

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
ANNUAL FINANCIAL REPORT**

**For the Year Ended JUNE 30, 2015
With Independent Auditor's Reports**

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
TABLE OF CONTENTS
June 30, 2015**

INTRODUCTORY SECTION

	<u>Page</u>
Table of Contents	i
Official Roster	3

FINANCIAL SECTION

Independent Auditor's Report	4
Financial Statements	
Statement of Net Position	6
Statement of Revenues, Expenses And Changes in Fund Net Position	8
Statement of Cash Flows	9
Notes to Financial Statements	10

SUPPLEMENTARY INFORMATION SECTION

Statements of Revenue and Expenses – Budget and Actual (Non-GAAP Basis)	
Maintenance Fund	29
Sinking Fund	30
Watermaster Fund	31

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
TABLE OF CONTENTS, continued
June 30, 2015**

	<u>Page</u>
SUPPORTING SCHEDULES	
Schedule of Pledged Collateral	32
Schedule of Bank Reconciliation	33
OTHER INFORMATION	
Schedule of Vendor Information	34
COMPLIANCE SECTION	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35
Schedule of Findings and Questioned Costs	37
Exit Conference	39

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
OFFICIAL ROSTER
June 30, 2015**

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
Wade Holdeman	Water Manager

FINANCIAL SECTION

Beckham & Penner, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

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, 2015, and the related notes to the financial statements, 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, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT, continued

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, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance 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 for each fund of the Fort Sumner Irrigation District for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

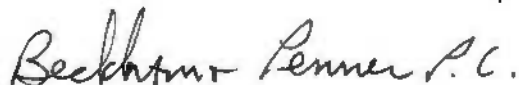
Our audit was conducted for the purpose of forming opinions on Fort Sumner Irrigation District's financial statements and the budgetary comparisons. The other schedules required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2.2.NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other schedules required by 2.2.2.NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Vendor Information, listed in the table of contents as other information, has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015, 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* in considering Fort Sumner Irrigation District's internal control over financial reporting and compliance.



Beckham & Penner P.C.
Certified Public Accountants
Socorro, New Mexico
December 15, 2015

STATE OF NEW MEXICO
 FORT SUMNER IRRIGATION DISTRICT
STATEMENT OF NET POSITION
 June 30, 2015

	<u>Maintenance</u>	<u>Sinking</u>	<u>Watermaster</u>	<u>Totals</u>
<u>ASSETS</u>				
Current assets, Unrestricted:				
Cash and cash equivalents	\$ 313,966	\$ -	-	\$ 313,966
Customer accounts receivable, net	13,609	-	-	13,609
Taxes receivable	606	-	-	606
Other receivables	761	-	-	761
Due from other funds	-	-	-	-
Prepaid insurance	2,907	-	-	2,907
Total current unrestricted assets	<u>331,849</u>	<u>-</u>	<u>-</u>	<u>331,849</u>
Restricted current assets:				
Cash and cash equivalents	-	87,321	27,356	114,677
Due from other funds	-	-	-	-
Taxes receivable	-	184	135	319
Total current restricted assets	<u>-</u>	<u>87,505</u>	<u>27,491</u>	<u>114,996</u>
Capital assets not being depreciated:				
Land	500	-	-	500
Right of ways	4,871	-	-	4,871
Capital assets being depreciated:				
Building	15,742	-	-	15,742
Irrigation system	2,994,917	-	-	2,994,917
Machinery and equipment	427,984	-	-	427,984
Total Capital Assets	<u>3,444,014</u>	<u>-</u>	<u>-</u>	<u>3,444,014</u>
Less accumulated depreciation	<u>(3,076,904)</u>	<u>-</u>	<u>-</u>	<u>(3,076,904)</u>
Net capital assets	<u>367,110</u>	<u>-</u>	<u>-</u>	<u>367,110</u>
 Total assets	 <u>\$ 698,959</u>	 <u>\$ 87,505</u>	 <u>\$ 27,491</u>	 <u>\$ 813,955</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 POSITION
 June 30, 2015

