | | | | |
| Salaries and benefits | 259,651 | 259,651 | 214,471 | - | 45,180 |
| Operating expenses | 280,284 | 280,284 | 265,426 | - | 14,858 |
| Forbearance payments | - | 871,794 | 871,165 | (871,794) | 629 |
| Non-current: | | | | | |
| Capital outlay | 50,000 | 50,000 | 45,585 | - | 4,415 |
| Total expenses | <u>589,935</u> | <u>1,461,729</u> | <u>1,396,647</u> | <u>(871,794)</u> | <u>65,082</u> |
| Revenues over (under) expenditures | <u>(232,039)</u> | <u>(188,040)</u> | <u>(130,590)</u> | <u>43,999</u> | <u>57,450</u> |
| Non-operating revenue (expenses): | | | | | |
| Property taxes | 174,489 | 174,489 | 178,469 | - | 3,980 |
| Interest from delinquent taxes | 250 | 250 | 632 | - | 382 |
| Interest from investments | 3,950 | 3,950 | 2,345 | - | (1,605) |
| | <u>178,689</u> | <u>178,689</u> | <u>181,446</u> | <u>-</u> | <u>2,757</u> |
| Cash balance available to balance budget | <u>166,086</u> | <u>166,086</u> | <u>166,086</u> | <u>-</u> | <u>-</u> |
| Operating revenues and non-operating Revenues over (under) operating Expenses and non-operating expenses | <u>\$ 112,736</u> | <u>\$ 156,735</u> | <u>\$ 216,942</u> | <u>\$ 43,999</u> | <u>\$ 60,207</u> |

SEE INDEPENDENT AUDITORS' 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, 2012

| | <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: | | | | | |
| Miscellaneous | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Expenses: | | | | | |
| Current: | | | | | |
| Operating expenses | <u>545</u> | <u>645</u> | <u>560</u> | <u>(100)</u> | <u>85</u> |
| Revenues over (under) expenditures | <u>(545)</u> | <u>(645)</u> | <u>(560)</u> | <u>(100)</u> | <u>85</u> |
| Non-operating revenue (expenses): | | | | | |
| Property taxes | 55,026 | 55,026 | 56,228 | - | 1,202 |
| Interest from delinquent taxes | 100 | 100 | 196 | - | 96 |
| Interest from investments | - | - | - | - | - |
| Debt service | <u>(54,535)</u> | <u>(54,535)</u> | <u>(54,533)</u> | <u>-</u> | <u>2</u> |
| | <u>591</u> | <u>591</u> | <u>1,891</u> | <u>-</u> | <u>1,300</u> |
| Cash balance available to balance budget | <u>82,612</u> | <u>82,612</u> | <u>82,612</u> | <u>-</u> | <u>-</u> |
| Operating revenues and non-operating | | | | | |
| Revenues over (under) operating | | | | | |
| Expenses and non-operating expenses | <u>\$ 82,658</u> | <u>\$ 82,558</u> | <u>\$ 83,943</u> | <u>\$ (100)</u> | <u>\$ 1,385</u> |

SEE INDEPENDENT AUDITORS' 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, 2012

| | <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: | | | | | |
| Miscellaneous Revenue | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Expenses: | | | | | |
| Current: | | | | | |
| Operating expenses | <u>30,463</u> | <u>30,463</u> | <u>27,370</u> | <u>-</u> | <u>3,093</u> |
| Revenues over (under) expenditures | <u>(30,463)</u> | <u>(30,463)</u> | <u>(27,370)</u> | <u>-</u> | <u>3,093</u> |
| Non-operating revenue (expenses): | | | | | |
| Property taxes | \$ 30,475 | \$ 30,475 | \$ 31,140 | \$ - | \$ 665 |
| Interest Income | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>30,475</u> | <u>30,475</u> | <u>31,140</u> | <u>-</u> | <u>665</u> |
| Cash balance available to balance budget | <u>12,166</u> | <u>12,166</u> | <u>12,166</u> | <u>-</u> | <u>-</u> |
| Operating revenues and non-operating Revenues over (under) operating Expenses and non-operating expenses | <u>\$ 12,178</u> | <u>\$ 12,178</u> | <u>\$ 15,936</u> | <u>\$ -</u> | <u>\$ 3,758</u> |

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

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
 FORT SUMNER IRRIGATION DISTRICT
SCHEDULE OF PLEDGED COLLATERAL
 For the Year Ended June 30, 2012

| | <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 | 36225C5F8 | \$ 76,744 | 4/20/2034 |
| GNMA II Pool | 4513 | 36202FAN6 | \$ 526,981 | 8/20/2039 |
| TOTAL | | | <u>\$ 603,725</u> | |

