

State of New Mexico
Fort Sumner Irrigation District

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

For the Fiscal Year Ended
June 30, 2016



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

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

**Official Roster
As of June 30, 2016**

Board of Directors

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

Administrative Staff

| Name | Title |
|------------------------|---------------|
| Carole "Cammy" Mansell | Secretary |
| Wade Holdeman | Water Manager |

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

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

We have performed the procedures enumerated below, which were agreed to by Fort Sumner Irrigation District (the "District") and New Mexico State Auditor (the specified parties), solely to assist the users in evaluating the District's financial reporting to the State Auditor relating to its Cash, Capital Assets, Debt, Revenue, Expenditures, Journal Entries, Budget and Capital Outlay Appropriations information and its compliance with Section 12-6-3B (6) NMSA 1978 and Section 2.2.2.16 NMAC as of and for the year ended June 30, 2016. The District is responsible for its financial reporting to the State Auditor as described above.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

In accordance with Tier 6 of the Audit Act – Section 12-6-6 NMSA 1978 and Section 2.2.2.10(I)(3)(C) NMAC, we performed the following procedures:

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

Results of Procedure 1

We verified the District's revenue calculation for 2016 and resulting tier 6 determination documented on the form provided at www.osanm.org. As a result of performing procedure 1 we agreed that the District's revenue did fall into the tier 6 determination, although the revenue verified by Axiom compared to that documented on the form by the District was slightly different as the District's revenue calculation was performed prior to year end and was an estimate. This did not have an effect on the tier determination for the District, as such, no instances of noncompliance were noted as a result of performing procedure 1.

2. Cash

- a.) Determine whether bank reconciliations are being performed in a timely manner and whether all bank and investment statements for the fiscal year are complete and on-hand. For purposes of performing our procedures "timely" means completion of the bank reconciliations within six

weeks after the last day of the reporting month and “complete” means that statements for bank and investment accounts are all accounted for by the District.

- b.) Perform a random test of bank reconciliations for accuracy. Also, trace ending balances to the general ledger, supporting documentation and the financial reports submitted to DFA Local Government Division. For purposes of performing our procedures “accuracy” means that reconciling items agree to deposit slips and subsequent bank or investment statements.
- c.) Determine whether the local public body’s financial institutions have provided it with the 50% of pledged collateral on all uninsured deposits as required by Section 6-10-17 NMSA 1978, NM Public Money Act, if applicable.

Results of Procedures 2(a) – 2(c)

A list from management of all bank and investment accounts, and the corresponding statements for the fiscal year ended June 30, 2016 as described below:

| <u>Account No.</u> | <u>Description</u> | <u>GL Balance</u> |
|--------------------|-----------------------------|-------------------|
| 292236606 | The Citizens Bank of Clovis | \$ 300,489 |

The bank reconciliations for December 2015, February 2016, and June 2016 were compared to supporting documentations such as bank statements and general ledger, noting outstanding checks of \$33,740 as of June 2016. We agreed a sample of outstanding checks from the reconciliation to the subsequent bank statements and a sample of outstanding checks from the bank statement to the reconciliation without exception.

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

3. Capital Assets

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

Results of Procedure 3

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

4. Debt

If the local public body has any debt, verify that the required payments were made during the year. If the debt agreement requires reserves, verify that the local public body is in compliance with those requirements. To verify whether required payments on debt were made we will compare the payment amount and date (interest and principal) per amortization schedule to the trust statements. To determine compliance with reserve requirement we will perform the following: (a) read the bond indenture to determine the reserve requirement, (b) obtain District management’s calculation and recalculate the

reserve requirement, and compare the recalculated amount to the balance of reserve fund to determine compliance.

Results of Procedures 4(a) – 4(b)

We ensured that the District made the required payments in the current fiscal year. We also reviewed the debt agreement and verified that the District was in compliance with the reserves required. No instances of noncompliance were noted as a result of performing the procedures described in 4(a) and 4(b).

5. Revenues

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

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

Test a sample of 40 revenue transactions for the following attributes:

- b) Amount recorded in the general ledger agrees to the supporting documentation and the bank statement. For purposes of our procedures, we selected a random sample of recorded revenue transactions to achieve a sample of 40 transactions.
- c) Proper recording of classification, amount, and period per review of supporting documentation and the general ledger. Perform this revenue work on the same accounting basis that the local public body keeps its accounting records on, cash basis, modified accrual basis, or accrual basis.