	<u>Maintenance</u>	<u>Sinking</u>	<u>Watermaster</u>	<u>Totals</u>
<u>LIABILITIES</u>				
Current liabilities, payable from unrestricted assets:				
Accounts payable	\$ 17,896	-	\$ -	\$ 17,896
Accrued salaries, wages and related payables	9,332	-	-	9,332
Due to other funds	-	-	-	-
Accrued compensated absences	2,678	-	-	2,678
Total current liabilities payable from unrestricted assets	<u>29,906</u>	<u>-</u>	<u>-</u>	<u>29,906</u>
Current liabilities payable from restricted assets:				
Accounts payable	-	-	10,260	10,260
Current portion Bureau of Reclamation long-term debt	-	81,800	-	81,800
Total current liabilities	<u>29,906</u>	<u>81,800</u>	<u>10,260</u>	<u>121,966</u>
Noncurrent liabilities payable from restricted assets:				
Long-term portion of Bureau of Reclamation debt	-	406,830	-	406,830
Total long-term liabilities payable from restricted assets	<u>-</u>	<u>406,830</u>	<u>-</u>	<u>406,830</u>
Total liabilities	<u>29,906</u>	<u>488,630</u>	<u>10,260</u>	<u>528,796</u>
<u>NET POSITION</u>				
Net Invested in capital assets	367,110	(488,630)	-	(121,520)
Restricted for:				
Debt Service	-	87,505	-	87,505
Water Master Fee	-	-	17,231	17,231
Unrestricted	301,943	-	-	301,943
Total net position	<u>669,053</u>	<u>(401,125)</u>	<u>17,231</u>	<u>285,159</u>
Total liabilities and net position	<u>\$ 698,959</u>	<u>\$ 87,505</u>	<u>\$ 27,491</u>	<u>\$ 813,955</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 NET POSITION**
 For the Year Ended June 30, 2015

	<u>Maintenance</u>	<u>Sinking</u>	<u>Watermaster</u>	<u>Totals</u>
Operating revenues:				
Charges for Services:				
Water tolls	\$ 148,197	\$ -	\$ -	\$ 148,197
Equipment and other charges	205,891	-	-	205,891
Total charges for services	<u>354,088</u>	<u>-</u>	<u>-</u>	<u>354,088</u>
Other operating revenues:				
State operating grants	8,935	-	-	8,935
Federal operating grants	426,712	-	-	426,712
Total other operating revenues	<u>435,647</u>	<u>-</u>	<u>-</u>	<u>435,647</u>
Total operating revenue	<u>789,735</u>	<u>-</u>	<u>-</u>	<u>789,735</u>
Operating expenses:				
Ditches labor	207,142	-	-	207,142
Secretary's salary	24,673	-	-	24,673
Ditches supplies and maintenance	120,158	-	-	120,158
Equipment supplies and maintenance	69,399	-	-	69,399
Insurance expense	65,143	-	-	65,143
Legal and accounting	20,611	-	-	20,611
Water master contract	-	-	37,211	37,211
Forbearance payments to farmers	301,630	-	-	301,630
Depreciation	53,234	-	-	53,234
Other operating expense	32,890	579	419	33,888
Total operating expenses	<u>894,880</u>	<u>579</u>	<u>37,630</u>	<u>933,089</u>
Net Operating income (loss)	<u>(105,145)</u>	<u>(579)</u>	<u>(37,630)</u>	<u>(143,354)</u>
Non-operating revenue (expenses):				
Property taxes	187,441	57,277	41,411	286,129
Transfers	(15,000)	-	15,000	-
Interest from delinquent taxes	1,139	359	7	1,505
Interest from investments	1,870	-	-	1,870
Total non-operating revenue (expenses)	<u>175,450</u>	<u>57,636</u>	<u>56,418</u>	<u>289,504</u>
Change in net position	70,305	57,057	18,788	146,150
Total net position, beginning of year	<u>598,748</u>	<u>(458,182)</u>	<u>(1,557)</u>	<u>139,009</u>
Total net position, end of year	<u>\$ 669,053</u>	<u>\$ (401,125)</u>	<u>\$ 17,231</u>	<u>\$ 285,159</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
For the Year Ended June 30, 2015

