

REPORT ON ASSOCIATION APPLICATION

FOON ROAD SPRINKLER IRRIGATION CORPORATION Teton County, Idaho

I SUMMARY

The purpose of this loan is to provide funds to install a control structure and a buried steel pipeline to carry irrigation water under gravity pressure to operate the individual sprinkler systems on four farms near Briggs, Idaho. The estimated cash cost of the complete pipeline system is \$43,000. A loan in the amount of \$23,500. will be needed. The mailing address of the corporation is Briggs, Idaho.

II ELIGIBILITY

- A. The association is engaged primarily in extending services directly related to soil conservation, water development, conservation, and use of farm land. All members of the association are farmers.
- B. The association is unable to obtain the needed funds from banks or other commercial lending institutions on reasonable terms and conditions. They have contacted local banks, insurance companies and other private lending sources without success. They are unable to finance the proposed facilities by member contributions or assessments.
- C. The sprinkler corporation is organized as a non-profit mutual canal and irrigation corporation under the laws of the State of Idaho.

The association will obtain its income for conducting business from annual assessments levied against each share of stock held by the members.

They will use short term credit from local banks to cover costs of current expenditures, whenever it is found to be necessary. They plan to maintain a small cash reserve fund for emergency repairs or maintenance.

The stockholders receive due notice of annual assessments, which must be paid in full within thirty days or the water will be turned off. Delinquent accounts must be paid within twenty days from publication notice date or the shares of stock are subject to sale to other qualified stockholders of the corporation. The corporation has just recently been organized, therefore, has no history concerning the repayment of debts and accounts payable when due. They will use an annual budget for estimating expenditures and for setting charges to produce the necessary revenues.

- D. The corporation is managed by a board of directors of four members elected annually for terms of one year.

The 1964 Board of Directors are:

Boyd Moulton	- President - Director
Stan Nelson	- Director
Merle Kuns	- Director
Walter Atkinson	- Director

They serve without compensation, however, the By-Laws of the corporation provide that they may receive compensation as may be fixed by the stockholders at the annual meeting.

An annual stockholder's meeting is held the second Monday of March of each year.

Special meetings of the stockholders may be called at any time by the concurrence of at least five percent (5%) of the outstanding shares of stock or by at least three members of the board of directors.

All of the stockholders believe that the services to be rendered by the corporation will be satisfactory and the cost of the service is reasonable and within their ability to pay. They are all in favor of obtaining the loan from the Farmers Home Administration to install the pipeline system.

III ABILITY OF ASSOCIATION TO PAY

"Exhibit A" of this report contains a summary of the operations of some typical farmers in the area for the 1964 crop year. The Feasibility Report, marked "Exhibit B", prepared by the Soil Conservation Service, reflects the advantages which will be gained by the installation of the new system. We concur in their opinion as to the feasibility of the project as outlined in their report.

The benefits expected from the new system appear to be very favorable and would indicate that the increased yields of better quality crops, elimination of soil erosion, water and soil nutrient conservation, weed control and more efficient farming operation will undoubtedly provide sufficient additional income to assure the ability of the association to repay the loan.

IV SECURITY

A first lien will be taken on all mortgageable property owned by the association, including the pipeline, control structures and real property owned by the association.

A first lien will also be taken on the association's interest in all easements and rights-of-ways necessary for the proper operation of the system. Also that portion of the annual assessments necessary for the repayment of the FHA loan, will be pledged for that particular purpose.

The estimated useful life of the new pipeline system is approximately thirty years, which is considerably in excess of the time scheduled for repayment of the loan.

V EXISTING FACILITIES

The present facilities consist of an open ditch canal system from the diversion point on Fox Creek to delivery points at or near to the individual farm properties. It is quite inadequate because of seepage and lack of control and measuring devices, resulting in its inability to deliver an adequate proportion of the available water to the farm locations.

The upper part of the existing facilities, and part of the present rights-of-ways will be used in the proposed new system.

VI PROPOSED FACILITIES

The new facility will include a new inlet structure of the pipeline system. The pipeline system will consist of a main line and laterals of twelve gage steel pipe with a total length of approximately 22,000 feet to reach the farm properties. The inlet structure of the pipeline is at an adequate elevation to produce the proper pressure (gravity) for operating the sprinkler systems on the individual farms.