Results of Procedures 5(a) – 5(c)

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

The procedures 5(b) – 5(c) were performed on 40 revenue transactions. No instances of noncompliance were noted as a result of performing the procedures described in 5(b) – 5(c).

6. Expenditures

Select a sample of cash disbursements and test at least 40 expenditure transactions for the following attributes:

- a) Determine that amount recorded as disbursed agrees to adequate supporting documentation. Verify that amount, payee, date and description agree to the vendor's invoice, purchase order, contract and cancelled check, as appropriate.
- b) Determine that disbursements were properly authorized and approved in compliance with the budget, legal requirements and established policies and procedures. For purposes of performing our procedures, disbursements were considered to be properly authorized if they contained evidence of review such as sign off on invoices or approval through correspondence.

- c) Determine that the bid process (or request for proposal process if applicable), purchase orders, contracts and agreements were processed in accordance with the New Mexico Procurement Code (Section 13-1-28 through 13-1-199 NMSA 1978) and State Purchasing Regulations (1.4.1 NMAC) and Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC).

Results of Procedures 6(a) – 6(c)

The procedures described in 6(a) – 6(c) above were performed on 40 cash disbursements. No instances of noncompliance were noted as a result of performing the procedures described in 6(a) – 6(c). The District did not enter into any new contract or awards during this fiscal year that exceeded \$60,000. Noncompliance was noted during our testwork over travel and per diem. During our testwork we noted that the incorrect mileage rate of \$0.56 was used for 1 out of 2 items when the approved mileage rate was \$0.575. We also noted that the incorrect mileage rate of \$0.56 was used for 1 out of 2 items when the approved mileage rate was \$0.54. See finding 2016-001 included in the Schedule of Findings and Responses.

7. Journal Entries

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

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

Results of Procedures 7(a) – 7(b)

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

8. Budget

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

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

Results of Procedures 8(a) – 8(c)

We reviewed budget and noted that it was approved by the Board and by DFA-LGP. One instance of noncompliance was noted as a result of performing the procedures described in 8(a) – 8(c). See Budget to Actual Schedule and related finding 2016-002 included in the Schedule of Findings and Responses.

9. Capital Outlay Appropriations

Request and review all state-funded capital outlay awards, joint powers agreements, correspondence and other relevant documentation for any capital outlay award funds expended by the recipient during the fiscal year.

Test all capital outlay expenditures during the fiscal year to:

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

Results of Procedures 9(a) – 9(i)

The District did not expend any capital outlay appropriations for the year ended June 30, 2016. Hence, procedures for Capital Outlay Appropriations are not applicable.

Other

If information comes to the IPA's attention (regardless of materiality) indicating any fraud, illegal acts, noncompliance, or any internal control deficiencies, such instances must be disclosed in the report as

required by Section 12-6-6 NMSA 1978. The findings must include the required content per Section 2.2.2.10(I)(3)(C) NMAC.

Results of Procedures - Other

See Schedule of Findings and Responses.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the District's financial reporting to the State Auditor as described above.

Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



Albuquerque, New Mexico
December 12, 2016

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, 2016

| | Budgeted Amount | | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|------------------|---------------------|---|
| | Original | Final | | |
| Operating revenues: | | | | |
| Water tolls | \$ 148,971 | 148,971 | 143,364 | (5,607) |
| Equipment and other charges | 46,000 | 46,000 | 73,008 | 27,008 |
| State operating grants | 20,000 | 20,000 | 16,925 | (3,075) |
| Federal operating grants | 110,000 | 110,000 | 110,000 | - |
| Total operating revenues | <u>324,971</u> | <u>324,971</u> | <u>343,297</u> | <u>18,326</u> |
| Operating expenses: | | | | |
| Ditches labor | 243,518 | 268,518 | 250,301 | 18,217 |
| Payroll tax expense | 20,000 | 45,000 | 45,858 | (858) |
| Secretary's salary | 25,000 | 25,000 | 26,779 | (1,779) |
| Ditches supplies and maintenance | 60,000 | 73,000 | 73,349 | (349) |
| Equipment supplies and maintenance | 70,000 | 70,000 | 62,203 | 7,797 |
| Insurance expense | 67,400 | 67,400 | 73,246 | (5,846) |
| Legal and accounting | 38,000 | 38,000 | 34,682 | 3,318 |
| Equipment purchases and capital expenditures | 15,000 | 35,000 | 34,491 | 509 |
| Other operating expense | 23,698 | 23,698 | 9,191 | 14,507 |
| Total operating expenses | <u>562,616</u> | <u>645,616</u> | <u>610,100</u> | <u>35,516</u> |
| Operating revenues (under) over expenses | <u>(237,645)</u> | <u>(320,645)</u> | <u>(266,803)</u> | <u>53,842</u> |
| Non-operating revenues: | | | | |
| Property taxes | 175,937 | 175,937 | 176,471 | 534 |
| Interest from delinquent taxes | 1,200 | 1,200 | 767 | (433) |
| Interest from investments | 2,500 | 2,500 | 1,192 | (1,308) |
| Sale of assets and other non-operating revenue | 15,000 | 15,000 | - | (15,000) |
| Total non-operating revenues | <u>194,637</u> | <u>194,637</u> | <u>178,430</u> | <u>(16,207)</u> |
| Operating revenues and non-operating revenues over (under) operating expenses and non-operating expenses | <u>(43,008)</u> | <u>(126,008)</u> | <u>(88,373)</u> | <u>37,635</u> |
| Net Change in Fund Balances | <u>\$ (43,008)</u> | <u>(126,008)</u> | <u>(88,373)</u> | <u>37,635</u> |
| Reconciliation to GAAP Basis: | | | | |
| Adjustments to Revenues | | | \$ 6,331 | |
| Adjustments to Expenditures | | | (55,550) | |
| NET CHANGE IN FUND BALANCE | | | <u>\$ (137,592)</u> | |