	<u>Maintenance</u>	<u>Sinking</u>	<u>Watermaster</u>	<u>Totals</u>
Cash flows from operating activities:				
Cash received from customers and others	\$ 357,077	\$ -	\$ -	\$ 357,077
Cash received from operating grants	436,139	-	-	436,139
Cash paid to farmers forbearance	(301,630)	-	-	(301,630)
Cash paid to suppliers for goods and services	(294,798)	(579)	(37,422)	(332,799)
Cash payments to and on behalf of employees	(229,897)	-	-	(229,897)
Net cash flows from operating activities	<u>(33,109)</u>	<u>(579)</u>	<u>(37,422)</u>	<u>(71,110)</u>
Cash flows from noncapital financing activities:				
Property tax received	190,954	57,891	41,870	290,715
Net cash flows from noncapital financing activities	<u>190,954</u>	<u>57,891</u>	<u>41,870</u>	<u>290,715</u>
Cash flows from capital and related financing activities:				
Transfers	(15,000)	-	15,000	-
Purchases of property, plant and equipment	(1,975)	-	-	(1,975)
Principal payments	-	(54,534)	-	(54,534)
Net cash flows from capital and related financing activities	<u>(16,975)</u>	<u>(54,534)</u>	<u>15,000</u>	<u>(56,509)</u>
Cash flows from investing activities:				
Interest received	3,009	359	7	3,375
Net cash flows from investing activities	<u>3,009</u>	<u>359</u>	<u>7</u>	<u>3,375</u>
Net increase(decrease) in cash and cash equivalents	143,879	3,137	19,455	166,471
Cash and cash equivalents, beginning of year	170,087	84,184	7,901	262,172
Cash and cash equivalents, end of year	<u>\$ 313,966</u>	<u>\$ 87,321</u>	<u>\$ 27,356</u>	<u>\$ 428,643</u>

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

Operating income (loss)	\$ (105,145)	\$ (579)	\$ (37,630)	\$(143,354)
Adjustments to reconcile operating income to net cash flows from operating activities				
Depreciation	53,234	-	-	53,234
(Increase) decrease in operating assets:				
Accounts receivable	2,989	-	-	2,989
Prepaid insurance	983	-	-	983
Other Receivables	492	-	-	492
Increase (decrease) in operating liabilities:				
Accounts payable	12,420	-	208	12,628
Payroll and payroll taxes	1,180	-	-	1,180
Accrued expenses	738	-	-	738
Net cash flows from operating activities	<u>\$ (33,109)</u>	<u>\$ (579)</u>	<u>\$ (37,422)</u>	<u>\$ (71,110)</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, 2015**

INDEX

NOTE

1. Summary of Significant Accounting Policies
 - A. Program of the District
 - B. Financial Reporting Entity
 - C. Basis of Presentation
 - D. Basis of Accounting
 - E. Revenue and Expense Recognition
 - F. Cash and Cash Equivalents
 - G. Receivables
 - H. Capital Assets and Depreciation
 - I. Unpaid Compensated Absences
 - J. Equity Classifications
 - K. Operating Revenues and Expenses
 - L. Interfund Activities
 - M. Expenditures of Restricted Sources
 - N. Management Estimates and Assumptions

2. Stewardship, Compliance and Accountability
 - A. Budget
 - B. Deposits and Investments, Laws and Regulations

3. Detail Notes on Transaction Classes/Accounts
 - A. Cash and Investments-Collateralization
 - B. Restricted Assets
 - C. Accounts Receivable
 - D. Taxes Receivable
 - E. Other Receivables
 - F. Forbearance Grant
 - G. Capital Assets

STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2015

INDEX, continued

NOTE, continued

- 4. Other Notes
 - A. Annual and Sick Leave
 - B. Long Term Liabilities
 - C. Contingent Liabilities
 - D. Risk Management
 - E. Net Position
 - F. Subsequent Event Review
 - G. Reconciliation of Budgetary Basis to GAAP Basis
 - H. Related Party Transactions

STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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.

