

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

Annual Financial Report

June 30, 2019



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

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

June 30, 2019

Official Roster

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Fort Sumner Irrigation District
and Mr. Brian Colón
New Mexico State Auditor

We have audited the accompanying financial statements of the business-type activities for Fort Sumner Irrigation District ("the District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 *Governmental 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 auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District'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 District'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 financial statement presentation.

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

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 as of June 30, 2019, and the respective changes in financial position and the cash flows thereof 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 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. 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 the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements, and other matters. The purpose of this 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 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 the District's internal control over financial reporting and compliance.

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

Albuquerque, New Mexico
December 16, 2019

STATE OF NEW MEXICO
 FORT SUMNER IRRIGATION DISTRICT
 Statement of Net Position
 June 30, 2019

	<u>Maintenance</u>	<u>Sinking</u>	<u>Watermaster</u>	<u>Totals</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 54,227	90,201	61,003	205,431
Customer accounts receivable, net	23,388	-	-	23,388
Taxes receivable	606	184	135	925
Other receivables	761	-	-	761
Prepaid insurance	2,907	-	-	2,907
<i>Total current assets</i>	<u>81,889</u>	<u>90,385</u>	<u>61,138</u>	<u>233,412</u>
Noncurrent assets				
Capital assets	3,465,153	-	-	3,465,153
Less: accumulated depreciation	(3,277,455)	-	-	(3,277,455)
<i>Total noncurrent assets</i>	<u>187,698</u>	<u>-</u>	<u>-</u>	<u>187,698</u>
Total assets	<u>\$ 269,587</u>	<u>90,385</u>	<u>61,138</u>	<u>421,110</u>
LIABILITIES				
Current liabilities				
Accounts payable	5,464	-	-	5,464
Accrued salaries, wages and related payables	3,903	-	-	3,903
Accrued compensated absences	5,336	-	-	5,336
Current portion Bureau of Reclamation debt	-	54,534	-	54,534
<i>Total current liabilities</i>	<u>14,703</u>	<u>54,534</u>	<u>-</u>	<u>69,237</u>
Noncurrent liabilities				
Long-term portion Bureau of Reclamation debt	-	215,961	-	215,961
<i>Total noncurrent liabilities</i>	<u>-</u>	<u>215,961</u>	<u>-</u>	<u>215,961</u>
Total liabilities	<u>14,703</u>	<u>270,495</u>	<u>-</u>	<u>285,198</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	187,698	-	-	187,698
Restricted for:				
Debt Service	-	90,385	-	90,385
Unrestricted	67,186	(270,495)	61,138	(142,171)
Total net position (deficit)	<u>254,884</u>	<u>(180,110)</u>	<u>61,138</u>	<u>135,912</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
Statement of Revenues and Expenses
and Changes in Net Position
For the Year Ended June 30, 2019**

	<u>Maintenance</u>	<u>Sinking</u>	<u>Watermaster</u>	<u>Totals</u>
Operating revenue				
Charges for services:				
Water tolls	\$ 181,988	-	-	181,988
Equipment and other charges	16,154	-	-	16,154
<i>Total charges for services</i>	<u>198,142</u>	<u>-</u>	<u>-</u>	<u>198,142</u>
Other operating revenues:				
State operating grants	32,145	-	-	32,145
Federal operating grants	110,000	-	-	110,000
Insurance reimbursements	-	-	-	-
<i>Total other operating revenues</i>	<u>142,145</u>	<u>-</u>	<u>-</u>	<u>142,145</u>
Total operating revenue	<u>340,287</u>	<u>-</u>	<u>-</u>	<u>340,287</u>
Operating expenses				
Ditches labor	278,578	-	-	278,578
Secretary's salary	33,648	-	-	33,648
Ditches supplies and maintenance	30,657	-	-	30,657
Equipment supplies and maintenance	63,622	-	-	63,622
Insurance expense	57,810	-	-	57,810
Legal and accounting	41,313	-	-	41,313
Water master contract	-	-	28,319	28,319
Depreciation	53,349	-	-	53,349
Other operating expense	48,896	550	325	49,771
Total operating expenses	<u>607,873</u>	<u>550</u>	<u>28,644</u>	<u>637,067</u>
Operating loss	<u>(267,586)</u>	<u>(550)</u>	<u>(28,644)</u>	<u>(296,780)</u>
Non-operating revenue (expenses):				
Property taxes	188,421	54,852	32,450	275,723
Interest from delinquent taxes	551	174	-	725
Interest from investments	753	-	-	753
Total non-operating revenue (expenses)	<u>189,725</u>	<u>55,026</u>	<u>32,450</u>	<u>277,201</u>
Change in net position	<u>(77,861)</u>	<u>54,476</u>	<u>3,806</u>	<u>(19,579)</u>
Total net position (deficit), beginning of year	<u>332,745</u>	<u>(234,586)</u>	<u>57,332</u>	<u>155,491</u>
Total net position (deficit), end of year	<u>\$ 254,884</u>	<u>(180,110)</u>	<u>61,138</u>	<u>135,912</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
Statement of Cash Flows
Year Ended June 30, 2019