STATE OF NEW MEXICO
 FORT SUMNER IRRIGATION DISTRICT
 SINKING FUND
 STATEMENT OF REVENUES AND EXPENSES
 BUDGET AND ACTUAL (NON-GAAP BASIS)
 FOR THE YEAR ENDED JUNE 30, 2016

| | Budgeted Amount | | Actual | Variance with Final Budget Positive (Negative) |
|--|-----------------|------------|------------------|---|
| | Original | Final | | |
| Operating revenues: | | | | |
| Miscellaneous | \$ - | - | - | - |
| Total operating revenues | - | - | - | - |
| Operating expenses: | | | | |
| Operating expenses | 580 | 580 | 553 | 27 |
| Total operating expenses | 580 | 580 | 553 | 27 |
| Operating revenues under expenses | (580) | (580) | (553) | 27 |
| Non-operating revenues (expenses): | | | | |
| Property taxes | 55,026 | 55,026 | 55,143 | 117 |
| Interest from delinquent taxes | 350 | 350 | 242 | (108) |
| Interest from investments | - | - | - | - |
| Debt service | (54,543) | (54,543) | (81,800) | (27,257) |
| Total non-operating revenues (expenses) | 833 | 833 | (26,415) | (27,248) |
| Operating revenues and non-operating revenues over (under) operating expenses and non-operating expenses | 253 | 253 | (26,968) | (27,221) |
| Net Change in Fund Balances | \$ 253 | 253 | (26,968) | (27,221) |
| Reconciliation to GAAP Basis: | | | | |
| Adjustments to Revenues | | | \$ - | |
| Adjustments to Expenditures | | | 81,800 | |
| NET CHANGE IN FUND BALANCE | | | \$ 54,832 | |

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, 2016

| | Budgeted Amount | | Actual | Variance with Final Budget Positive (Negative) |
|--|-----------------|----------------|------------------|---|
| | Original | Final | | |
| Operating revenues: | | | | |
| Miscellaneous | \$ - | - | - | - |
| Total operating revenues | - | - | - | - |
| Operating expenses: | | | | |
| Operating expenses | 45,400 | 50,400 | 23,884 | 26,516 |
| Total operating expenses | 45,400 | 50,400 | 23,884 | 26,516 |
| Operating revenues under expenses | (45,400) | (50,400) | (23,884) | 26,516 |
| Non-operating revenues: | | | | |
| Property taxes | 45,482 | 45,482 | 45,563 | 81 |
| Total non-operating revenues | 45,482 | 45,482 | 45,563 | 81 |
| Operating revenues and non-operating revenues over (under) operating expenses and non-operating expenses | 82 | (4,918) | 21,679 | 26,597 |
| Net Change in Fund Balances | \$ 82 | (4,918) | 21,679 | 26,597 |
| Reconciliation to GAAP Basis: | | | | |
| Adjustments to Revenues | | | \$ - | |
| Adjustments to Expenditures | | | - | |
| NET CHANGE IN FUND BALANCE | | | \$ 21,679 | |

**FORT SUMNER IRRIGATION DISTRICT
FORT SUMNER, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2016**

| | <u>Status</u> | <u>Current Year Finding Number</u> |
|--|---------------|------------------------------------|
| Current Year Findings: | | |
| Travel and Per Diem | | 2016-001 |
| Budgetary Compliance (Other Matters) | | 2016-002 |
| Follow-up on Prior Year Findings: | | |
| Segregation of Accounting Duties | Repeated | 2006-001 |

**FORT SUMNER IRRIGATION DISTRICT
FORT SUMNER, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2016**

2006-001 – Segregation of Accounting Duties

Condition:

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

Criteria:

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

Effect:

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

Cause:

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

Recommendation:

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

Management's Response:

The District Directors understand the risk of having only one office employee, therefore, 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.