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

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

B. FINANCIAL REPORTING ENTITY

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

STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2015

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 operate in three individual funds: Maintenance, Sinking, and Watermaster. Fort Sumner Irrigation District does not have any governmental, internal service or fiduciary funds. The Statement of Net Position and the Statement of Activities were prepared on the economic resources measurement focus and the accrual basis of accounting.

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.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued

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

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

E. REVENUE AND EXPENSE RECOGNITION

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the 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.

F. CASH AND CASH EQUIVALENTS

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

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued

G. RECEIVABLES

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

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

H. CAPITAL ASSETS AND DEPRECIATION

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

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

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

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

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2015**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued

I. UNPAID COMPENSATED ABSENCES

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

J. EQUITY CLASSIFICATIONS

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

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

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

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

K. OPERATING REVENUES AND EXPENSES

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

L. INTERFUND ACTIVITIES

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

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, continued

L. INTERFUND ACTIVITIES, CONTINUED

During the fiscal year the District had the following interfund transfers

From Maintenance Fund	(\$15,000)
To Watermaster Fund	\$15,000

M. EXPENDITURES OF RESTRICTED SOURCES

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

N. MANAGEMENT ESTIMATES AND ASSUMPTIONS

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

STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2015

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

A. BUDGET, CONTINUED

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.

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.

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2015**

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, continued

B. DEPOSITS AND INVESTMENTS, LAWS AND REGULATIONS

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.

3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS

A. CASH AND INVESTMENTS-COLLATERALIZATION

The District's policies regarding deposits of cash are discussed in notes 1F and 2B. The 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, 2015.

Total of deposits in bank	\$ 432,240
Less FDIC coverage	<u>(250,000)</u>
Uninsured public funds	\$ 182,240
Pledged Collateral held by the pledging banks trust department or agent but not in the District's name	<u>1,708,708</u>
Uninsured and uncollateralized	<u><u>\$ -</u></u>

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2015**

3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, continued

A. CASH AND INVESTMENTS-COLLATERALIZATION, continued

The amount identified as uninsured \$182,240 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)	\$ 432,240
Less FDIC Insurance:	
Demand deposit	<u>(250,000)</u>
Net uninsured balance	<u>182,240</u>
Required collateralization at 50% of uninsured, per statute	91,120
Pledge Collateral held by the pledging bank's trust department but not in the District's name	<u>1,708,708</u>
Pledge Collateral over (under) the requirement	<u>\$ 1,617,588</u>

The District did not have any investments, as defined in GASB 40, at any time during the year ended June 30, 2015, 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, 2015**

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 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 \$15,784. Accounts receivable not considered collectible by management have an allowance for doubtful accounts which has been established in the amount of \$2,175. Therefore the net receivables at year end were \$13,609.

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:

<u>Irrigated Land Tax Rates per acre</u>	
Maintenance	\$ 27.51
Sinking	8.36
Watermaster	<u>6.13</u>
Total	<u>\$ 42.00</u>

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2015**

3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, continued

D. TAXES RECEIVABLE, continued

At June 30, 2015 property taxes unpaid for prior years were as follows:

Maintenance	\$	606
Sinking		184
Watermaster		<u>135</u>
Total	\$	<u>925</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	\$ 761
 Sinking Fund:	
None	
 Watermaster Fund:	
None	
	<u>\$ 761</u>
Total	

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 \$316,712 to pay irrigable landowners within the District \$301,631 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, 2015**

3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS, continued

G. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2015, was as follows:

	Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
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	2,994,917	-	-	2,994,917
Machinery and equipment	438,051	70,859	80,926	427,984
	<u>3,448,710</u>	<u>70,859</u>	<u>80,926</u>	<u>3,438,643</u>
Less accumulated depreciation:				
Buildings	(15,742)	-	-	(15,742)
Irrigation Systems	(2,725,511)	(26,775)	-	(2,752,286)
Machinery and equipment	(294,459)	(26,459)	(12,042)	(308,876)
	<u>(3,035,712)</u>	<u>(53,234)</u>	<u>(12,042)</u>	<u>(3,076,904)</u>
Total capital assets being depreciated, net	<u>332,021</u>	<u>17,625</u>	<u>68,884</u>	<u>361,739</u>
Business-type capital assets, net	<u>\$ 418,369</u>	<u>\$ 17,625</u>	<u>\$ 68,884</u>	<u>\$ 367,110</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, 2015**

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, 2015 totaled \$2,678 (at June 30, 2014, the amount was \$1,940). Of the total amount \$2,678 is considered current and \$-0- is considered long-term debt. During the year annual leave increased \$5,546 and decreased by \$4,808. 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, 2015.

	Balance June 30, <u>2014</u>	<u>Increase</u>	<u>(Decrease)</u>	Balance June 30, <u>2015</u>	<u>Current Portion</u>
Compensated Absences	\$ 1,940	\$ 5,546	\$ 4,808	\$ 2,678	\$ 2,678
BOR Debt - See Below	<u>543,164</u>		<u>54,534</u>	<u>488,630</u>	<u>81,800</u>
	<u>\$ 545,104</u>	<u>\$ 5,546</u>	<u>\$ 59,342</u>	<u>\$ 491,308</u>	<u>\$ 84,478</u>

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2015**

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

The amount due on this obligation at June 30, 2015 was \$488,630 (the amount due at June 30, 2013 was \$543,164). Of that amount \$81,800 was considered current (payable within one year) and \$406,830 was considered long term. The principal paid during the year was \$54,534. 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, 2015 becomes the following:

Second half payment of installment due August 1, 2015	\$27,266
Installment due February 1, 2016	<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 \$406,830 in noncurrent BOR debt.

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2015**

4. OTHER NOTES, continued

B. LONG TERM LIABILITIES, continued

The annual requirements to amortize the long term debt using the maximum payments as of June 30, 2015, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/2016	\$ 54,534	\$ -	\$ 54,534
6/30/2017	54,533	-	54,533
6/30/2018	54,534	-	54,534
6/30/2019	54,533	-	54,533
6/30/2020	54,534	-	54,534
2021-2022	215,962	-	215,962
Total	<u>\$ 488,630</u>	<u>\$ -</u>	<u>\$ 488,630</u>

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 \$65,143. 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.

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2015**

4. OTHER NOTES, continued

E. NET POSITION

There is a deficit in net position in the Sinking Fund in the amount of \$401,125 for the year ended June 30, 2015. The deficit is the result of unfunded long term debt.

F. SUBSEQUENT EVENTS REVIEW

Fort Sumner Irrigation District has evaluated subsequent events through December 15, 2015, which is the date the financial statements were dated.

G. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

	<u>Maintenance</u>	<u>Sinking</u>	<u>Watermaster</u>
Budgetary Basis-Revenue & Other over (under) expenses & Other	\$ 313,966	\$ 87,321	\$ 27,356
Increase (decrease) in assets:			
Accounts Receivable	(2,989)		
Taxes receivable	(3,513)	(614)	(459)
Other receivables	(492)	-	-
Prepaid insurance	(983)	-	-
(Increase) decrease in liabilities:			
Accounts payable	(12,420)	-	(208)
Accrued salaries and benefits	(1,180)	-	-
Compensated absences	(738)	-	-
Other adjustments:			
Debt service	-	54,534	-
Beginning Available Cash	(170,087)	(84,184)	(7,901)
Capital outlay	1,975	-	-
Depreciation	(53,234)	-	-
GAAP Basis-change in Net Assets	<u>\$ 70,305</u>	<u>\$ 57,057</u>	<u>\$ 18,788</u>