	<u>Maintenance</u>	<u>Sinking</u>	<u>Watermaster</u>	<u>Totals</u>
Cash flows from operating activities:				
Cash received from customers and others	\$ 190,208	-	-	190,208
Cash received from operating grants	142,145	-	-	142,145
Cash paid to suppliers for goods and services	(254,699)	(550)	(28,644)	(283,893)
Cash paid to and on behalf of employees	(322,970)	-	-	(322,970)
Net cash flows used by operating activities:	<u>(245,316)</u>	<u>(550)</u>	<u>(28,644)</u>	<u>(274,510)</u>
Cash flows from noncapital financing activities:				
Property tax received	188,421	54,852	32,450	275,723
Net cash flows provided by noncapital financing activities:	<u>188,421</u>	<u>54,852</u>	<u>32,450</u>	<u>275,723</u>
Cash flows from capital and related financing activities:				
Purchases of property, plant, and equipment	-	-	-	-
Cash received from sale of assets	-	-	-	-
Principal payments	-	(54,534)	-	(54,534)
Net cash flows used by capital and related financing activities:	<u>-</u>	<u>(54,534)</u>	<u>-</u>	<u>(54,534)</u>
Cash flows from investing activities:				
Interest received	1,304	174	-	1,478
Net cash flows provided by investing activities:	<u>1,304</u>	<u>174</u>	<u>-</u>	<u>1,478</u>
Net (decrease) increase in cash and cash equivalents	(55,591)	(58)	3,806	(51,843)
Cash and cash equivalents, beginning of year	109,818	90,259	57,197	257,274
Cash and cash equivalents, end of year	<u>\$ 54,227</u>	<u>90,201</u>	<u>61,003</u>	<u>205,431</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Interest from delinquent taxes				
Operating loss	\$ (267,586)	(550)	(28,644)	(296,780)
Adjustments to reconcile operating income to net cash flows from operating activities				
Depreciation	53,349	-	-	53,349
(Increase) decrease in operating assets:				
Accounts receivable	(7,934)	-	-	(7,934)
(Increase) decrease in operating liabilities:				
Accounts payable	(12,401)	-	-	(12,401)
Accrued expenses	(10,744)	-	-	(10,744)
Net cash flows used by operating activities	<u>\$ (245,316)</u>	<u>(550)</u>	<u>(28,644)</u>	<u>(274,510)</u>

The accompanying notes are an integral part of these financial statements: 6

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
Notes to the Financial Statements
June 30, 2019**

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 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 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.

During fiscal year 2017, GASB Statement No. 77, Tax Abatement Disclosures, became effective. The District does not have any agreements that require disclosure under the standards.

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. The 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.

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
Notes to the Financial Statements
June 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (continued)

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.

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.

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
Notes to the Financial Statements
June 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
Notes to the Financial Statements
June 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
Notes to the Financial Statements
June 30, 2019**

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.

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.

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

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
Notes to the Financial Statements
June 30, 2019**

NOTE 3. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Cash and Investments – Collateralization

The District’s policies regarding deposits of cash are discussed in Note 1. 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)	\$ 230,612
Less FDIC Insurance: Demand Deposit	<u>(230,612)</u>
Net uninsured balance	<u>-</u>
Pledged Collateral held by the pledging bank’s trust department but not in the District’s name	 <u>1,657,834</u>
Pledged Collateral over (under) the requirement	 <u>\$ 1,657,834</u>

Reconciliation to the Statement of Net Position

<u>Citizens Bank of Clovis</u>	
Cash and cash equivalents	\$ 205,431
Add: outstanding checks	<u>25,181</u>
Bank balance of deposits	<u>\$ 230,612</u>

Credit risk 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. The District’s deposits of \$230,612 were not exposed to custodial credit risk.