**FORT SUMNER IRRIGATION DISTRICT
FORT SUMNER, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2016**

2016-001 – Travel and Per Diem

Condition:

During our testwork over travel and per diem we noted that the incorrect mileage rate of \$0.56 was used for 1 out of 2 items when the approved mileage rate \$0.575. We also noted that the incorrect mileage rate of \$0.56 was used for 1 out of 2 items when the approved mileage rate was \$0.54.

Criteria:

24.2.2 NMAC and Section 10-8-1 NMSA 1978 Per Diem and Mileage Act set limits on State and Local Governments on travel related costs while conducting official government business.

Effect:

The District employee and board member were not reimbursed in accordance with the state statute.

Cause:

The District was not aware of the requirement of the Per Diem and Mileage Act.

Recommendation:

We recommend that the District ensure the employee reviewing per diem and mileage reimbursements are aware of the requirements of the Per Diem and Mileage Act. Additionally, the District should ensure all employees and board members are being reimbursed in compliance with the Per Diem and Mileage Act.

Management's Response:

The secretary will review the Per Diem and Mileage Act each January and present the new rates to the board so that employees and board members are reimbursed in compliance with the Act.

**FORT SUMNER IRRIGATION DISTRICT
FORT SUMNER, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2016**

2016-002 Budgetary Compliance (Other Matters)

Condition:

The District spent \$27,257 in excess of budgeted non-operating expenditures in the Sinking Fund, specifically related to the debt service.

Criteria:

NMSA 6-6-2 (J) requires management to supervise expenditures to ensure the budgeted amounts are not exceeded.

Effect:

The District did not adequately monitor expenditures in relation to the budget as required by New Mexico budgetary statutes.

Cause:

The District did not adequately budget for the debt service amount expended in the current year. Along with the \$54,543 of debt service that was due and payable and in the current fiscal year, the District made a payment in the amount of \$27,257 that was due in the prior year but paid in the current year, and did not budget for this amount.

Recommendation:

We recommend management monitor total expenditures and make adjustments to ensure actual expenditures are within budgeted amounts.

Management's Response:

The secretary will monitor total expenditures on a monthly basis, as recommended to ensure expenditures are within the budgeted amounts.

**FORT SUMNER IRRIGATION DISTRICT
FORT SUMNER, NEW MEXICO
EXIT CONFERENCE
JUNE 30, 2016**

Exit Conference

An exit conference was held on December 12, 2016. Attending were the following:

In attendance for the District:

Clifford Gunn, Director

Carole "Cammy" Mansell, Secretary

In attendance for Axiom

Chris Garner, Partner

Financial Statement Presentation

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

FORT SUMNER IRRIGATION DISTRICT

COMPILATION REPORT

June 30, 2016



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

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COMPILATION REPORT OF INDEPENDENT ACCOUNTANTS

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

We have compiled the accompanying balance sheet of Fort Sumner Irrigation District (the "District") as of June 30, 2016 and the related statement of revenues, expenses and changes in net position for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

The logo for Axiom, featuring the word "Axiom" in a stylized, cursive blue font.

Albuquerque, New Mexico
December 12, 2016

STATE OF NEW MEXICO
 FORT SUMNER IRRIGATION DISTRICT
 SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES REQUIRED
 BY ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES
 OF AMERICA ARE NOT INCLUDED
 STATEMENT OF NET POSITION
 June 30, 2016