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
June 30, 2015**

4. OTHER NOTES, continued

H. RELATED PARTY TRANSACTIONS

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

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, 2015

	Budgeted Amount		Actual (Budgetary Basis)	Variances	
	Original	Final		Positive (Negative)	
				Original To Final	Actual To Final
Operating Revenues:					
Water tolls	\$ 148,971	\$ 148,971	\$ 148,197	\$ -	\$ (774)
Irrigation for farmers	41,500	41,500	45,500	-	4,000
Equipment and other charges	8,500	8,500	3,680	-	(4,820)
Reimbursements	-	159,916	159,701	159,916	-
State operating grants	9,779	9,779	9,427	-	(352)
Federal operating grants	743,424	743,424	426,712	-	(316,712)
Total revenues	952,174	1,112,090	793,217	159,916	(318,658)
Expenses:					
Current:					
Salaries and benefits	282,708	282,708	229,897	-	52,811
Operating expenses	258,387	258,387	294,798	-	(36,411)
Forbearance payments	603,261	603,261	301,630	-	301,631
Non-current:					
Capital outlay	25,000	25,000	1,975	-	23,025
Total expenses	1,169,356	1,169,356	828,300	-	341,056
Revenues over (under) expenditures	(217,182)	(57,266)	(35,083)	159,916	22,398
Non-operating revenue (expenses):					
Sale of Capital Assets	15,000	15,000	-	-	(15,000)
Property taxes	181,071	181,071	190,953	-	9,882
Interest from delinquent taxes	400	400	1,139	-	739
Interest from investments	3,950	3,950	1,870	-	-
Transfers In (Out)	-	(15,000)	(15,000)	(15,000)	-
Total non-operating	200,421	185,421	178,962	(15,000)	(4,379)
Cash balance available to balance budget	170,087	170,087	170,087	-	-
Operating revenues and non-operating Revenues over (under) operating Expenses and non-operating expenses	\$ 153,326	\$ 298,242	\$ 313,966	\$ 144,916	\$ 18,019

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, 2015

	Budgeted Amount		Actual (Budgetary Basis)	Variances	
	Original	Final		Positive (Negative)	
				Original To Final	Actual To Final
Operating Revenues:					
Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
Expenses:					
Current:					
Operating expenses	580	580	579	-	1
Revenues over (under) expenditures	(580)	(580)	(579)	-	1
Non-operating revenue (expenses):					
Property taxes	55,026	55,026	57,891	-	2,865
Interest from delinquent taxes	250	250	359	-	109
Interest from investments	-	-	-	-	-
Debt service	(54,535)	(54,535)	(54,534)	-	1
Total non-operating	741	741	3,716	-	2,975
Cash balance available to balance budget	84,184	84,184	84,184	-	-
Operating revenues and non-operating					
Revenues over (under) operating					
Expenses and non-operating expenses	\$ 84,345	\$ 84,345	\$ 87,321	\$ -	\$ 2,976

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, 2015

	Budgeted Amount		Actual (Budgetary Basis)	Variances	
	Original	Final		Positive (Negative)	
				Original To Final	Actual To Final
Operating Revenues:					
Miscellaneous Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-
Expenses:					
Current:					
Operating expenses	40,301	40,301	37,422	-	2,879
Revenues over (under) expenditures	(40,301)	(40,301)	(37,422)	-	2,879
Non-operating revenue (expenses):					
Property taxes	\$ 40,348	\$ 40,348	\$ 41,870	\$ -	\$ 1,522
Interest income	-	-	7	-	7
Transfers IN (OUT)	-	15,000	15,000	15,000	-
Total non-operating	40,348	55,348	56,877	15,000	1,529
Cash balance available to balance budget	7,901	7,901	7,901	-	-
Operating revenues and non-operating Revenues over (under) operating Expenses and non-operating expenses	\$ 7,948	\$ 22,948	\$ 27,356	\$ 15,000	\$ 4,408