The size of the pipeline varies from 16 inch diameter at the upper end of the main-line to 12 inch diameter pipe at the end of the several lateral pipelines of the system.

Adequate valves are installed in the pipeline to allow connections for individual sprinkler laterals for each forty acres of land irrigated. The estimated cost of the entire system is \$13,000.

The irrigation system is being installed under the supervision of the Soil Conservation Service engineers and appears to be quite satisfactory.

VII WATER SUPPLY

The water supply used by the Rock Road Sprinkler Irrigation Corporation is owned by the Fox Creek Canal Company. The water right consists of 215 inches of decreed water from Fox Creek with priorities from 1889 to 1898. In addition thereto, Fox Creek Canal Company filed for supplemental water for its users out of Fox Creek with priority of January 22, 1916; which water right decreed an appropriation of approximately one inch per acre for all real property under the Fox Creek Canal Company. The evidence of these water rights are recorded and filed in the office of the County Recorder of Teton County, Idaho.

The water supply is usually adequate for a full demand until about July 15th in years of normal precipitation conditions and a proportionately reduced amount of water delivered for the balance of the irrigation season when the stream flow diminishes. The installation of the new pipeline system will increase the amount of water actually delivered to the farm sites. The annual requirements for irrigation water in this area is about 2½ acre feet per acre.

There is no indication that the water rights would be subject to legal action by other water users.

VIII PROPERTY RIGHTS

The necessary rights-of-ways will be obtained by easements.
(See VIII of Exhibit C)

IX COST ESTIMATE

Cost of system as per bid	\$41,090.00
Attorney fees	250.00
Contingencies	<u>1,660.00</u>
TOTAL COST	\$43,000.00
Deduct ASCS Contribution	<u>-19,500.00</u>
TOTAL AMOUNT OF LOAN NEEDED	\$23,500.00

X ANNUAL OPERATING COST

Estimated annual operating cost after the new facilities have been installed.

Annual Assessment to Fox Creek Canal Company	\$ 123.30
Estimated repairs and maintenance to the gravity flow system	100.00
Secretarial expenses - Stationary, Stamps, etc.	50.00
Annual Surety Bond of Treasurer	25.00
Repayment of loan to FUA on 20-year depreciation plus annual interest on said loan of 5%	<u>2,250.00</u>
TOTAL ANNUAL OPERATING COST	\$ 2,548.30

$\$2,548.00 \div 412 = \6.20 Annual Assessment per share of stock

XI MAP

The project maps marked "Exhibit D" were prepared by the Soil Conservation Service technicians and indicate the site of the proposed irrigation system and also the location of the farm land to be irrigated.

XII RECOMMENDATIONS

- A. A loan in the amount of \$23,500. is recommended. The loan funds will be made available in one advance at the time of loan closing.
- B. The loan will be scheduled for repayment in twenty-one annual installments. The first installment will be scheduled for the payment of interest only as the borrower will not receive full benefit of the system the first year of the loan. The due date for payment of the first installment will be June 1, 1965. The necessity of the change in date of payment from January 1 to June 1 is requested on account of the fact that annual assessments levied by the company are usually not received from the members until just prior to the beginning of the irrigation season.

The second and each succeeding installment will include payment of principal and interest due on the loan, and will be due and payable on June 1st. of each year until the total indebtedness, including both principal and interest have been repaid in full. Payment of principal amount amortized over a period of twenty years (.08024).

- C. A first lien will be taken on all mortgageable property owned by the corporation. In addition, a first lien will be taken on their interest in all easements, rights-of-ways and permits necessary for the installation and operation of the proposed irrigation system.

That portion of the annual assessments necessary for the repayment of the loan will be pledged to the government for that particular purpose.

- D. Adequate property and liability insurance to meet FHA requirements will be furnished to cover any real estate or equipment owned by the company.
- E. No changes in business or organization practices are anticipated at the present time.
- F. A fidelity bond in the amount of \$3,000. will be furnished to cover the position of the person or persons entrusted with the custody of company funds.

July 16, 1964

Elwood G. Thueson, County Supervisor