| | <u>Maintenance</u> | <u>Sinking</u> | <u>Watermaster</u> | <u>Totals</u> |
|---------------------------------------|--------------------|----------------|--------------------|--------------------|
| <u>ASSETS</u> | | | | |
| Current Assets, Unrestricted: | | | | |
| Cash and cash equivalents | \$ 191,101 | - | - | 191,101 |
| Customer accounts receivable, net | 19,940 | - | - | 19,940 |
| Taxes receivable | 606 | - | - | 606 |
| Other receivables | 761 | - | - | 761 |
| Prepaid insurance | 2,907 | - | - | 2,907 |
| Total current unrestricted assets | <u>215,315</u> | <u>-</u> | <u>-</u> | <u>215,315</u> |
| Restricted current assets: | | | | |
| Cash and cash equivalents | - | 60,352 | 49,036 | 109,388 |
| Taxes receivable | - | 184 | 135 | 319 |
| Total current restricted assets | <u>-</u> | <u>60,536</u> | <u>49,171</u> | <u>109,707</u> |
| Capital assets not being depreciated: | | | | |
| Land | 500 | - | - | 500 |
| Right of ways | 4,871 | - | - | 4,871 |
| Capital assets being depreciated: | | | | |
| Building | 15,742 | - | - | 15,742 |
| Irrigation system | 2,994,917 | - | - | 2,994,917 |
| Machinery and equipment | 462,475 | - | - | 462,475 |
| Total Capital Assets | <u>3,478,505</u> | <u>-</u> | <u>-</u> | <u>3,478,505</u> |
| Less accumulated depreciation | <u>(3,130,138)</u> | <u>-</u> | <u>-</u> | <u>(3,130,138)</u> |
| Net capital assets | <u>348,367</u> | <u>-</u> | <u>-</u> | <u>348,367</u> |
| Total assets | <u>\$ 563,682</u> | <u>60,536</u> | <u>49,171</u> | <u>673,389</u> |

STATE OF NEW MEXICO
 FORT SUMNER IRRIGATION DISTRICT
 SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES REQUIRED
 BY ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES
 OF AMERICA ARE NOT INCLUDED
 STATEMENT OF NET POSITION
 June 30, 2016

| | <u>Maintenance</u> | <u>Sinking</u> | <u>Watermaster</u> | <u>Totals</u> |
|--|--------------------|------------------|--------------------|----------------|
| <u>LIABILITIES</u> | | | | |
| Current liabilities, payable from unrestricted assets: | | | | |
| Accounts payable | \$ 17,791 | - | - | 17,791 |
| Accrued salaries, wages and related payables | 11,753 | - | - | 11,753 |
| Accrued compensated absences | 2,678 | - | - | 2,678 |
| Total current liabilities payable from unrestricted assets | <u>32,222</u> | <u>-</u> | <u>-</u> | <u>32,222</u> |
| Current liabilities, payable from restricted assets: | | | | |
| Accounts payable | - | - | 10,261 | 10,261 |
| Current portion Bureau of Reclamation long-term debt | - | 54,533 | - | 54,533 |
| Total current liabilities | <u>32,222</u> | <u>54,533</u> | <u>10,261</u> | <u>97,016</u> |
| Noncurrent liabilities payable from restricted assets: | | | | |
| Long-term portion of Bureau of Reclamation debt | - | 352,296 | - | 352,296 |
| Total long-term liabilities payable from restricted assets | <u>-</u> | <u>352,296</u> | <u>-</u> | <u>352,296</u> |
| Total liabilities | <u>32,222</u> | <u>406,829</u> | <u>10,261</u> | <u>449,312</u> |
| <u>NET POSITION</u> | | | | |
| Net Invested in capital assets | 348,367 | (406,829) | - | (58,462) |
| Restricted for: | | | | |
| Debt Service | - | 60,536 | - | 60,536 |
| Unrestricted | 183,093 | - | 38,910 | 222,003 |
| Total net position | <u>531,460</u> | <u>(346,293)</u> | <u>38,910</u> | <u>224,077</u> |
| Total liabilities and net position | <u>\$ 563,682</u> | <u>60,536</u> | <u>49,171</u> | <u>673,389</u> |

STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES REQUIRED
BY ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES
OF AMERICA ARE NOT INCLUDED
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