The District did not have any investments, as defined in GASB 40, at any time during the year ended June 30, 2019, and was therefore, not subject to investment risk as described in that publication.

B. Restricted Assets

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

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 \$25,563. 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 \$23,388.

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.

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
Notes to the Financial Statements
June 30, 2019**

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

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	\$ 28.71
Sinking	8.36
Watermaster	4.93
Total	\$ <u>42.00</u>

At June 30, 2019 property taxes unpaid for prior years were as follows:

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

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.

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
Notes to the Financial Statements
June 30, 2019**

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

G. Capital Assets

Capital Asset activity for the year ended June 30, 2019, was as follows:

	Balance at June 30, 2018	Additions	Deletions	Balance at June 30, 2019
Capital Assets:				
Not being depreciated:				
Land	\$ 500	-	-	500
Water rights	4,871	-	-	4,871
Total Capital assets not being depreciated	<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	449,123	-	-	449,123
Total Capital assets being depreciated	<u>3,459,782</u>	<u>-</u>	<u>-</u>	<u>3,459,782</u>
Less accumulated depreciation:				
Buildings	(15,742)	-	-	(15,742)
Irrigation systems	(2,833,036)	(26,830)	-	(2,859,866)
Machinery and equipment	(375,328)	(26,519)	-	(401,847)
Total accumulated depreciation	<u>(3,224,106)</u>	<u>(53,349)</u>	<u>-</u>	<u>(3,277,455)</u>
Total capital assets being depreciated, net	<u>235,676</u>	<u>(53,349)</u>	<u>-</u>	<u>182,327</u>
Business-type capital assets, net	<u>\$ 241,047</u>	<u>(53,555)</u>	<u>-</u>	<u>187,698</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 the Financial Statements
June 30, 2019**

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:

	<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, 2019 totaled \$5,336. Of the total amount \$5,336 is considered current and \$0 is considered long-term debt.

B. Long-Term Liabilities

The following schedule details the changes in long-term liabilities during the year ended June 30, 2019.

	Balance June 30, 2018	Increase	Decrease	Balance June 30, 2019	Current Portion
Compensated Absences	\$ 3,066	6,948	(4,678)	5,336	5,336
BOR Debt – See Below	325,029	-	(54,534)	270,495	54,534
	<u>\$ 328,095</u>	<u>6,948</u>	<u>(59,212)</u>	<u>275,831</u>	<u>57,600</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.

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
Notes to the Financial Statements
June 30, 2019**

NOTE 4. OTHER NOTES (CONTINUED)

B. Long-Term Liabilities (continued)

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:

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

The amount due on this obligation at June 30, 2019 was \$270,495 (the amount due at June 30, 2018 was \$325,029). Of that amount \$54,534 was considered current (payable within one year) and \$215,961 was considered long term. The principal paid during the year was \$54,534. Next year's installment is calculated by BOR to be \$54,534.

The annual requirements to amortize the long term debt using the maximum payments for the year ended June 30:

Fiscal Year	Principal	Interest	Total
6/30/2020	54,534	-	54,534
6/30/2021	54,534	-	54,534
6/30/2022	54,534	-	54,534
6/30/2023	54,534	-	54,534
6/30/2024	52,359	-	52,359
Total	\$ 270,495	-	270,495

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.

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
Notes to the Financial Statements
June 30, 2019**

NOTE 4. OTHER NOTES (CONTINUED)

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 \$57,810. If the District's losses exceed its premiums, there is no supplemental assessment; on the other hand, if the District's losses are low, they will not receive a refund. Therefore, except for deductible amounts, risk has been transferred to the insurance carrier.

E. Net Position

There is a deficit in net position in the sinking fund of \$180,110 as of June 30, 2019. The deficit is the result of unfunded long term debt.

F. Subsequent Events Review

Fort Sumner Irrigation District has evaluated subsequent events through December 16, 2019 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.