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, 2012

| <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 | \$ 313,974 | \$ - | \$ - | \$ 313,974 |
| Citizen's Bank of Clovis | 2 | <u>6,196</u> | <u>300</u> | <u>3,649</u> | <u>2,847</u> |
| | | | | | - |
| Total | | <u>\$ 320,170</u> | <u>\$ 300</u> | <u>\$ 3,649</u> | <u>\$ 316,821</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 | \$ 216,942 |
| Restricted Current Assets: | |
| Cash and Cash Equivalents | <u>99,879</u> |
| Total | <u>\$ 316,821</u> |

| | |
|--|-------------------|
| Cash Reported in Financial Statements by Fund: | |
| Maintenance Fund | \$ 216,942 |
| Sinking Fund | 83,943 |
| Watermaster Fund | <u>15,936</u> |
| Total | <u>\$ 316,821</u> |

SEE INDEPENDENT AUDITORS' REPORT
 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 575/835-1091 FAX 575/835-1224

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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 fund of the Fort Sumner Irrigation District (District), Fort Sumner, New Mexico, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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*

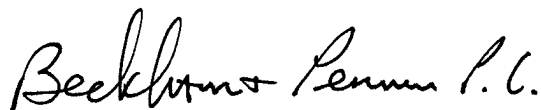
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting, 2006-01. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 management, Board of Directors, others within the entity, the New Mexico State Auditor, the New Mexico Legislature, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Beckham & Penner P.C.
November 29, 2012

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

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

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

Compliance

We have audited Fort Sumner Irrigation District's (District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, Fort Sumner Irrigation District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133, continued

Internal Control over Compliance

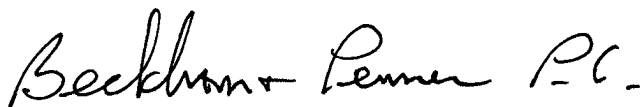
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 management, Board of Directors, others within the entity, the New Mexico State Auditor, the New Mexico Legislature, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Beckham & Penner P.C.
November 29, 2012

STATE OF NEW MEXICO
 FORT SUMNER IRRIGATION DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2012

| <u>Federal Grants</u> | <u>Federal CFDA Number</u> | <u>Federal Grant/Project Number</u> | <u>Federal Expenditures</u> |
|---|------------------------------------|---|---------------------------------|
| Direct Grants from the US Department of the Interior, Bureau of Reclamation: Major Programs: | | | |
| Watersmart Grant - Forbearance | 15.507 | 11-WC-40-422 | \$ 915,793 |
| Watersmart Grant - Forbearance | 15.507 | 08-WC-40-292 | 110,020 |
| Total Expenditure of Federal Awards | | | <u>\$ 1,025,813</u> |

Notes to Schedule of Expenditures of Federal Awards:

1) Basis of Presentation:

The accompanying schedule of expenditures of federal awards (schedule) is presented on the accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements, however, the information is presented in accordance with the requirements of OMB Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations, therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

- 2) The District did not provide any federal awards to sub-recipients grantees during the fiscal year.
- 3) The District did not receive any noncash assistance during the fiscal year.
- 4) The District did not have any Federal insurance in effect during the fiscal year.
- 5) The District had a federal loan of \$652,231 outstanding at June 30, 2012.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

| | |
|---|-----------------------|
| Total Schedule of Expenditures of Federal Awards | \$ 1,025,813 |
| Less: Administrative Costs Contract 11-WC-40-422 | (44,628) |
| Non Program Costs Contract 08-WC-40-292 | (110,020) |
| Federal Expenditures Reported in Financial Statements: Forbearance Payments to Farmers | <u>\$ 871,165</u> |

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 FINDINGS AND QUESTIONED COSTS
June 30, 2012**

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements:

- | | |
|--|-------------|
| 1. Type of auditors’ report issued | Unqualified |
| 2. Internal Control over financial reporting: | |
| a. Material weakness identified? | NO |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted | NO |

Federal Awards:

- | | |
|--|---|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | NO |
| 2. Type of auditors’ report issued on compliance for major programs | Unqualified |
| 3. Any audit findings disclosed that are required to be reported In accordance with section 510(a) of Circular A-133? | NO |
| 4. Identification of major programs: | |
| <u>CFDA</u> <u>Number</u> 15.507 | <u>Federal Program</u> Watersmart Grants - Forbearance |
| 5. Dollar threshold used to distinguish between type A and B programs: | \$300,000 |
| 6. Auditee qualified as low-risk auditee? | No |

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012**

PRIOR YEAR FINDINGS

STATUS

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

CURRENT YEAR FINDINGS

| | |
|---------|----------------------------------|
| 2006-01 | Segregation of Accounting Duties |
|---------|----------------------------------|

FEDERAL AWARDS FINDINGS

NONE

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
June 30, 2012**

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; reconciling bank accounts; recording transactions; ordering and receiving goods; preparing payment vouchers and distributing checks to vendors; preparing payroll time and leave records and distributing payroll checks; reporting and reviewing financial information.

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

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, 2012**

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 November 29, 2012, at the Fort Sumner Irrigation District.

In attendance for the District:

| | |
|------------------------|---------------|
| Clifford Gunn | Director |
| Carole "Cammy" Mansell | Secretary |
| Alan West | Water Manager |

In attendance for the Accountants:

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