| | <u>Maintenance</u> | <u>Sinking</u> | <u>Watermaster</u> | <u>Totals</u> |
|---|--------------------|------------------|--------------------|------------------|
| Operating revenues: | | | | |
| Charges for services: | | | | |
| Water tolls | \$ 149,695 | - | - | 149,695 |
| Equipment and other charges | 73,008 | - | - | 73,008 |
| Total charges for services | <u>222,703</u> | <u>-</u> | <u>-</u> | <u>222,703</u> |
| Other operating revenues: | | | | |
| State operating grants | 16,925 | - | - | 16,925 |
| Federal operating grants | 110,000 | - | - | 110,000 |
| Total other operating revenues | <u>126,925</u> | <u>-</u> | <u>-</u> | <u>126,925</u> |
| Total operating revenue | <u>349,628</u> | <u>-</u> | <u>-</u> | <u>349,628</u> |
| Operating expenses: | | | | |
| Ditches labor | 298,475 | - | - | 298,475 |
| Secretary's salary | 26,779 | - | - | 26,779 |
| Ditches supplies and maintenance | 73,349 | - | - | 73,349 |
| Equipment supplies and maintenance | 62,203 | - | - | 62,203 |
| Insurance expense | 73,246 | - | - | 73,246 |
| Legal and accounting | 34,682 | - | - | 34,682 |
| Water master contract | - | - | 23,428 | 23,428 |
| Depreciation | 53,234 | - | - | 53,234 |
| Other operating expense | 43,682 | 553 | 456 | 44,691 |
| Total operating expenses | <u>665,650</u> | <u>553</u> | <u>23,884</u> | <u>690,087</u> |
| Net Operating (loss) | <u>(316,022)</u> | <u>(553)</u> | <u>(23,884)</u> | <u>(340,459)</u> |
| Non-operating revenue (expenses): | | | | |
| Property taxes | 176,471 | 55,143 | 45,563 | 277,177 |
| Interest from delinquent taxes | 767 | 242 | - | 1,009 |
| Interest from investments | 1,192 | - | - | 1,192 |
| Total non-operating revenue (expenses) | <u>178,430</u> | <u>55,385</u> | <u>45,563</u> | <u>279,378</u> |
| Change in net position | <u>(137,592)</u> | <u>54,832</u> | <u>21,679</u> | <u>(61,081)</u> |
| Total net position, beginning of year | <u>669,052</u> | <u>(401,125)</u> | <u>17,231</u> | <u>285,158</u> |
| Total net position, end of year | <u>\$ 531,460</u> | <u>(346,293)</u> | <u>38,910</u> | <u>224,077</u> |

SEE COMPILATION REPORT OF INDEPENDENT ACCOUNTANTS

STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES REQUIRED
BY ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES
OF AMERICA ARE NOT INCLUDED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

| | <u>Maintenance</u> | <u>Sinking</u> | <u>Watermaster</u> | <u>Totals</u> |
|--|---------------------|-----------------|--------------------|------------------|
| Cash flows from operating activities: | | | | |
| Cash received from customers and others | \$ 216,372 | - | - | 216,372 |
| Cash received from operating grants | 126,925 | - | - | 126,925 |
| Cash paid to suppliers for goods and services | (287,267) | (553) | (23,884) | (311,704) |
| Cash paid to and on behalf of employees | (322,833) | - | - | (322,833) |
| Net cash flows from operating activities | <u>(266,803)</u> | <u>(553)</u> | <u>(23,884)</u> | <u>(291,240)</u> |
| Cash flows from noncapital financing activities: | | | | |
| Property tax received | 176,470 | 55,142 | 45,564 | 277,176 |
| Net cash flows from noncapital financing activities | <u>176,470</u> | <u>55,142</u> | <u>45,564</u> | <u>277,176</u> |
| Cash flows from capital and related financing activities: | | | | |
| Purchases of property, plant, and equipment | (34,491) | - | - | (34,491) |
| Principal payments | - | (81,800) | - | (81,800) |
| Net cash flows from capital and related financing activities | <u>(34,491)</u> | <u>(81,800)</u> | <u>-</u> | <u>(116,291)</u> |
| Cash flows from investing activities: | | | | |
| Interest received | 1,959 | 242 | - | 2,201 |
| Net cash flows from investing activities | <u>1,959</u> | <u>242</u> | <u>-</u> | <u>2,201</u> |
| Net (decrease) increase in cash and cash equivalents | (122,865) | (26,969) | 21,680 | (128,154) |
| Cash and cash equivalents, beginning of year | 313,966 | 87,321 | 27,356 | 428,643 |
| Cash and cash equivalents, end of year | <u>\$ 191,101</u> | <u>60,352</u> | <u>49,036</u> | <u>300,489</u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Operating loss | \$ (316,022) | (553) | (23,884) | (340,459) |
| Adjustments to reconcile operating income to net cash flows from operating activities | | | | |
| Depreciation | 53,234 | - | - | 53,234 |
| (Increase) decrease in operating assets: | | | | |
| Accounts receivable | (6,331) | - | - | (6,331) |
| Increase (decrease) in operating liabilities: | | | | |
| Accounts payable | (105) | - | - | (105) |
| Accrued expenses | 2,421 | - | - | 2,421 |
| Net cash flows from operating activities | <u>\$ (266,803)</u> | <u>(553)</u> | <u>(23,884)</u> | <u>(291,240)</u> |