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

SUPPORTING SCHEDULES

18

STATE OF NEW MEXICO
 FORT SUMNER IRRIGATION DISTRICT
SCHEDULE OF PLEDGED COLLATERAL
 For the Year Ended June 30, 2015

	<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	MA0177	36179MFS4	\$ 1,708,708	6/20/2042
TOTAL			<u>\$ 1,708,708</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, 2015

<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	\$ 423,357	\$ -	\$ -	\$ 423,357
Citizen's Bank of Clovis	2	8,883	-	3,597	5,286
					-
Total		<u>\$ 432,240</u>	<u>\$ -</u>	<u>\$ 3,597</u>	<u>\$ 428,643</u>

Account types:

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

Cash Reported in Statement of Net Position:	
Cash and Cash Equivalents	\$ 313,966
Restricted Current Assets:	
Cash and Cash Equivalents	114,677
Total	<u>\$ 428,643</u>

Cash Reported in Financial Statements by Fund:	
Maintenance Fund	\$ 313,966
Sinking Fund	87,321
Watermaster Fund	27,356
Total	<u>\$ 428,643</u>

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

OTHER INFORMATION

STATE OF NEW MEXICO
 FORT SUMNER IRRIGATION DISTRICT
 SCHEDULE OF VENDOR INFORMATION
 FOR PURCHASES EXCEEDING \$60,000
 For the Year Ended June 30, 2015

RFB#/RFP#	Type of Procurement	\$ Amount of		Name and Physical Address per the Procurement Documentation of All Vendors that Responded	In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the Vendor in-State and Chose Veteran's Preference (Y or N) For Federal Funds Answer NA	Brief Description of the Scope of Work
		Awarded Vendor	Awarded Contract				

The District did not enter into any new contract or awards during this fiscal year that exceeded the \$60,000.00.

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

bppccpa@sdc.org

INDEPENDENT AUDITOR'S 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*

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the 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, the financial statements of the business-type activities and each fund, of Fort Sumner Irrigation District (District), Fort Sumner, New Mexico, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the budget comparisons of the District, presented as supplemental information, and have issued our report thereon dated December 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. *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.

INDEPENDENT AUDITOR'S 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, as item 2006-001.

Compliance and Other Matters

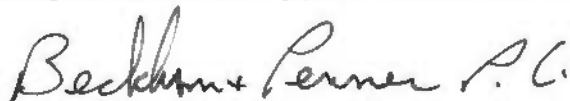
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

The District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beckham & Penner P.C.
Certified Public Accountants
Socorro, New Mexico
December 15, 2015

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015**

PRIOR YEAR FINDINGS

STATUS

2006-001	Segregation of Accounting Duties	Repeated
2014-001	Budget in Excess of Cash Balance	Resolved

PRIOR YEAR FEDERAL AWARDS FINDINGS

2014-002	Over Payment on Forbearance	Resolved
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CURRENT YEAR FINDINGS

2006-001	Segregation of Accounting Duties	
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**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
June 30, 2015**

**2006-001 SEGREGATION OF ACCOUNTING DUTIES
(Significant Deficiency)**

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

Management's Response:

The District directors understand the risk of having only one office employee, therefore, the Board will continue to review the fiscal records according to their corrective action plan. The corrective action plan is an ongoing activity for the Board.

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
EXIT CONFERENCE
June 30, 2015**

Preparation of Financial Statements

The accompanying financial statements were substantially prepared by Beckham & Penner, P.C.; however, management acknowledges and accepts responsibility for the financial statements.

EXIT CONFERENCE

An exit conference was held on December 15, 2015, at the Fort Sumner Irrigation District.

In attendance for the District:

Clifford Gunn	Director
Carole "Cammy" Mansell	Secretary
Wade Holdeman	Water Manager

In attendance for the Accountants:

Rick Penner, CPA	Accountant
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