**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, 2018**

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Water tolls	\$ 148,971	148,971	181,988	33,017
Equipment and other charges	8,500	8,500	3,328	(5,172)
State operating grants	25,000	25,000	10,358	(14,642)
Federal operating grants	130,000	130,000	142,145	12,145
Miscellaneous	10,000	10,000	2,468	(7,532)
Total operating revenues	<u>322,471</u>	<u>322,471</u>	<u>340,287</u>	<u>17,816</u>
Operating expenses:				
Supplies Ditches	55,000	55,000	30,657	24,343
Supplies Equipment	57,000	57,000	63,422	(6,422)
Labor	261,210	311,210	277,508	33,702
Secretary	31,383	31,383	33,648	(2,265)
Directors	390	390	357	33
Utilities	12,000	12,000	30,626	(18,626)
Bond Premium	300	300	-	300
Office Supplies	300	300	200	100
Travel	500	500	378	122
Election	900	900	524	376
Legal & Audit	26,200	26,200	41,313	(15,113)
Insurance	50,900	50,900	57,810	(6,910)
Payroll Tax Expense	22,383	22,383	25,276	(2,893)
Unemployment Tax	10,000	10,000	4,607	5,393
Equipment Purchase & Capital Expenditures	5,000	5,000	8,790	(3,790)
1% Administrative Fee	1,908	1,908	1,889	19
Office Rent	2,400	2,400	2,400	-
Total operating expenses	<u>537,774</u>	<u>587,774</u>	<u>579,405</u>	<u>8,369</u>
Operating revenues (under) over expenses	<u>(215,303)</u>	<u>(265,303)</u>	<u>(239,118)</u>	<u>26,185</u>
Non-operating revenues:				
Property taxes	175,937	189,256	188,421	(835)
Interest from delinquent taxes	1,200	1,200	551	(649)
Interest from investments	2,500	2,500	753	(1,747)
Sale of assets and other non-operating revenue	5,000	5,000	-	(5,000)
Total non-operating revenues	<u>184,637</u>	<u>197,956</u>	<u>189,725</u>	<u>(8,231)</u>
Operating revenues and non-operating revenues over (under) operating expenses and non-operating expenses	<u>(30,666)</u>	<u>(67,347)</u>	<u>(49,393)</u>	<u>17,954</u>
Net Change in Fund Balances	<u>\$ (30,666)</u>	<u>(67,347)</u>	<u>(49,393)</u>	<u>17,954</u>
Reconciliation to GAAP Basis:				
Adjustments to Revenues			28,594	
Adjustments to Expenditures			(57,062)	
NET CHANGE IN FUND BALANCE			<u>\$ (77,861)</u>	

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, 2018**

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Miscellaneous	\$ -	-	-	-
Total operating revenues	-	-	-	-
Operating expenses:				
Operating expenses	580	580	550	30
Total operating expenses	580	580	550	30
Operating revenues under expenses	(580)	(580)	(550)	30
Non-operating revenues (expenses):				
Property taxes	55,026	55,026	54,852	(174)
Interest from delinquent taxes	350	350	174	(176)
Total non-operating revenues (expenses)	55,376	55,376	55,026	(350)
Operating revenues and non-operating revenues over (under) operating expenses and non-operating expenses	54,796	54,796	54,476	(320)
Net Change in Fund Balances	\$ 54,796	54,796	54,476	(320)
Reconciliation to GAAP Basis:				
Adjustments to Revenues			\$ -	
Adjustments to Expenditures			-	
NET CHANGE IN FUND BALANCE			\$ 54,476	

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, 2017**

	Budgeted Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Miscellaneous	\$ -	-	-	-
Total operating revenues	-	-	-	-
Operating expenses:				
Operating expenses	37,019	37,019	28,724	8,295
Total operating expenses	37,019	37,019	28,724	8,295
Operating revenues under expenses	(37,019)	(37,019)	(28,724)	8,295
Non-operating revenues:				
Property taxes	40,019	40,019	32,436	(7,583)
Total non-operating revenues	40,019	40,019	32,436	(7,583)
Operating revenues and non-operating revenues over (under) operating expenses and non-operating expenses	3,000	3,000	3,712	712
Net Change in Fund Balances	\$ 3,000	3,000	3,712	712
Reconciliation to GAAP Basis:				
Adjustments to Revenues			\$ -	
Adjustments to Expenditures			94	
NET CHANGE IN FUND BALANCE			\$ 3,806	

The accompanying notes are an integral part of these financial statements

**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***

To the Board of Directors
Fort Sumner Irrigation District
and
Mr. Brian Colón
New Mexico State Auditor

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 of the Fort Sumner Irrigation District (the “District”) as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 16, 2019.