**STATE OF NEW MEXICO
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JUNE 30, 2016
*SEE COMPILATION REPORT OF INDEPENDENT ACCOUNTANTS.***

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. PROGRAM OF THE DISTRICT

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

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 Position. The major funds are maintenance, sinking and watermaster. The maintenance fund is used for the general operations and maintenance of the district. The sinking fund is used to pay for the District's long-term debt and the watermaster fund is used to pay for the watermaster.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. REVENUE AND EXPENSE RECOGNITION

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

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

F. CASH AND CASH EQUIVALENTS

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

G. RECEIVABLES

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

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

H. CAPITAL ASSETS AND DEPRECIATION

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

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

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

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

The estimated useful lives are as follows:

Irrigation System:

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

I. UNPAID COMPENSATED ABSENCES

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

J. EQUITY CLASSIFICATIONS

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

Net investment in capital assets -This category reflects the portion or 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.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. OPERATING REVENUES AND EXPENSES

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

L. INTERFUND ACTIVITIES

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

M. EXPENDITURES OF RESTRICTED SOURCES

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

N. MANAGEMENT ESTIMATES AND ASSUMPTIONS

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGET

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

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

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.

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

A. BUDGET (CONTINUED)

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

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NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES / ACCOUNTS

A. CASH AND INVESTMENTS-COLLATERALIZATION

The District’s policies regarding deposits of cash are discussed in notes 11 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, 2016.

| | | |
|--|----|------------------|
| Total of deposits in bank | \$ | 333,943 |
| Less FDIC coverage | | <u>(250,000)</u> |
| Uninsured public funds | | 83,943 |
| Pledged Collateral held by the pledging banks trust department or agent but not in the District’s name | | <u>1,242,312</u> |
| Uninsured and uncollateralized | \$ | <u>-</u> |

The amount identified as uninsured \$83,943 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) | \$ | 333,943 |
| Less FDIC Insurance: | | |
| Demand Deposit | | <u>(250,000)</u> |
| Net uninsured balance | | <u>83,943</u> |
| Required Collateralization at 50% of uninsured, per statute | | 41,972 |
| Pledged Collateral held by the pledging bank’s trust department but not in the District’s name | | <u>1,242,312</u> |
| Pledged Collateral over (under) the requirement | \$ | <u>1,200,340</u> |

The District did not have any investments, as defined in GASB 40, at any time during the year ended June 30, 2016, and was therefore, not subject to investment risk as described in that publication.

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NOTE 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 \$22,115. 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 \$19,940.

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 | 6.13 |
| Total | \$ <u>42.00</u> |

At June 30, 2016 property taxes unpaid for prior years were as follows:

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

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

E.. OTHER RECEIVABLES

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

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

F. FORBEARANCE ACREAGE

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

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

G. CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2016, was as follows:

| | Balance at June 30, 2015 | Additions | Deletions | Balance at June 30, 2016 |
|---|--------------------------------|-----------|-----------|--------------------------------|
| Capital Assets: | | | | |
| Not being depreciated: | | | | |
| Land | \$ 500 | - | - | 500 |
| Water rights | 4,871 | - | - | 4,871 |
| Total Capital assets not being depreciated | 5,371 | - | - | 5,371 |
| Being depreciated: | | | | |
| Buildings | 15,742 | - | - | 15,742 |
| Irrigation systems | 2,994,917 | - | - | 2,994,917 |
| Machinery and equipment | 427,984 | 34,491 | - | 462,475 |
| Total Capital assets being depreciated | 3,438,643 | 34,491 | - | 3,473,134 |
| Less accumulated depreciation: | | | | |
| Buildings | (15,742) | - | - | (15,742) |
| Irrigation systems | (2,752,286) | (26,775) | - | (2,779,061) |
| Machinery and equipment | (308,876) | (26,459) | - | (335,335) |
| Total accumulated depreciation | (3,076,904) | (53,234) | - | (3,130,138) |
| Total capital assets being depreciated, net | 361,739 | (18,743) | - | 342,996 |
| Business-type capital assets, net | \$ 367,110 | (18,743) | - | 348,367 |

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
SELECTED INFORMATION – SUBSTANTIALLY ALL DISCLOSURES REQUIRED
BY ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES
OF AMERICA ARE NOT INCLUDED
JUNE 30, 2016
SEE COMPILATION REPORT OF INDEPENDENT ACCOUNTANTS.**

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

G. CAPITAL ASSETS (CONTINUED)

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.

NOTE 4. OTHER NOTES

A. ANNUAL AND SICK LEAVE

It is the Board's policy to grant annual leave and sick leave to District employees in accordance with the following 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 earned over to the following year, but if not taken by the end of that year it is lost. Unused annual leave is paid upon termination or retirement. Unused sick leave may be carried over for an unlimited period of time. Unused sick leave is forfeited upon termination or retirement. Unpaid annual leave at June 30, 2016 totaled \$2,678. Of the total amount \$2,678 is considered current and \$-0- is considered long-term debt.

**STATE OF NEW MEXICO
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JUNE 30, 2016
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NOTE 4. OTHER NOTES (CONTINUED)

B. LONG TERM LIABILITIES

The following schedule details the changes in long-term liabilities during the year ended June 30, 2016.

| | Balance June 30, 2015 | Increase | Decrease | Balance June 30, 2016 | Current Portion |
|----------------------|-----------------------------|----------|-----------------|-----------------------------|--------------------|
| Compensated Absences | \$ 2,678 | - | - | 2,678 | 2,678 |
| BOR Debt – See Below | 488,630 | - | (81,800) | 406,830 | 54,534 |
| | <u>\$ 491,308</u> | <u>-</u> | <u>(81,800)</u> | <u>409,508</u> | <u>57,212</u> |

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

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:

$$\begin{array}{r}
 \text{Base Charge} \quad (X) \\
 \$ \quad 31,162
 \end{array}
 \times
 \begin{array}{r}
 \text{National Agricultural} \\
 \text{Parity Ratio Year} \\
 \text{Preceding Year of Notice} \\
 .94 \\
 \text{(Long-term Parity Ratio)}
 \end{array}
 (X)
 \times
 \begin{array}{r}
 \text{Gross Crop} \\
 \text{Income Year} \\
 \text{Preceding Year of Notice} \\
 \$ \quad 642,000 \\
 \text{(Basic Gross Crop Value)}
 \end{array}
 = \text{Annual Payment}$$

The amount due on this obligation at June 30, 2016 was \$406,830 (the amount due at June 30, 2015 was \$488,630). Of that amount \$54,534 was considered current (payable within one year) and \$352,296 was considered long term. The principal paid during the year was \$81,800. Next year's installment is calculated by BOR to be \$54,534.

The amount reflected on long-term debt due after one year is made up of \$-0- in noncurrent compensated absences and \$352,296 in noncurrent BOR debt.

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
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JUNE 30, 2016
SEE COMPILATION REPORT OF INDEPENDENT ACCOUNTANTS.**

NOTE 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 30,2016, are as follows:

| Fiscal Year | Principal | Interest | Total |
|-------------|------------|----------|---------|
| 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 |
| 6/30/2021 | 54,533 | - | 54,533 |
| 2021-2022 | 134,163 | - | 134,163 |
| Total | \$ 406,830 | - | 406,830 |

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 \$59,994. 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.

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JUNE 30, 2016
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NOTE 4. OTHER NOTES (CONTINUED)

E. NET POSITION

There is a deficit in net position in the sinking fund of \$346,294 for the year ended June 30, 2016. 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, 2016, which is the date the financial statements were issued.

G. RELATED PARTY TRANSACTIONS

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

STAT OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)
FOR THE YEAR ENDED JUNE 30, 2016

| <i>Agency Number</i> | <i>Agency Name</i> | <i>Agency Type</i> | <i>RFB#/RFP# (If applicable)</i> | <i>Type of Procurement</i> | <i>Vendor Name</i> | <i>Did Vendor Win Contract?</i> | <i>\$ Amount of Awarded Contract</i> | <i>\$ Amount of Amended Contract</i> | <i>Physical address of vendor (City, State)</i> | <i>Did the Vendor provide documentation of eligibility for in-state preference?</i> | <i>Did the Vendor provide documentation of eligibility for veterans' preference?</i> | <i>Brief Description of the Scope of Work</i> | <i>If the procurement is attributable to a Component Unit, Name of Component Unit</i> |
|----------------------|---------------------------------|---------------------|----------------------------------|----------------------------|--------------------|---------------------------------|--------------------------------------|--------------------------------------|---|---|--|---|---|
| 4018 | Fort Sumner Irrigation District | Irrigation District | | | | | | | | | | The District did not enter into any new contract or award during this Fiscal year that exceeded \$60,000. | |