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 entity’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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* as item 2019-001 in the schedule of findings and responses.

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 responses. 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 entity'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.



Albuquerque, New Mexico
December 16, 2019

**STATE OF NEW MEXICO
 FORT SUMNER IRRIGATION DISTRICT
 Schedule of Findings and Responses
 June 30, 2019**

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency identified that are not considered to be material weakness(es)? X Yes None Reported

Non-compliance material to financial statements noted? Yes X No

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
Schedule of Findings and responses
June 30, 2019**

B. Financial Statement Findings

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

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.

The District has not made much progress in correcting this issue during the current year, as funding is not available to employ more office employees and segregate accounting duties. However, the District Directors have continued to review all fiscal records to help mitigate risk. Additionally, the District has elected to refrain from posting manual journal entries during the year, until reviewed or provided by the auditors.

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 RESPONSE: The District Directors understand the risk of having only one office employee, therefore, beginning January 1, 2020, the Board will continue to review the fiscal records on a routine basis, including the approval of budgets, the review and signing of all checks, review of bank reconciliations, and will consider the use of an independent service for the monthly posting of the accounting records and customer billing and receivables.

PERSON RESPONSIBLE: District's Secretary and Directors

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
Schedule of Findings and Responses
June 30, 2019**

2019-001: INTERNAL CONTROLS OVER FUEL CARDS (Other Non-Compliance)

CONDITION: Based on our review of fuel card expenditures, we noted the following:

- In 7 out of 7 fuel card statements reviewed, the District did not have support available to determine if fuel purchases were in compliance with NMAC 1.5.4.9 and NMAC 1.5.4.12 for a total amount of \$14,808.

CRITERIA: Per NMAC 1.5.4.9, vehicle operators are responsible for insuring that invoices or tickets issued by service station attendants bear the vehicle license number, make of vehicle, year and model. They are also responsible for insuring that purchases of fuel are made at the best obtainable price. Independent services stations and self-service pumps shall be used when at all possible. Additionally, NMAC 1.5.4.12 states that State of New Mexico credit cards shall be used only for official business and only to furnish state-owned vehicles with:

- A. regular gasoline;
- B. unleaded gasoline;
- C. diesel fuel;
- D. lubrication;
- E. motor oil;
- F. car wash; and
- G. emergency purchases not exceeding \$100.00 in total.

EFFECT: The District is not in compliance with New Mexico State Statutes in regards to fuel card purchases.

CAUSE: The District does not have proper oversight over fuel card purchases.

RECOMMENDATION: The District should implement procedures to ensure the District keeps a record of receipts for all fuel purchases.

MANAGEMENT RESPONSE: The District will make sure to request the receipts from each employee as well as request the vendor to provide a more detailed report of all purchases. The District will begin to implement the policies and procedures and hold employees accountable for submitting receipts beginning January 1, 2020.

PERSON RESPONSIBLE: District's Secretary and Directors

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
Schedule of Findings and Responses
June 30, 2019**

C. PRIOR YEAR FINDINGS

2006-001 Segregation of Accounting Duties (Significant Deficiency) – Repeated

**STATE OF NEW MEXICO
FORT SUMNER IRRIGATION DISTRICT
Exit Conference
June 30, 2019**

EXIT CONFERENCE

An exit conference was held on December 16, 2019, and the contents of this report were discussed. In attendance were the following:

Fort Sumner Irrigation District

Clifford Kenyon, President
Carole "Cammy" Mansell, Secretary

Axiom Certified Public Accountants and Business Advisors LLC

Jaime Rumbaoa, CPA - Partner

Financial Statement Preparation

The Fort Sumner Irrigation District's financial statements were prepared substantially by the independent auditor, Axiom Certified Public Accountants and Business Advisors LLC. However, the financial statements are the responsibility of management.